FINEMARK HOLDINGS, INC.

FineMark Holdings, Inc. Reports Fourth Quarter 2023 Net Income of $535 thousand ($0.04 per share) and Full-Year 2023 Net Income of $5.1 million ($0.43 per share)

Fourth Quarter and Full-Year 2023 Results:

Interest income:	Net loan growth:	Trust asset growth:
Q4 2023 $39.5 million 2023 $138.5 million	Q4 2023 6% (annualized) 2023 12%	Q4 2023 28% (annualized) 2023 15%

Consolidated Results

Net interest income:
- Q4 2023 $11.1 million
- 2023 $49.9 million

Return on avg assets:
- Q4 2023 .05%
- 2023 .13%

Return on avg equity:
- Q4 2023 .77%
- 2023 1.85%

Total risk-based capital ratio of 17.74%

Banking

Loans growth (net):
- Q4 2023 $37 million
- 2023 $266 million

Deposit growth:
- Q4 2023 $113 million
- 2023 $74 million

9.0% annual increase in relationships (households)

Non-performing loan ratio of .07%

Trust & Investments

7.7% annual increase in relationships (households)

15.0% annual increase in assets under administration

11.9% annual increase in fees
- Q4 2023 fees of $7.8 million
- 2023 fees of $29.8 million

Joseph R. Catti, Chairman & CEO commented on the quarter and the year:

In 2023, we maintained an unwavering focus on our associates and our clients, which we also believe results in significant long-term shareholder value. Our 272 remarkable professionals prioritized addressing our clients' needs and overcoming challenges. Thanks to their efforts and the steadfast support of our loyal clients, we welcomed 990 new households as clients of the bank in 2023. Additionally, we fortified the balance sheet with an emphasis on liquidity, ensuring stability across various economic conditions. All of this was accomplished while navigating an unprecedented interest rate environment as the Federal Reserve continued its efforts to reduce inflation.

Strong growth in Assets Under Administration ("AUA") continued as our attention to exceptional service resulted in expanded relationships with existing clients and attracted new clients primarily in Florida, Arizona, South Carolina, and Texas. AUA increased by 15% in 2023 and now exceeds $6.8 billion. Trust fees were a record $29.8 million in 2023, marking a 12% increase from 2022. Our ability to add clients and AUA indicates a significant opportunity to expand our market share, despite continued volatility in the industry.

In 2023, interest income was a record-high of $138.5 million, marking a 48.4% increase compared to 2022. This notable growth was driven by the 12% expansion of our loan portfolio and higher asset yields from new loan originations and the repricing of variable-rate loans. However, as I cautioned in my year-end 2022 remarks, the rate environment created substantial interest expense headwinds that offset the increase in interest income. Consequently, net interest income decreased to $49.9 million in 2023, down from $69.9 million in 2022. While we cannot predict the timing, we are confident this trend will reverse itself once the Federal Reserve begins to lower rates.

Non-interest expenses also increased as we continued to invest in personnel and technology to meet the service standards our clients have grown accustomed to. We consider these investments vital to our success, allowing us to consistently deliver a unique service that cultivates loyalty among our clients. The credit for our success in this goes entirely to our exceptionally talented associates, who consistently deliver outstanding service and innovative solutions. We remain committed to maintaining and supporting our people.

We maintain a cautious optimism regarding the improvement of our financial performance in upcoming quarters. The moderation of increases in both interest and non-interest expenses, coupled with the continued growth in yields on our loans and securities portfolio, is expected to contribute to this positive trend. Our mission to create long-term shareholder value remains steadfast, focusing on our existing clients and growing our client base, maintaining a conservative credit culture, and upholding a financing structure that ensures continued success.

Net Interest Income & Margin

In March 2022, the Federal Open Market Committee ("FOMC") initiated a series of eleven rate increases, totaling 525 basis points, with the aim of curbing inflation. These rate hikes have impacted FineMark's primary revenue source, net interest income, by elevating yields on investments and loans (asset yields) and escalating the cost of funding through deposits and borrowings (funding costs). The advantage of higher asset yields, which typically rise gradually, has been counteracted by increased funding costs as clients pursued higher rates on their deposits and the cost of the Bank's debt rose. As a result of this dynamic, the cost of funds at the Bank increased from 0.73% in 2022 to 2.5% in 2023.

In the fourth quarter and the entire year of 2023, FineMark's net interest income reached $11.1 million and $49.9 million, respectively. This reflects a 30% decrease compared to Q4 2022 and a 29% decrease compared to the full year of 2022. The Bank's net interest margin also declined to 1.15% in Q4 2023 and 1.37% for the entire year, down from 1.90% for Q4 2022 and 2.11% for 2022.

FineMark anticipates that the rate of increase in funding costs should ease in 2024, while asset yields continue to rise, potentially benefiting net interest income, and net interest margin.

Non-Interest Income

In the fourth quarter and the entire year of 2023, non-interest income increased to $8.8 million and $34.5 million, respectively. This represents a 22.2% increase compared to Q4 2022 and a 5.3% increase compared to the full year of 2022. The primary driver of this growth was the continued expansion of the trust and investment business, which increased assets under management and administration to $6.8 billion on December 31, 2023, marking a 15% increase from $5.9 billion on December 31, 2022. This led to a growth in investment management and trust fees, which reached $7.8 million in Q4 2023 and $29.8 million for the full year, representing a 22.5% increase quarter-over-quarter and an 11.9% increase year-over-year.

Non-Interest Expense

Sustained investments in personnel, technology, and facilities, coupled with a rise in regulatory expenses, led to elevated non-interest expenses of $20.1 million for the quarter ending December 31, 2023, and $77.9 million for the entire year. This reflects an 11.7% increase quarter-over-quarter and a 9.2% increase year-over-year. Much of the increase in non-interest expenses can be attributed to the hiring of additional associates to preserve the exceptional service that sets FineMark apart.

Balance Sheet Highlights

Despite rising interest rates and ongoing economic concerns, gross loan production totaled $110 million in the fourth quarter, compared to $245 million in the fourth quarter of 2022. Net loans outstanding grew by $266 million or 12% for the entire year, reaching a record $2.5 billion on December 31,2023. Deposits increased $113 million in the fourth quarter, reaching a record $2.89 billion as of December 31, 2023. The Bank expects to see continued Deposit inflows as the Bank welcomes new clients and as existing clients shift from Treasury Securities to higher-yielding deposit offerings. FineMark continues to maintain elevated levels of Cash and Securities, ensuring a highly liquid balance sheet.

Credit Quality

FineMark maintains its commitment to high credit standards by utilizing a personalized and relationship centric approach to lending. Our 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 December 31, 2023, non-performing loans amounted to $1.6 million, representing 0.07% of total loans. This marks a decrease from $2.1 million in the third quarter of 2023 as the Bank collected on a non-accrual loan. The current allowance for credit losses stands at $23.4 million, equivalent to 0.93% of gross loans.

Capital

FineMark's capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. On December 31, 2023, FineMark's Tier 1 leverage ratio, on a consolidated basis, was 8.46%, while the total risk-based capital ratio was 17.74%. Additionally, the tangible equity to assets ratio was 8.92% after deducting the net unrealized loss from Tier 1 capital to average assets. Rising interest rates in the past two years led to a net unrealized loss of $52 million on the Bank's investment portfolio as of December 31, 2023, a decrease of $26 million from a $78 million net unrealized loss on December 31, 2022. This is a direct result of the rapid increase in rates rather than a reflection of bond credit quality. Given the short duration of the portfolio of 2.6 years, these losses will continue to decline as bonds mature.

While the Bank’s balance sheet has been liability sensitive, we have entered into two swap agreements, hedging the Bank against further interest rate increases. We expect the Bank to experience an increase in net interest income as the low yielding securities mature, existing adjustable-rate loans reprice, new loans are made at higher yields, and the Federal Reserve begins to lower rates. As always, the quality of FineMark’s balance sheet remains pristine and management does not expect that to change.

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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, 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)

	December 31,	
Assets	**2023**	**2022**
	(Unaudited)	
Cash and due from banks	$ 369,060	18,374
Debt securities available for sale	947,701	1,020,612
Debt securities held to maturity	87,928	93,369
Loans, net of allowance for credit losses of $23,472 in 2023 and $23,168 in 2022	2,493,809	2,228,236
Federal Home Loan Bank stock	16,974	13,859
Federal Reserve Bank stock	6,362	6,277
Premises and equipment, net	39,869	41,009
Operating lease right-of-use assets	11,338	12,825
Accrued interest receivable	13,062	10,220
Deferred tax asset	21,152	29,955
Bank-owned life insurance	73,333	72,138
Other assets	20,167	7,496
Total assets	$ 4,100,755	3,554,370
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	629,976	652,671
Savings, NOW and money-market deposits	1,949,898	2,122,561
Time deposits	312,137	43,259
Total deposits	2,892,011	2,818,491
Official checks	6,264	13,312
Other borrowings	531,397	118,444
Federal Home Loan Bank advances	305,000	286,100
Operating lease liabilities	11,490	12,900
Subordinated debt	27,477	33,545
Other liabilities	30,829	11,271
Total liabilities	3,804,468	3,294,063
Shareholders' equity:		
Common stock, $.01 par value 50,000,000 shares authorized, 11,934,086 and 11,773,050 shares issued and outstanding in 2023 and 2022	119	118
Additional paid-in capital	215,497	210,953
Retained earnings	132,585	127,514
Accumulated other comprehensive loss	(51,914)	(78,278)
Total shareholders' equity	296,287	260,307
Total liabilities and shareholders' equity	$ 4,100,755	3,554,370
Book Value per Share	$ 24.83	22.11

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Year Ended December 31, 2023	Year Ended December 31, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	
Interest income:				
Loans	$ 30,842	22,148	$ 112,138	77,511
Debt securities	3,754	3,853	15,786	14,979
Dividends on Federal Home Loan Bank stock	255	124	1,091	443
Other	4,685	108	9,508	359
Total interest income	39,536	26,233	138,523	93,292
Interest expense:				
Deposits	18,722	6,961	56,733	13,924
Federal Home Loan Bank advances	3,068	2,101	11,672	6,382
Subordinated debt	369	472	1,716	2,062
Other borrowings	6,247	810	18,469	1,031
Total interest expense	28,406	10,344	88,590	23,399
Net interest income	11,130	15,889	49,933	69,893
Credit loss (income) expense	(866)	1,039	406	2,445
Net interest income after credit loss expense	11,996	14,850	49,527	67,448
Noninterest income:				
Trust fees	7,839	6,390	29,774	26,617
Income from bank-owned life insurance	454	398	2,190	1,810
Income from solar farms	70	65	310	320
Gain on extinguishment of debt	-	-	534	2,349
Other fees and service charges	466	371	1,692	1,658
Total noninterest income	8,829	7,224	34,500	32,754
Noninterest expenses:				
Salaries and employee benefits	11,960	11,574	47,167	45,445
Occupancy	2,497	2,086	9,921	8,020
Information systems	1,555	1,451	6,240	5,964
Professional fees	614	560	2,598	2,247
Marketing and business development	410	436	2,023	2,080
Regulatory assessments	899	359	2,921	1,700
Other	2,184	1,545	7,071	5,915
Total noninterest expense	20,119	18,011	77,941	71,371
Earnings before income taxes	706	4,063	6,086	28,831
Income taxes	171	933	987	6,464
Net earnings	$ 535	3,130	$ 5,099	22,367
Weighted average common shares outstanding - basic	11,921	11,761	11,898	11,734
Weighted average common shares outstanding - diluted	11,959	11,907	11,936	11,848
Per share information: Basic earnings per common share	$ 0.04	0.27	$ 0.43	1.91
Diluted earnings per common share	$ 0.04	0.26	$ 0.43	1.89

FineMark Holdings, Inc.

Consolidated Financial Highlights
Fourth Quarter 2023
Unaudited

$ in thousands except for share data	4th Qtr 2023	3rd Qtr 2023	2nd Qtr 2023	1st Qtr 2023	4th Qtr 2022	Full Year 2023	Full Year 2022
$ Earnings							
Net Interest Income	$ 11,130	$ 11,305	$ 12,799	$ 14,699	$ 15,889	$ 49,933	$ 69,893
Credit Loss (Income) Expense	$ (866)	$ 238	$ (23)	$ 1,057	$ 1,039	$ 406	$ 2,445
Non-interest Income (excl. gains and losses)	$ 8,829	$ 9,164	$ 8,253	$ 7,720	$ 7,224	$ 33,966	$ 30,405
Gain on debt extinguishment	$ —	$ —	$ 534	$ —	$ —	$ 534	$ 2,349
Non-interest Expense	$ 20,119	$ 19,518	$ 19,388	$ 18,916	$ 18,011	$ 77,941	$ 71,371
Earnings before income tax expense (benefit)	$ 706	$ 713	$ 2,221	$ 2,446	$ 4,063	$ 6,086	$ 28,831
Income Tax Expense (Benefit)	$ 171	$ (16)	$ 391	$ 441	$ 933	$ 987	$ 6,464
Net Earnings	$ 535	$ 729	$ 1,830	$ 2,005	$ 3,130	$ 5,099	$ 22,367
Basic earnings per share	$ 0.04	$ 0.06	$ 0.15	$ 0.17	$ 0.27	$ 0.43	$ 1.91
Diluted earnings per share	$ 0.04	$ 0.06	$ 0.15	$ 0.17	$ 0.26	$ 0.43	$ 1.89
Performance Ratios							
Return on average assets*	0.05 %	0.07 %	0.19 %	0.22 %	0.36 %	0.13 %	0.64 %
Return on risk weighted assets*	0.10 %	0.13 %	0.34 %	0.39 %	0.63 %	0.23 %	1.12 %
Return on average equity*	0.77 %	1.06 %	2.63 %	3.01 %	4.92 %	1.85 %	8.17 %
Yield on earning assets*	4.12 %	3.93 %	3.68 %	3.39 %	3.17 %	3.79 %	2.82 %
Cost of funds*	3.04 %	2.78 %	2.36 %	1.74 %	1.27 %	2.50 %	0.73 %
Net Interest Margin*	1.15 %	1.21 %	1.40 %	1.75 %	1.90 %	1.37 %	2.11 %
Efficiency ratio	100.80 %	95.36 %	89.82 %	84.37 %	77.93 %	92.90 %	71.16 %
Capital							
Tier 1 leverage capital ratio	8.46 %	8.71 %	8.77 %	9.23 %	9.36 %	8.46 %	9.36 %
Common equity risk-based capital ratio	15.48 %	15.63 %	15.80 %	16.45 %	17.01 %	15.48 %	17.01 %
Tier 1 risk-based capital ratio	15.48 %	15.63 %	15.80 %	16.45 %	17.01 %	15.48 %	17.01 %
Total risk-based capital ratio	17.74 %	17.96 %	18.16 %	19.23 %	19.86 %	17.74 %	19.86 %
Book value per share	$ 24.83	$ 23.13	$ 23.16	$ 23.61	$ 22.11	$ 24.83	$ 22.11
Tangible book value per share	$ 24.83	$ 23.13	$ 23.16	$ 23.61	$ 22.11	$ 24.83	$ 22.11
Asset Quality							
Net recoveries	$ (2)	$ (7)	$ (12)	$ (10)	$ (227)	$ (31)	$ (440)
Net recoveries to average total loans	— %	— %	— %	— %	(0.01)%	— %	(0.02)%
Allowance for credit losses	$ 23,472	$ 24,270	$ 24,164	$ 24,193	$ 23,168	$ 23,472	$ 23,168
Allowance to total loans	0.93 %	0.98 %	0.98 %	1.03 %	1.03 %	0.93 %	1.03 %
Nonperforming loans	$ 1,629	$ 2,111	$ 2,122	$ 1,215	$ 730	$ 1,629	$ 730
Other real estate owned	—	—	—	—	—	—	—
Nonperforming loans to total loans	0.07 %	0.09 %	0.09 %	0.05 %	0.03 %	0.07 %	0.03 %
Nonperforming assets to total assets	0.04 %	0.05 %	0.06 %	0.03 %	0.02 %	0.04 %	0.02 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	48.8 %	48.7 %	48.5 %	48.8 %	49.0 %	48.8 %	49.0 %
Commercial Loans	10.2 %	10.4 %	10.7 %	9.4 %	9.5 %	10.2 %	9.5 %
Commercial Real Estate	26.8 %	25.7 %	25.3 %	26.3 %	24.4 %	26.8 %	24.4 %
Construction Loans	7.3 %	8.2 %	8.3 %	7.9 %	9.0 %	7.3 %	9.0 %
Other Loans	6.9 %	7.0 %	7.2 %	7.6 %	8.1 %	6.9 %	8.1 %
End of Period Balances							
Assets	$ 4,100,755	$ 3,968,775	$ 3,802,330	$ 3,784,609	$ 3,554,370	$ 4,100,755	$ 3,554,370
Debt securities	$ 1,035,629	$ 994,246	$ 1,092,107	$ 1,099,613	$ 1,113,981	$ 1,035,629	$ 1,113,981
Loans, net of allowance	$ 2,493,809	$ 2,456,714	$ 2,446,065	$ 2,325,912	$ 2,228,236	$ 2,493,809	$ 2,228,236
Deposits	$ 2,892,011	$ 2,778,627	$ 2,637,668	$ 2,868,954	$ 2,818,491	$ 2,892,011	$ 2,818,491
Other borrowings	$ 531,397	$ 531,973	$ 608,092	$ 106,253	$ 118,444	$ 531,397	$ 118,444
Subordinated Debt	$ 27,477	$ 27,467	$ 27,458	$ 33,626	$ 33,545	$ 27,477	$ 33,545
FHLB Advances	$ 305,000	$ 315,000	$ 215,000	$ 470,000	$ 286,100	$ 305,000	$ 286,100
Shareholders' Equity	$ 296,287	$ 275,584	$ 275,517	$ 279,547	$ 260,307	$ 296,287	$ 260,307
Trust and Investment							
Fee Income	$ 7,839	$ 8,015	$ 7,347	$ 6,573	$ 6,390	$ 29,774	$ 26,617
Assets Under Administration							
Balance at beginning of period	$ 6,395,888	$ 6,697,009	$ 6,435,562	$ 5,944,772	$ 5,392,768	$ 5,944,772	$ 6,200,407
Net investment appreciation (depreciation) & income	$ 303,241	$ (363,654)	$ 60,789	$ 175,566	$ 314,992	$ 175,942	$ (960,472)
Net client asset flows	$ 140,578	$ 62,533	$ 200,658	$ 315,224	$ 237,012	$ 718,993	$ 704,837
Balance at end of period	$ 6,839,707	$ 6,395,888	$ 6,697,009	$ 6,435,562	$ 5,944,772	$ 6,839,707	$ 5,944,772
Percentage of AUA that are managed	88 %	88 %	88 %	88 %	88 %	88 %	88 %
Stock Valuation							
Closing Market Price (OTCQX)	$ 24.15	$ 22.65	$ 23.30	$ 28.15	$ 29.75	$ 24.15	$ 29.75
Multiple of Tangible Book Value	0.97	0.98	1.01	1.19	1.35	0.97	1.35

*annualized