



FINEMARK HOLDINGS, INC.

FineMark Holdings, Inc. Reports First Quarter 2024 Net Income of \$811 thousand (\$0.07 per share)

First Quarter 2024 Results:

Interest income Q1 2024 \$41.8 million	Deposit growth 7%	Net loan growth 10%	Assets Under Management & Administration growth 15%
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Consolidated Results

Net interest income:
Q1 2024 \$10.7 million

Return on avg assets:
Q1 2024 .08%

Return on avg equity:
Q1 2024 1.09%

Total risk-based capital ratio of
18.80%

Banking

Loan growth (net):
Q1 2024 \$58 million

Deposit growth:
Q1 2024 \$172 million

Non-performing loans
ratio of .06%

Trust & Investments

6% annual increase in relationships (households)

15% annual increase in assets under management & administration

30% annual increase in fees

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

FineMark delivered another quarter of solid balance sheet growth due to the exceptional work of our associates, coupled with our decentralized and entrepreneurial business model. We welcomed 195 new individuals and families and all areas of the Bank (deposits, loans, asset management and trust) experienced strong growth for the quarter. The increase in deposits enabled the Bank to reduce reliance on non-core Federal Home Loan Bank financing and additionally, repay \$100 million borrowed through Federal Reserve’s Bank Term Funding Program.

Interest income increased to a record \$41.8 million in the first quarter, driven by growth and repricing in the loan portfolio along with low interest rate bonds maturing. However, interest expense headwinds continued, resulting in a decline in net interest income to \$10.7 million in the first quarter, a 27.5% decrease from the first quarter of 2023. As a result of the decline in net interest income, net income declined to \$811 thousand in the first quarter from \$2 million in the first quarter of 2023. While persistently high inflation has made forecasting rates exceedingly difficult, we are confident that net interest income and net income will improve with the maturity and repricing of lower-rate bonds and loans, expected loan growth, and the anticipated Federal Reserve interest rate cuts.

We continue to be pleased with the growth of our asset management business. The expertise of our professionals and sophistication of our investment offering is attractive to both new and existing clients. Assets under management and administration (AUMA) increased by 15% compared to March 31, 2023, and now total \$7.4 billion. Trust fees were a record \$8.5 million in the first quarter, up 30% from the first quarter of 2023, highlighting our ability to enhance long-term shareholder value.

First quarter non-interest expenses saw a marginal reduction from the previous quarter but increased slightly year-over-year as we continued to invest in our people and technology to uphold our trademark service quality, which we believe is crucial for fostering client loyalty and sustaining our success.

We anticipate that a moderation in increases in both interest and non-interest expenses, along with increasing yields from our loans and securities, will positively impact our financial performance. Our commitment to serving our clients and supporting our associates, as always, remains our primary focus. And we believe that over time, this focus will create long-term shareholder value as we expand our client base and maintain a conservative credit culture and stable financial structure.

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 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, resulting in higher rates on client deposits and the increased cost of the Bank’s debt. As a result of this dynamic, the cost of funds at the Bank increased from 1.74% in Q1 2023 to 3.29% in Q1 2024.

In the first quarter 2024, FineMark's net interest income totaled \$10.7 million. This reflects a 27.5% decrease compared to Q1 2023. The Bank's net interest margin also declined to 1.08% in Q1 2024, down from 1.75% for Q1 2023.

We anticipate the rate of increase in funding costs should decline in future quarters while asset yields continue to rise, benefiting net interest income and net interest margin.

Non-Interest Income

First quarter non-interest income increased to \$9.9 million, a 28% increase compared to Q1 2023. The primary driver of this growth was the continued expansion of our trust and investment business, which increased assets under management and administration to \$7.4 billion on March 31, 2024, marking a 15% increase from \$6.4 billion on March 31, 2023. This led to growth in investment management and trust fees, which reached \$8.5 million in Q1 2024, representing a 30% increase over the first quarter of 2023.

Non-Interest Expense

Sustained investments in personnel, technology, and facilities, coupled with a rise in regulatory expenses, led to a modest increase in non-interest expenses of \$19.2 million for the quarter ending March 31, 2024. This reflects a 1.6% increase quarter-over-quarter. Much of the increase in non-interest expense can be attributed to the increased cost of FDIC insurance.

Balance Sheet Highlights

Despite higher interest rates and ongoing economic uncertainty, gross loan production totaled \$167 million in the first quarter, compared to \$221 million in the first quarter of 2023. Deposits increased \$172 million in the first quarter, reaching a record \$3 billion as of March 31, 2024. We expect continued deposit inflows as the Bank welcomes new clients. FineMark maintains elevated levels of Cash and Securities, ensuring a highly liquid balance sheet.

Credit Quality

FineMark continues 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 March 31, 2024, non-performing loans amounted to \$1.5 million, representing 0.06% of total loans. This marks a decrease from \$1.6 million in the fourth quarter of 2023. The current allowance for credit losses stands at \$23.4 million, equivalent to 0.91% of gross loans.

Capital

FineMark's capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. On March 31, 2024, FineMark's Tier 1 leverage ratio, on a consolidated basis, was 9.04%, while the total risk-based capital ratio was 18.80%. Rising interest rates in the past two years led to a net unrealized loss of \$51 million on the Bank's investment portfolio as of March 31, 2024, a decrease of \$11 million from a \$62 million net unrealized loss on March 31, 2023. 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 2.2 years, these losses will continue to decline as bonds mature.

To support growth and strengthen the Bank's capital position, FineMark issued \$30 million of 7.25% Non-Cumulative Convertible Preferred Equity to an existing institutional shareholder.

The Bank has entered into three swap agreements and an interest rate cap to partially reduce the negative impact of further interest rate increases. The Bank expects net interest income to increase as the lower yielding securities mature, existing adjustable-rate loans reprice, new loans are made 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)

	March 31,	December 31,
Assets	<u>2024</u>	<u>2023</u>
	(Unaudited)	
Cash and due from banks	\$ 405,562	369,060
Debt securities available for sale	948,995	947,701
Debt securities held to maturity	87,342	87,928
Loans, net of allowance for credit losses of \$23,354 in 2024 and \$23,472 in 2023	2,551,673	2,493,809
Federal Home Loan Bank stock	12,844	16,974
Federal Reserve Bank stock	6,624	6,362
Premises and equipment, net	39,182	39,869
Operating lease right-of-use assets	10,848	11,338
Accrued interest receivable	13,479	13,062
Deferred tax asset	20,815	21,152
Bank-owned life insurance	73,804	73,333
Other assets	18,736	20,167
	\$ 4,189,904	4,100,755
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Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	616,357	629,976
Savings, NOW and money-market deposits	2,137,809	1,949,898
Time deposits	310,115	312,137
	3,064,281	2,892,011
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Official checks	7,652	6,264
Other borrowings	500,000	500,000
Federal Home Loan Bank advances	210,000	305,000
Repurchase agreements	27,667	31,397
Operating lease liabilities	11,013	11,490
Subordinated debt	27,487	27,477
Other liabilities	12,422	30,829
	3,860,522	3,804,468
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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 issued and outstanding	-	-
Common stock, \$.01 par value 50,000,000 shares authorized, 12,047,893 and 11,934,086 shares issued and outstanding in 2024 and 2023	121	119
Additional paid-in capital	247,224	215,497
Retained earnings	133,396	132,585
Accumulated other comprehensive loss	(51,359)	(51,914)
	329,382	296,287
	329,382	296,287
Total liabilities and shareholders' equity	\$ 4,189,904	4,100,755
	\$ 4,189,904	4,100,755
Book Value per Share	\$ 24.85	24.83
	\$ 24.85	24.83

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings (Unaudited)

(\$ in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	<u>2024</u>	<u>2023</u>
Interest income:		
Loans	\$ 31,681	24,458
Debt securities	4,430	3,815
Dividends on Federal Home Loan Bank stock	443	318
Other	5,247	333
Total interest income	<u>41,801</u>	<u>28,924</u>
Interest expense:		
Deposits	21,113	10,131
Federal Home Loan Bank advances	2,554	3,094
Subordinated debt	371	491
Other borrowings	7,110	509
Total interest expense	<u>31,148</u>	<u>14,225</u>
Net interest income	10,653	14,699
Credit loss expense	420	1,057
Net interest income after credit loss expense	<u>10,233</u>	<u>13,642</u>
Noninterest income:		
Trust fees	8,533	6,573
Income from bank-owned life insurance	470	665
Income from solar farms	70	67
Gain on extinguishment of debt	367	-
Other fees and service charges	455	415
Total noninterest income	<u>9,895</u>	<u>7,720</u>
Noninterest expenses:		
Salaries and employee benefits	11,682	11,592
Occupancy	2,499	2,449
Information systems	1,672	1,565
Professional fees	508	638
Marketing and business development	489	580
Regulatory assessments	762	368
Other	1,599	1,724
Total noninterest expense	<u>19,211</u>	<u>18,916</u>
Earnings before income taxes	917	2,446
Income taxes	106	441
Net earnings	<u>811</u>	<u>2,005</u>
Weighted average common shares outstanding - basic (in thousands)	12,012	11,822
Weighted average common shares outstanding - diluted (in thousands)	12,085	11,878
Per share information: Basic earnings per common share	<u>\$ 0.07</u>	<u>0.17</u>
Diluted earnings per common share	<u>\$ 0.07</u>	<u>0.17</u>

FineMark Holdings, Inc.

Consolidated Financial Highlights

First Quarter 2024

Unaudited

						YTD	
	1st Qtr 2024	4th Qtr 2023	3rd Qtr 2023	2nd Qtr 2023	1st Qtr 2023	2024	2023
\$ in thousands except for share data							
\$ Earnings							
Net Interest Income	\$ 10,653	\$ 11,130	\$ 11,305	\$ 12,799	\$ 14,699	\$ 10,653	\$ 14,699
Credit Loss (Income) Expense	\$ 420	\$ (866)	\$ 238	\$ (23)	\$ 1,057	\$ 420	\$ 1,057
Non-interest Income (excl. gains and losses)	\$ 9,528	\$ 8,829	\$ 9,164	\$ 8,253	\$ 7,720	\$ 9,528	\$ 7,720
Gain on debt extinguishment	\$ 367	\$ —	\$ —	\$ 534	\$ —	\$ 367	\$ —
Non-interest Expense	\$ 19,211	\$ 20,119	\$ 19,518	\$ 19,388	\$ 18,916	\$ 19,211	\$ 18,916
Earnings before income tax expense (benefit)	\$ 917	\$ 706	\$ 713	\$ 2,221	\$ 2,446	\$ 917	\$ 2,446
Income Tax Expense (Benefit)	\$ 106	\$ 171	\$ (16)	\$ 391	\$ 441	\$ 106	\$ 441
Net Earnings	\$ 811	\$ 535	\$ 729	\$ 1,830	\$ 2,005	\$ 811	\$ 2,005
Basic earnings per share	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.15	\$ 0.17	\$ 0.07	\$ 0.17
Diluted earnings per share	\$ 0.07	\$ 0.04	\$ 0.06	\$ 0.15	\$ 0.17	\$ 0.07	\$ 0.17
Performance Ratios							
Return on average assets*	0.08 %	0.05 %	0.07 %	0.19 %	0.22 %	0.08 %	0.22 %
Return on risk weighted assets*	0.14 %	0.09 %	0.13 %	0.34 %	0.39 %	0.14 %	0.39 %
Return on average equity*	1.09 %	0.77 %	1.06 %	2.63 %	3.01 %	1.09 %	3.01 %
Yield on earning assets*	4.23 %	4.12 %	3.93 %	3.68 %	3.39 %	4.23 %	3.39 %
Cost of funds*	3.29 %	3.04 %	2.78 %	2.36 %	1.74 %	3.29 %	1.74 %
Net Interest Margin*	1.08 %	1.15 %	1.21 %	1.40 %	1.75 %	1.08 %	1.75 %
Efficiency ratio	95.19 %	100.80 %	95.36 %	89.82 %	84.37 %	95.19 %	84.37 %
Capital							
Tier 1 leverage capital ratio	9.04 %	8.46 %	8.71 %	8.77 %	9.23 %	9.04 %	9.23 %
Common equity risk-based capital ratio	16.58 %	15.46 %	15.63 %	15.80 %	16.45 %	16.58 %	16.45 %
Tier 1 risk-based capital ratio	16.58 %	15.46 %	15.63 %	15.80 %	16.45 %	16.58 %	16.45 %
Total risk-based capital ratio	18.80 %	17.72 %	17.96 %	18.16 %	19.23 %	18.80 %	19.23 %
Book value per share	\$ 24.85	\$ 24.83	\$ 23.13	\$ 23.16	\$ 23.61	\$ 24.85	\$ 23.61
Tangible book value per share	\$ 24.85	\$ 24.83	\$ 23.13	\$ 23.16	\$ 23.61	\$ 24.85	\$ 23.61
Asset Quality							
Net charge-offs (recoveries)	\$ 627	\$ (2)	\$ (7)	\$ (12)	\$ (10)	\$ 627	\$ (10)
Net charge-offs (recoveries) to average total loans	0.02 %	— %	— %	— %	— %	0.02 %	— %
Allowance for credit losses	\$ 23,354	\$ 23,472	\$ 24,270	\$ 24,164	\$ 24,193	\$ 23,354	\$ 24,193
Allowance to total loans	0.91 %	0.93 %	0.98 %	0.98 %	1.03 %	0.91 %	1.03 %
Nonperforming loans	\$ 1,483	\$ 1,629	\$ 2,111	\$ 2,122	\$ 1,215	\$ 1,483	\$ 1,215
Other real estate owned	—	—	—	—	—	—	—
Nonperforming loans to total loans	0.06 %	0.07 %	0.09 %	0.09 %	0.05 %	0.06 %	0.05 %
Nonperforming assets to total assets	0.04 %	0.04 %	0.05 %	0.06 %	0.03 %	0.04 %	0.03 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	48.9 %	48.8 %	48.7 %	48.5 %	48.8 %	48.9 %	48.8 %
Commercial Loans	10.9 %	10.2 %	10.4 %	10.7 %	9.4 %	10.9 %	9.4 %
Commercial Real Estate	25.6 %	26.8 %	25.7 %	25.3 %	26.3 %	25.6 %	26.3 %
Construction Loans	7.6 %	7.3 %	8.2 %	8.3 %	7.9 %	7.6 %	7.9 %
Other Loans	7.0 %	6.9 %	7.0 %	7.2 %	7.6 %	7.0 %	7.6 %
End of Period Balances							
Assets	\$ 4,189,904	\$ 4,100,755	\$ 3,968,775	\$ 3,802,330	\$ 3,784,609	\$ 4,189,904	\$ 3,784,609
Debt securities	\$ 1,036,337	\$ 1,035,629	\$ 994,246	\$ 1,092,107	\$ 1,099,613	\$ 1,036,337	\$ 1,099,613
Loans, net of allowance	\$ 2,551,673	\$ 2,493,809	\$ 2,456,714	\$ 2,446,065	\$ 2,325,912	\$ 2,551,673	\$ 2,325,912
Deposits	\$ 3,064,281	\$ 2,892,011	\$ 2,778,627	\$ 2,637,668	\$ 2,868,954	\$ 3,064,281	\$ 2,868,954
Other borrowings	\$ 527,667	\$ 531,397	\$ 531,973	\$ 608,092	\$ 106,253	\$ 527,667	\$ 106,253
Subordinated Debt	\$ 27,487	\$ 27,477	\$ 27,467	\$ 27,458	\$ 33,626	\$ 27,487	\$ 33,626
FHLB Advances	\$ 210,000	\$ 305,000	\$ 315,000	\$ 215,000	\$ 470,000	\$ 210,000	\$ 470,000
Shareholders' Equity	\$ 329,382	\$ 296,287	\$ 275,584	\$ 275,517	\$ 279,547	\$ 329,382	\$ 279,547
Trust and Investment							
Fee Income	\$ 8,533	\$ 7,839	\$ 8,015	\$ 7,347	\$ 6,573	\$ 8,533	\$ 6,573
Assets Under Administration							
Balance at beginning of period	\$ 6,839,707	\$ 6,395,888	\$ 6,697,009	\$ 6,435,562	\$ 5,944,772	\$ 6,839,707	\$ 5,944,772
Net investment appreciation (depreciation) & income	\$ 341,650	\$ 303,241	\$ (363,654)	\$ 60,789	\$ 175,566	\$ 341,650	\$ 175,566
Net client asset flows	\$ 192,459	\$ 140,578	\$ 62,533	\$ 200,658	\$ 315,224	\$ 192,459	\$ 315,224
Balance at end of period	\$ 7,373,816	\$ 6,839,707	\$ 6,395,888	\$ 6,697,009	\$ 6,435,562	\$ 7,373,816	\$ 6,435,562
Percentage of AUA that are managed	89 %	88 %	88 %	88 %	88 %	89 %	88 %
Stock Valuation							
Closing Market Price (OTCQX)	\$ 25.25	\$ 24.15	\$ 22.65	\$ 23.30	\$ 28.15	\$ 25.25	\$ 28.15
Multiple of Tangible Book Value	1.02	0.97	0.98	1.01	1.19	1.02	1.19

*annualized