



FineMark Holdings, Inc. Reports Third Quarter 2023 Earnings

FORT MYERS, FL / ACCESSWIRE / October 17, 2023 / FineMark Holdings, Inc. (the "Holding Company") (OTCQX:FNBT), the parent company of FineMark National Bank & Trust (the "Bank"; collectively, "FineMark"), today reported revenues of \$45.5 million and net revenues of \$20.5 million for the third quarter ended September 30, 2023, compared to \$32.1 million and \$25.9 million, respectively, in the third quarter of 2022. Net income was \$729 thousand, or \$0.06 per diluted share, compared with net income of \$5.4 million, or \$0.45 per diluted share, for the same period a year ago.

Joseph R. Catti, Chairman & Chief Executive Officer:

I would like to begin by extending our heartfelt condolences to the families of those killed and taken hostage by terrorists in Israel and Gaza in recent days. Our thoughts and prayers are with the people of the Middle East as this deadly war with terrorist group Hamas intensifies.

Against a backdrop of uncertainty in our global markets, renewed concerns around inflation and worries of a 'higher for longer' interest rate outlook, our associates continue to meet challenges and prudently manage our resources as we maintain our focus on the individuals and families we serve. Our clients know they can depend on FineMark to deliver exceptional service and innovative solutions. It is gratifying to lead an organization that continually seeks to deliver unparalleled and proactive service and we are grateful for the confidence our clients place in us.

As important as service and innovation are to our business, our focus on financial stability provides our clients with the confidence that we will be here for future generations. Our conservative credit culture combined with our high levels of liquidity and robust capital have positioned FineMark to succeed in a variety of economic environments.

While we are pleased with the growth in client relationships, loans, assets under management and administration, our financial results continue to be impacted by the Federal Reserve's monetary policies. Interest expense has increased sharply over the last 18 months due to higher deposit costs and the use of certain higher-cost sources of funding. We are cautiously optimistic that the pace of increases in interest expense should begin to slow over the coming months which, when combined with increasing yields on our loan and securities portfolio, should result in improving financial performance.

Highlights from the Third Quarter:

- Interest income increased 50% in the third quarter 2023 to \$36.4 million, compared to total interest income of \$24.2 million for the same quarter 2022.
- Net loans increased 15.6% from the third quarter of 2022 and credit quality remains excellent.
- Assets under management grew 18.6% from the third quarter of 2022, resulting in a 23.7% increase in Trust fees.

Net Interest Income & Margin

For the third quarter of 2023, FineMark's net interest income totaled \$11.3 million, representing a 37% decrease compared to Q3 of 2022. This decline is attributable to the impact of the Fed's rapid action to reduce inflation which has resulted in interest expense increasing more quickly than interest income. The Bank's net interest margin decreased to 1.21% in Q3 2023, down from 2.16% for the same period in 2022.

Non-Interest Income

As of September 30, 2023, FineMark's assets under management and administration totaled \$6.4 billion, reflecting an 18.6% increase from \$5.4 billion on September 30, 2022. This increase in assets under management resulted in investment management and trust fees increasing 25% year-over-year.

Non-Interest Expense

Non-interest expense for the quarter ended September 30, 2023, rose to \$19.5 million, marking a 5% increase from \$18.7 million in the third quarter of 2022. While salary and employee benefits remained relatively stable, occupancy expense increased due to the opening of our newest locations in Naples and Jupiter, Florida. Additionally, a 2 basis point increase in deposit insurance rates resulted in a \$353,000 increase in expenses from Q3 2022.

Balance Sheet Highlights

Despite the rising interest rate environment, loan production remained strong for the quarter at \$164 million, compared to \$177 million for the same quarter last year. Total loans ended the quarter at \$2.5 billion, compared to \$2.1 billion at September 30, 2022. Deposits decreased to \$2.78 billion as of September 30, 2023, down 5% from \$2.92 billion on September 30, 2022 primarily from the transfer of client deposits to purchase higher yielding treasuries.

Credit Quality

FineMark maintains its commitment to high credit standards through a tailored and relationship-centered approach to lending. Our loan decisions are based on a comprehensive understanding of each borrower's needs and unique financial situation, resulting in minimal loan defaults spanning various economic conditions.

As of September 30, 2023, non-performing loans amounted to \$2.1 million, representing 0.09% of total loans. This marks an increase from \$692 thousand or 0.03% of total loans in the third quarter of 2022. The rise can be attributed to the default of one loan. We do not expect any losses associated with existing non-accrual loans. The current allowance for credit losses stands at \$24.3 million, equivalent to 0.98% of gross loans.

Capital

FineMark's capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. On September 30, 2023, FineMark's Tier 1 leverage ratio, on a consolidated basis, stood at 8.71% after adding the unrealized loss to average assets (denominator), while the total

risk-based capital ratio was 17.96%. 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 year and a half led to a net unrealized loss of \$71 million on the Bank's investment portfolio. 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.

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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.

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(\$ in thousands, except share amounts)

	September 30, 2023	December 31, 2022
Assets		
	(Unaudited)	
Cash and due from banks	\$ 309,234	18,374
Debt securities available for sale	903,993	1,020,612
Debt securities held to maturity	90,253	93,369
Loans, net of allowance for credit losses of \$24,270 in 2023 and \$23,168 in 2022	2,456,714	2,228,236
Federal Home Loan Bank stock	17,449	13,859
Federal Reserve Bank stock	6,340	6,277
Premises and equipment, net	40,441	41,009
Operating lease right-of-use assets	11,829	12,825
Accrued interest receivable	12,096	10,220
Deferred tax asset	28,401	29,955
Bank-owned life insurance	73,367	72,138
Other assets	18,658	7,496
Total assets	<u>\$ 3,968,775</u>	<u>3,554,370</u>
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	675,402	652,671
Savings, NOW and money-market deposits	1,872,219	2,122,561
Time deposits	231,006	43,259
Total deposits	2,778,627	2,818,491
Official checks	5,979	13,312
Other borrowings	531,973	118,444
Federal Home Loan Bank advances	315,000	286,100
Operating lease liabilities	11,973	12,900
Subordinated debt	27,467	33,545
Other liabilities	22,172	11,271
Total liabilities	3,693,191	3,294,063
Shareholders' equity:		
Common stock, \$.01 par value 50,000,000 shares authorized, 11,912,634 and 11,773,050 shares issued and outstanding in 2023 and 2022	119	118
Additional paid-in capital	214,474	210,953
Retained earnings	132,050	127,514
Accumulated other comprehensive loss	(71,059)	(78,278)
Total shareholders' equity	275,584	260,307
Total liabilities and shareholders' equity	<u>\$ 3,968,775</u>	<u>3,554,370</u>
Book Value per Share	<u>\$ 23.13</u>	<u>22.11</u>

FINEMARK HOLDINGS, INC. AND SUBSIDIARIES
Consolidated Statements of Earnings (Unaudited)
(\$ in thousands, except per share amounts)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Interest income:					
Loans		\$ 29,704	20,186	\$ 81,296	55,363
Debt securities		3,849	3,854	12,032	11,126
Dividends on Federal Home Loan Bank stock		265	102	836	319
Other		2,560	105	4,823	251
	Total interest income	36,378	24,247	98,987	67,059
Interest expense:					
Deposits		15,536	4,188	38,011	6,963
Federal Home Loan Bank advances		2,519	1,473	8,604	4,502
Subordinated debt		364	507	1,347	1,590
Other borrowings		6,654	-	12,222	-
	Total interest expense	25,073	6,168	60,184	13,055
	Net interest income	11,305	18,079	38,803	54,004
Credit loss expense		238	121	1,272	1,406
	Net interest income after credit loss expense	11,067	17,958	37,531	52,598
Noninterest income:					
Trust fees		8,015	6,477	21,935	20,227
Income from bank-owned life insurance		663	399	1,736	1,412
Income from solar farms		89	85	240	255
Gain on extinguishment of debt		-	505	534	2,349
Other fees and service charges		397	381	1,226	1,287
	Total noninterest income	9,164	7,847	25,671	25,530
Noninterest expenses:					
Salaries and employee benefits		12,060	11,984	35,207	33,871
Occupancy		2,476	2,035	7,424	5,934
Information systems		1,559	1,417	4,685	4,513
Professional fees		655	535	1,984	1,687
Marketing and business development		447	392	1,613	1,644
Regulatory assessments		778	446	2,022	1,341
Other		1,543	1,851	4,887	4,370
	Total noninterest expense	19,518	18,660	57,822	53,360
Earnings before income tax (benefit) expense		713	7,145	5,380	24,768
	Income tax (benefit) expense	(16)	1,757	816	5,531
Net earnings		\$ 729	5,388	\$ 4,564	19,237
Weighted average common shares outstanding - basic		11,904	11,747	11,884	11,720
Weighted average common shares outstanding - diluted		11,942	11,925	11,921	11,901
Per share information:					
	Basic earnings per common share	\$ 0.06	0.46	\$ 0.38	1.64
	Diluted earnings per common share	\$ 0.06	0.45	\$ 0.38	1.62

FineMark Holdings, Inc.
Consolidated Financial Highlights
Third Quarter 2023
Unaudited

\$ in thousands except for share data	3rd Qtr 2023	2nd Qtr 2023	1st Qtr 2023	4th Qtr 2022	3rd Qtr 2022	2023	2022
\$ Earnings							
Net Interest Income	\$ 11,305	12,799	14,699	15,889	18,079	38,803	54,004
Credit Loss Expense	\$ 238	(23)	1,057	1,039	121	1,272	1,406
Non-interest Income (excl. gains and losses)	\$ 9,164	8,253	7,720	7,224	7,342	25,137	23,181
Gain on sale of debt securities available for sale	\$ -	-	-	-	-	-	-
Gain (loss) on debt extinguishment	\$ -	534	-	-	505	534	2,349

Gain on termination of swap	\$	-	-	-	-	-	-	-
Non-interest Expense	\$	19,518	19,388	18,916	18,011	18,660	57,822	53,360
Earnings before income tax (benefit) expense		713	2,221	2,446	4,063	7,145	5,380	24,768
Income tax (benefit) expense	\$	(16)	391	441	933	1,757	816	5,531
Net Earnings	\$	729	1,830	2,005	3,130	5,388	4,564	19,237
Basic earnings per share	\$	0.06	0.15	0.17	0.27	0.46	0.38	1.64
Diluted earnings per share	\$	0.06	0.15	0.17	0.26	0.45	0.38	1.62
Performance Ratios								
Return on average assets*		0.07 %	0.19 %	0.22 %	0.36 %	0.62 %	0.16 %	0.74 %
Return on risk weighted assets*		0.13 %	0.34 %	0.39 %	0.63 %	1.12 %	0.27 %	1.33 %
Return on average equity*		1.06 %	2.63 %	3.01 %	4.92 %	7.97 %	2.22 %	9.15 %
Yield on earning assets*		3.93 %	3.68 %	3.39 %	3.17 %	2.92 %	3.67 %	2.72 %
Cost of funds*		2.78 %	2.36 %	1.74 %	1.27 %	0.76 %	2.31 %	0.62 %
Net Interest Margin*		1.21 %	1.40 %	1.75 %	1.90 %	2.16 %	1.44 %	2.45 %
Efficiency ratio		95.36 %	89.82 %	84.37 %	77.93 %	71.98 %	90.42 %	67.09 %
Capital								
Tier 1 leverage capital ratio		8.71 %	8.77 %	9.23 %	9.36 %	9.35 %	8.71 %	9.35 %
Common equity risk-based capital ratio		15.63 %	15.80 %	16.45 %	17.01 %	17.41 %	15.63 %	17.41 %
Tier 1 risk-based capital ratio		15.63 %	15.80 %	16.45 %	17.01 %	17.41 %	15.63 %	17.41 %
Total risk-based capital ratio		17.96 %	18.16 %	19.23 %	19.86 %	20.30 %	17.96 %	20.30 %
Book value per share	\$	23.13	\$ 23.16	\$ 23.61	\$ 22.11	\$ 21.81	\$ 23.13	\$ 21.81
Tangible book value per share	\$	23.13	\$ 23.16	\$ 23.61	\$ 22.11	\$ 21.81	\$ 23.13	\$ 21.81
Asset Quality								
Net (recoveries) charge-offs	\$	(7)	(12)	(10)	(227)	(176)	-29	(213)
Net (recoveries) charge-offs to average total loans		-0.00 %	-0.00 %	-0.00 %	-0.01 %	-0.01 %	-0.00 %	-0.01 %
Allowance for credit losses	\$	24,270	24,164	24,193	23,168	21,902	24,270	21,902
Allowance to total loans		0.98 %	0.98 %	1.03 %	1.03 %	1.02 %	0.98 %	1.02 %
Nonperforming loans	\$	2,111	2,122	1,215	730	692	2,111	692
Other real estate owned	\$	-	-	-	-	-	-	-
Nonperforming loans to total loans		0.09 %	0.09 %	0.05 %	0.03 %	0.03 %	0.09 %	0.03 %
Nonperforming assets to total assets		0.05 %	0.06 %	0.03 %	0.02 %	0.02 %	0.05 %	0.02 %
Loan Composition (% of Total Gross Loans)								
1-4 Family		48.7 %	48.5 %	48.8 %	49.0 %	50.2 %	48.7 %	50.2 %
Commercial Loans		10.4 %	10.7 %	9.4 %	9.5 %	9.1 %	10.4 %	9.1 %
Commercial Real Estate		25.7 %	25.3 %	26.3 %	24.4 %	24.1 %	25.7 %	24.1 %
Construction Loans		8.2 %	8.3 %	7.9 %	9.0 %	8.3 %	8.2 %	8.3 %
Other Loans		7.0 %	7.2 %	7.6 %	8.1 %	8.3 %	7.0 %	8.3 %
End of Period Balances								
Assets	\$	3,968,775	3,802,330	3,784,609	3,554,370	3,455,462	3,968,775	3,455,462
Debt securities	\$	994,246	1,092,107	1,099,613	1,113,981	1,129,272	994,246	1,129,272
Loans, net of allowance	\$	2,456,714	2,446,065	2,325,912	2,228,236	2,125,751	2,456,714	2,125,751
Deposits	\$	2,778,627	2,637,668	2,868,954	2,818,491	2,919,206	2,778,627	2,919,206

Other borrowings	\$ 531,973	608,092	106,253	118,444	25,760	531,973	25,760
Subordinated Debt	\$ 27,467	27,458	33,626	33,545	33,483	27,467	33,483
FHLB Advances	\$ 315,000	215,000	470,000	286,100	190,000	315,000	190,000
Shareholders' Equity	\$ 275,584	275,517	279,547	260,307	256,348	275,584	256,348
Trust and Investment							
Fee Income	\$ 8,015	7,347	6,573	6,390	6,477	21,935	20,227
Assets Under Administration							
Balance at beginning of period	\$ 6,697,009	6,435,562	5,944,772	5,392,768	5,464,847	5,944,772	6,200,407
Net investment appreciation (depreciation) & income	\$ (363,654)	60,789	175,566	314,992	(204,456)	(127,299)	(1,267,404)
Net client asset flows	\$ 62,533	200,658	315,224	237,012	132,377	578,415	459,765
Balance at end of period	\$ 6,395,888	6,697,009	6,435,562	5,944,772	5,392,768	6,395,888	5,392,768
Percentage of AUA that are managed	87.81 %	87.79 %	87.58 %	88.08 %	87.99 %	87.81 %	87.99 %
Stock Valuation							
Closing Market Price (OTCQX)	\$ 22.65	23.30	28.15	29.75	29.25	\$ 22.65	\$ 29.25
Multiple of Tangible Book Value	0.98	1.01	1.19	1.35	1.34	0.98	1.34
*annualized							

SOURCE: FineMark Holdings, Inc.

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