FineMark Holdings, Inc. Reports
Third Quarter 2024 Net Income of $1.3 million

Third Quarter 2024 Results:

Interest Income $45.1 million	8% Annual Net Loan growth	10% Annual Deposit Growth

Consolidated Results

Net interest income:
$13.1 million

Return on avg assets:
0.12%

Return on avg equity:
1.50%

Total risk-based capital ratio:
18.53%

Banking

Annual loan growth (net):
$186 million

Annual deposit growth:
$290 million

Non-performing loan ratio:
0.01%

Trust & Investments

8% annual increase in relationships (households)

22% annual increase in assets under management & administration

16% annual trust fee growth

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

Many of our clients and associates in Florida find themselves dealing with the aftermath of two significant hurricanes. The overwhelming sense of storm fatigue by all Floridians is deeply felt. As we collaborate with our clients to overcome any immediate challenges, I am inspired by the unwavering dedication of our associates, who are clearly committed to the enduring success of both our clients and our company. I have no doubt they will continue to rise to the occasion and deliver the exceptional client service for which we are known.

On the financial front, I am pleased to report net interest income and net interest margin—two key metrics of any bank—improved in the third quarter as funding costs stabilized, while yields on earning assets continued to rise. The funding cost stabilization was the result of the Federal Reserve cutting its benchmark interest rate by fifty basis points in September and the market expectations of additional rate cuts in Q4 and into 2025. Although the unprecedented rate environment of recent years has presented many challenges, we have remained steadfast in our way of doing business.

The aforementioned factors drove record interest income and increasing net interest income and earnings in the third quarter (especially in September). Compared to the third quarter of 2023, interest income increased 24% to $45.1 million and net interest income increased 16% to $13.1 million. This resulted in an earnings increase compared to the same quarter last year.

Profitability margins, including returns on assets and equity, and net interest margin, slightly improved from the third quarter of 2023. We are optimistic that we will see continued improvement in margins should the Federal Reserve continue to reduce interest rates, resulting in lower overall funding costs. Credit quality remains excellent with non-performing loans representing only 0.01% of total loans.

In the third quarter, we continued to develop new relationships and expand on existing relationships in the trust and investment area of the Bank. This growth, coupled with investment appreciation, resulted in a 22% increase in assets under management and administration (AUMA) to $7.8 billion, compared to the third quarter of 2023 of $6.4 billion. Trust fees reached a record $9.3 million for the quarter and rose to $26.7 million year-to-date.

Our focus continues to be on delivering the highest levels of service while maintaining a strong balance sheet and a continued focus on earnings improvement. This commitment, along with our proven financial stability, creates long-term shareholder value and provides our clients with the confidence that we will be here for future generations.

Net Interest Income & Margin

In September the Federal Open Market Committee (FOMC) reduced the Overnight Bank Funding Rate by 50 basis points, suggesting a degree of confidence that inflation has been contained. This reduction followed two and a half years of “tighter” monetary policy in which eleven rate increases, totaling 525 basis points, negatively impacted FineMark’s net interest income by increasing our funding cost.

During the second quarter of 2024, increases in asset yields outpaced increases in funding costs and this trend continued in the third quarter with increasing asset yields and stable funding costs. As a result of this improvement, FineMark's net interest income totaled $13.1 million in the third quarter, reflecting a 16% increase compared to the third quarter of 2023. The Bank's net interest margin (NIM) increased to 1.30% in the third quarter of 2024, compared to 1.18% in the prior quarter and 1.21% in the same period last year.

On average $140 million of lower rate loans and securities mature or reprice each quarter. This combination of assets repricing will provide a benefit to net interest income and net interest margin for many future periods. We fully expect these maturing and repricing assets to be reinvested at significantly higher yields.

Non-Interest Income

Third quarter non-interest income increased to $10.4 million, a 14% improvement over the third quarter of 2023. The primary driver of this growth continues to be expansion of the Bank’s trust and investment business from both existing clients adding funds and new clients. Assets under management and administration totaled $7.8 billion as of September 30, 2024, marking a 22% increase from $6.4 billion a year prior. Trust fees reached $9.3 million in the third quarter, representing a 16% increase over the third quarter of 2023.

Non-Interest Expense

Continued investments in personnel, technology, and facilities to support the Bank’s growth led to a 12% increase in non-interest expense in the third quarter compared to third quarter of 2023. 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.

Balance Sheet Highlights

Gross loan production totaled $167 million for the quarter, compared to $180 million in the third quarter 2023, and was in-line with management expectations. Deposits grew 10% or $290 million to $3.1 billion since the end of the third quarter of 2023. Deposit growth continues to outpace loan growth and supports management’s desire to maintain elevated levels of cash and securities to provide 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 September 30, 2024, non-performing loans totaled $295 thousand, or 0.01% of total loans. This marks a decrease from $2.1 million in the third quarter 2023, or 0.09% of total loans. The current allowance for credit losses stands at $23.6 million, equivalent to 0.88% of gross loans, which management believes is sufficient to support the Bank’s low loan portfolio risk.

Capital

All capital ratios continue to exceed regulatory requirements for "well-capitalized" banks. As of September 30, 2024, FineMark's Tier 1 leverage ratio, on a consolidated basis, was 9.04%, while the total risk-based capital ratio was 18.53%. Rising interest rates over the past two years led to a net unrealized loss of $30.5 million on the Bank's investment portfolio as of September 30, 2024, which decreased from $46.7 million in the prior quarter.

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 1.9 years, these losses will continue to decline as bonds mature.

To partially mitigate the potential negative impact of further interest rate increases, the Bank entered into three interest rate caps in 2024, including two in the third quarter. These actions were in addition to two swap agreements and one interest rate cap entered into 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 potential for the Federal Reserve to continue to reduce rates.

CONTACT:

Ryan Roberts
Investor Relations
239-461-3850
investorrelations@finemarkbank.com
8695 College Pkwy, Suite 100
Fort Myers, FL 33919
website: www.finemarkbank.com

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)

Assets	**September 30, 2024** (Unaudited)	**December 31, 2023**
Cash and due from banks	$ 447,326	369,060
Debt securities available for sale	909,602	947,701
Debt securities held to maturity	83,496	87,928
Loans, net of allowance for credit losses of $23,569 in 2024 and $23,472 in 2023	2,642,940	2,493,809
Federal Home Loan Bank stock	19,494	16,974
Federal Reserve Bank stock	7,520	6,362
Premises and equipment, net	38,265	39,869
Operating lease right-of-use assets	10,518	11,338
Accrued interest receivable	13,810	13,062
Deferred tax asset	14,155	21,152
Bank-owned life insurance	74,770	73,333
Other assets	9,548	20,167
Total assets	$ 4,271,444	4,100,755
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	623,670	629,976
Savings, NOW and money-market deposits	2,181,097	1,949,898
Time deposits	263,395	312,137
Total deposits	3,068,162	2,892,011
Official checks	10,642	6,264
Other borrowings	350,000	500,000
Federal Home Loan Bank advances	350,000	305,000
Repurchase agreements	74,022	31,397
Operating lease liabilities	10,664	11,490
Subordinated debt	27,507	27,477
Other liabilities	26,417	30,829
Total liabilities	3,917,414	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, 12,092,767 and 11,934,086 shares issued and outstanding in 2024 and 2023	121	119
Additional paid-in capital	249,512	215,497
Retained earnings	134,882	132,585
Accumulated other comprehensive loss	(30,485)	(51,914)
Total shareholders' equity	354,030	296,287
Total liabilities and shareholders' equity	$ 4,271,444	4,100,755
Book Value per Share	$ 26.81	24.83

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,	
	2024	2023	2024	2023
Interest income:				
Loans	$ 35,211	29,704	$ 100,578	81,296
Debt securities	4,774	3,849	13,911	12,032
Dividends on Federal Home Loan Bank stock	302	265	907	836
Other	4,803	2,560	14,451	4,823
Total interest income	45,090	36,378	129,847	98,987
Interest expense:				
Deposits	22,678	15,536	66,212	38,011
Other borrowings	5,527	6,654	18,575	12,222
Federal Home Loan Bank advances	3,409	2,519	8,555	8,604
Subordinated debt	370	364	1,111	1,347
Total interest expense	31,984	25,073	94,453	60,184
Net interest income	13,106	11,305	35,394	38,803
Credit loss expense	-	238	620	1,272
Net interest income after credit loss expense	13,106	11,067	34,774	37,531
Noninterest income:				
Trust fees	9,304	8,015	26,713	21,935
Income from bank-owned life insurance	490	663	1,437	1,736
Income from solar farms	82	89	241	240
Gain on sale of debt securities available for sale	104	-	104	-
Gain on extinguishment of debt	-	-	367	534
Other fees and service charges	468	397	1,410	1,226
Total noninterest income	10,448	9,164	30,272	25,671
Noninterest expenses:				
Salaries and employee benefits	13,540	12,060	38,066	35,207
Occupancy	2,315	2,476	7,342	7,424
Information systems	1,811	1,559	5,137	4,685
Professional fees	716	655	1,790	1,984
Marketing and business development	321	447	1,266	1,613
Regulatory assessments	782	778	2,298	2,022
Other	2,316	1,543	5,610	4,887
Total noninterest expense	21,801	19,518	61,509	57,822
Earnings before income tax expense (benefit)	1,753	713	3,537	5,380
Income tax expense (benefit)	471	(16)	678	816
Net earnings	1,282	729	2,859	4,564
Preferred stock dividends	-	-	562	-
Earnings available to common shareholders	$ 1,282	729	$ 2,297	4,564
Weighted average common shares outstanding - basic	12,092	11,904	12,061	11,884
Weighted average common shares outstanding - diluted	12,151	11,942	12,108	11,921
Per share information: Basic earnings per common share	$ 0.11	0.06	$ 0.19	0.38
Diluted earnings per common share	$ 0.11	0.06	$ 0.19	0.38

FineMark Holdings, Inc.

Consolidated Financial Highlights
Third Quarter 2024
Unaudited

$ in thousands except for share data	3rd Qtr 2024	2nd Qtr 2024	1st Qtr 2024	4th Qtr 2023	3rd Qtr 2023	YTD 2024	YTD 2023
$ Earnings							
Net Interest Income	$ 13,106	$ 11,635	$ 10,653	$ 11,130	$ 11,305	$ 35,394	$ 38,803
Credit Loss Expense (Income)	$ —	$ 200	$ 420	$ (866)	$ 238	$ 620	$ 1,272
Non-Interest Income (excl. gains and losses)	$ 10,344	$ 9,929	$ 9,528	$ 8,829	$ 9,164	$ 29,801	$ 25,137
Gain on Sale of Debt Securities Available for Sale	$ 104	$ —	$ —	$ —	$ —	$ 104	$ —
Gain on Debt Extinguishment	$ —	$ —	$ 367	$ —	$ —	$ 367	$ 534
Non-interest Expense	$ 21,801	$ 20,497	$ 19,211	$ 20,119	$ 19,518	$ 61,509	$ 57,822
Earnings Before Income Tax Expense (benefit)	$ 1,753	$ 867	$ 917	$ 706	$ 713	$ 3,537	$ 5,380
Income Tax Expense (Benefit)	$ 471	$ 101	$ 106	$ 171	$ (16)	$ 678	$ 816
Net Earnings	$ 1,282	$ 766	$ 811	$ 535	$ 729	$ 2,859	$ 4,564
Preferred Stock Dividends	$ —	$ 562	$ —	$ —	$ —	$ 562	$ —
Earnings Available to Common Shareholders	$ 1,282	$ 204	$ 811	$ 535	$ 729	$ 2,297	$ 4,564
Basic Earnings per Share	$ 0.11	$ 0.02	$ 0.07	$ 0.04	$ 0.06	$ 0.19	$ 0.38
Diluted Earnings per Share	$ 0.11	$ 0.02	$ 0.07	$ 0.04	$ 0.06	$ 0.19	$ 0.38
Performance Ratios							
Return on average assets*	0.12 %	0.07 %	0.08 %	0.05 %	0.07 %	0.09 %	0.16 %
Return on risk weighted assets*	0.22 %	0.13 %	0.14 %	0.09 %	0.13 %	0.16 %	0.27 %
Return on average equity*	1.50 %	0.93 %	1.09 %	0.77 %	1.06 %	1.18 %	2.22 %
Yield on earning assets*	4.49 %	4.34 %	4.23 %	4.12 %	3.93 %	4.35 %	3.67 %
Cost of funds*	3.33 %	3.33 %	3.29 %	3.04 %	2.78 %	3.32 %	2.31 %
Net Interest Margin*	1.30 %	1.18 %	1.08 %	1.15 %	1.21 %	1.19 %	1.44 %
Efficiency ratio	92.56 %	95.05 %	95.19 %	100.80 %	95.36 %	94.20 %	90.42 %
Capital							
Tier 1 leverage capital ratio	9.04 %	9.06 %	9.04 %	8.46 %	8.71 %	9.04 %	8.71 %
Common equity Tier 1 (CET1) risk-based capital ratio	15.09 %	15.12 %	15.28 %	15.46 %	15.63 %	15.09 %	15.63 %
Tier 1 risk-based capital ratio	16.36 %	16.40 %	16.58 %	15.46 %	15.63 %	16.36 %	15.63 %
Total risk-based capital ratio	18.53 %	18.59 %	18.80 %	17.72 %	17.96 %	18.53 %	17.96 %
Book value per share	$ 26.81	$ 25.28	$ 24.85	$ 24.83	$ 23.13	$ 26.81	$ 23.13
Tangible book value per share	$ 26.81	$ 25.28	$ 24.85	$ 24.83	$ 23.13	$ 26.81	$ 23.13
Asset Quality							
Net charge-offs (recoveries)	$ —	$ (14)	$ 627	$ (2)	$ (7)	$ 613	$ (29)
Net charge-offs (recoveries) to average total loans	— %	— %	0.02 %	— %	— %	0.02 %	— %
Allowance for credit losses	$ 23,569	$ 23,569	$ 23,354	$ 23,472	$ 24,270	$ 23,569	$ 24,270
Allowance to total loans	0.88 %	0.89 %	0.91 %	0.93 %	0.98 %	0.88 %	0.98 %
Nonperforming loans	$ 295	$ 1,165	$ 1,483	$ 1,629	$ 2,111	$ 295	$ 2,111
Other real estate owned	—	—	—	—	—	—	—
Nonperforming loans to total loans	0.01 %	0.04 %	0.06 %	0.07 %	0.09 %	0.01 %	0.09 %
Nonperforming assets to total assets	0.01 %	0.03 %	0.04 %	0.04 %	0.05 %	0.01 %	0.05 %
Loan Composition (% of Total Gross Loans)							
1-4 Family	48.4 %	47.6 %	48.9 %	48.8 %	48.7 %	48.4 %	48.7 %
Commercial Loans	13.2 %	13.6 %	10.9 %	10.2 %	10.4 %	13.2 %	10.4 %
Commercial Real Estate	24.2 %	24.8 %	25.6 %	26.8 %	25.7 %	24.2 %	25.7 %
Construction Loans	8.1 %	8.2 %	7.6 %	7.3 %	8.2 %	8.1 %	8.2 %
Other Loans	6.1 %	5.9 %	7.0 %	6.9 %	7.0 %	6.1 %	7.0 %
End of Period Balances							
Assets	$ 4,271,444	$ 4,134,012	$ 4,189,904	$ 4,100,755	$ 3,968,775	$ 4,271,444	$ 3,968,775
Debt securities	$ 993,098	$ 1,014,529	$ 1,036,337	$ 1,035,629	$ 994,246	$ 993,098	$ 994,246
Loans, net of allowance	$ 2,642,940	$ 2,615,614	$ 2,551,673	$ 2,493,809	$ 2,456,714	$ 2,642,940	$ 2,456,714
Deposits	$ 3,068,162	$ 2,999,742	$ 3,064,281	$ 2,892,011	$ 2,778,627	$ 3,068,162	$ 2,778,627
Other borrowings	$ 424,022	$ 486,932	$ 527,667	$ 531,397	$ 531,973	$ 424,022	$ 531,973
Subordinated Debt	$ 27,507	$ 27,497	$ 27,487	$ 27,477	$ 27,467	$ 27,507	$ 27,467
FHLB Advances	$ 350,000	$ 250,000	$ 210,000	$ 305,000	$ 315,000	$ 350,000	$ 315,000
Shareholders' Equity	$ 354,030	$ 335,304	$ 329,382	$ 296,287	$ 275,584	$ 354,030	$ 275,584
Trust and Investment							
Fee Income	$ 9,304	$ 8,876	$ 8,533	$ 7,839	$ 8,015	$ 26,713	$ 21,935
Assets Under Administration							
Balance at beginning of period	$ 7,536,721	$ 7,373,816	$ 6,839,707	$ 6,395,888	$ 6,697,009	$ 6,839,707	$ 5,944,772
Net investment appreciation (depreciation) & income	$ 111,210	$ (21,279)	$ 341,650	$ 303,241	$ (363,654)	$ 431,582	$ (127,299)
Net client asset flows	$ 163,580	$ 184,184	$ 192,459	$ 140,578	$ 62,533	$ 540,223	$ 578,415
Balance at end of period	$ 7,811,512	$ 7,536,721	$ 7,373,816	$ 6,839,707	$ 6,395,888	$ 7,811,512	$ 6,395,888
Percentage of AUA that are managed	88 %	91 %	89 %	88 %	88 %	88 %	88 %
Stock Valuation							
Closing Market Price (OTCQX)	$ 26.50	$ 24.35	$ 25.25	$ 24.15	$ 22.65	$ 26.50	$ 22.65
Multiple of Tangible Book Value	0.99	0.96	1.02	0.97	0.98	0.99	0.98

*annualized