



Seacoast Commerce Banc Holdings Announces Second Quarter 2019 Results

Second Quarter 2019 Highlights

- **Return on Average Tangible Common Equity of 16.41%**
- **Return on Average Assets of 1.30%**
- **Net income of \$3.6 million, up \$281 thousand, or 8.5%**
- **Diluted earnings per share of \$0.36, up \$0.02, or 7.0%**
- **Asset growth of \$152 million, or 15.3% annualized**
- **Gross loan growth of \$109.4 million, or 13.6% annualized**
- **Deposit growth of \$233.8 million, or 30.1% annualized**
- **Non-interest bearing deposit growth of \$201.3 million, or 58.3% annualized**
- **Non-interest bearing deposits represent 54.1% of total deposits**
- **Specialty deposit growth of \$182.7 million, or 30.1% annualized**
- **SBA loan production of \$68.8 million, up \$15.3 million, or 28.6% annualized**
- **Retained SBA guaranteed loan growth of \$50.3 million, or 13.5% annualized**
- **Announced planned opening of a new full-service branch in Las Vegas, Nevada**
- **Announced opening of a new SBA lending office in Virginia**
- **Increased quarterly cash dividend by 10%**

SAN DIEGO, CA – July 17, 2019 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), the holding company of [Seacoast Commerce Bank](#) (“Bank”), today reported unaudited consolidated net income for the second quarter ended June 30, 2019, of \$3.6 million versus 2018 second quarter unaudited consolidated net income of \$3.3 million, an 8.5% increase. On a diluted per share basis, net income rose 7.0% to \$0.36 per share, versus \$0.34 per share in 2018. Additionally, the Company reported second quarter return on average tangible common equity (ROATCE) and return on average assets (ROAA) of 16.41% and 1.30% respectively, compared to 17.84% and 1.34% for the second quarter of 2018.

Richard M. Sanborn, President & Chief Executive Officer, commented, “The second quarter of 2019 was a continuation of our company’s consistent operating results, with exceptional growth in all our business lines. SBA loan production was up 28.6% and commercial lending up 19.8%. Even more impressive was our deposit growth with overall deposits up \$234 million, or 30.1%, driven by our 1031 exchange division, which had growth of \$163.4 million. While 1031 growth was tremendous, it was driven by several large quarter-end exchanges that we expect to run off in the third quarter, tempering our expected third quarter deposit growth. Also of importance in the second quarter was the announcement of our plan to open a full-service branch in Las Vegas, Nevada. Over the years, we have had many requests from existing clients and prospects who have business operations in Nevada, requesting we open a branch there. Given the commitments we have already received, we see tremendous opportunity in Las Vegas and look forward to opening a branch there soon. Going forward, we remain optimistic as we continue with our expansion plans.”

Allan W. Arendsee, Chairman of the Board, stated, "The Board of Directors is very pleased with the second quarter's financial performance and our expectations for the second-half of the year remain optimistic. The management team is executing on our business plan while continuing to look for additional opportunities where we can add to shareholder value. While growth often requires resources, our team has continued to produce exceptional returns even while using resources to grow. Our continued strong financial results also allowed us to return more capital back to our shareholders, which we accomplished with the announcement of a 10% dividend increase. As always, the Board of Directors believes that the right plan is in place to continue providing shareholders with an exceptional return on their investment over the long-term."

Quarterly Financial highlights (in millions):

	<u>06/30/2019</u>	<u>03/31/2019</u>	<u>06/30/2018</u>	<u>06/30 Change</u>	<u>% Change</u>
Consolidated Net Income	\$3.577	\$3.520	\$3.296	\$0.281	5.8%
ROATCE	16.41%	16.90%	17.84%	(1.44%)	(8.1%)
ROAA	1.30%	1.38%	1.34%	(0.04%)	(3.0%)
Earnings Per Share (Diluted)	\$0.36	\$0.36	\$0.34	\$0.02	7.0%
Dividend Paid	\$0.11	\$0.10	\$0.08	\$0.03	37.5%
Net Interest Margin	6.37%	6.15%	5.67%	0.70%	12.3%
Bank Efficiency Ratio	67.3%	67.2%	67.1%	0.02%	0.3%

Divisional quarter-to-date results (in millions):

	<u>06/30/2019</u>	<u>03/31/2019</u>	<u>06/30/2018</u>	<u>Change</u>	<u>% Change</u>
SBA Loan Production	\$68.783	\$68.499	\$53.480	\$15.303	28.6%
SBA 7(a) guaranteed Loan Sales	\$14.629	\$17.010	\$21.246	(\$6.617)	(31.3%)
Percent of Guaranteed Loan Sales	28.4%	33.1%	53.0%	(24.6%)	(46.6%)
SBA Guaranteed Loan Inventory	\$424.071	\$409.906	\$373.772	\$50.299	13.5%
Commercial Loan Production	\$7.158	\$22.316	\$5.974	\$1.184	19.8%
1031 Exchange Deposits	\$304.446	\$152.609	\$141.039	\$163.407	115.9%
Property Management Deposits	\$204.162	\$186.805	\$146.693	\$57.469	39.2%
Association Management Deposits	\$188.827	\$184.804	\$162.423	\$26.404	16.3%

Selected highlights for second-quarter 2019 versus second-quarter 2018:

Balance Sheet Metrics

- Asset growth of 15.3%, or \$152.4 million, to \$1.2 billion;
- Loan growth of 13.6%, or \$109.4 million, to \$914.6 million;
- SBA loans held for sale up 13.5%, or \$50.3 million, to \$424.1 million;
- Deposit growth of 30.1%, or \$233.8 million, to \$1.0 billion;
- Property Management specialty deposit growth of 27.1%, up \$83.9 million, to \$393.0 million;
- Non-Interest Bearing deposits represent 54.1% of total deposits;
- Shareholders' Equity growth of 10.9%, or \$12.4 million, to \$126.4 million.

Income Statement Metrics

- Interest Income up 21.4%, or \$3.0 million, to \$17.1 million;
- Interest Expense down (4.2%), or (\$52) thousand, to \$1.2 million;
- Net-Interest Income up 23.9%, or \$3.1 million to \$15.9 million;

- Non-Interest Income down (10.1%), or (\$227) thousand, to \$2.0 million;
- Non-Interest Expenses up 18.5%, or \$1.9 million, to \$12.1 million;
- Net Income up 8.5%, or \$281 thousand, to \$3.6 million.

Other Metrics

- SBA loans funded up 28.6%, or \$15.3 million, to \$68.8 million;
- SBA 7(a) loan sales percentage down (46.5%), to 28.4% of guaranteed production;
- Allowance for loan losses of \$5.5 million was 1.54% of loans held for investment, net;
- Allowance for loan losses stands at 314% of non-performing loans, net of guarantees;
- Non-performing loans to total gross loans of 0.57%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 1.90%;
- Since inception of the Bank’s SBA program a little over nine years ago, the bank has funded 2,091 loans for \$1.85 billion in small business financing;
- The Bank also services 1,304 SBA loans for \$1.0 billion, of which \$330 million has been sold in the secondary market and is not reflected on the banks balance sheet.

The Bank has always maintained capital levels well above the regulatory highest designation, “well capitalized”, and had capital ratios at June 30, 2019, as follows:

<u>Capital Ratios as of June 30, 2019</u>	<u>Company</u>	<u>Bank</u>	<u>“Well Capitalized” Level</u>
Tier 1 Leverage Ratio:	8.41%	8.41%	5.00%
Common Equity Tier 1 Ratio:	13.21%	13.22%	7.00%
Tier 1 Risk-Based Capital Ratio:	13.21%	13.22%	8.50%
Total Risk-Based Capital Ratio:	14.04%	14.05%	10.50%

As reported by the [U.S. Small Business Administration](#) (“SBA”) for their third quarter ending June 30, 2019, Seacoast Commerce Bank was the 11th largest SBA lender in the nation, out of over 3,000 financial institutions that are approved as an SBA lender. SBA rankings are based on total dollars approved with Seacoast having \$215.6 million approved.

About [Seacoast Commerce Banc Holdings](#): Seacoast Commerce Banc Holdings is a bank holding company with one wholly-owned banking subsidiary, [Seacoast Commerce Bank](#). Both the holding company and the bank are headquartered in San Diego, California, with the Bank having four full-service banking branches in San Diego and Orange County, California, and loan and deposit production offices throughout Arizona, California, Colorado, Georgia, Illinois, Indiana, Massachusetts, Nevada, Oregon, Texas, Utah, Virginia and Washington. For more information on Seacoast Commerce Banc Holdings or Seacoast Commerce Bank, please visit www.scbholdings.com or www.sccombank.com, or contact Richard M. Sanborn, President and Chief Executive Officer at 858-432-7001, or rsanborn@scbholdings.com.

This press release contains some non-GAAP financial analysis provided to supplement information regarding the Bank’s performance, and to enhance investors' overall understanding of such financial performance. Certain statements in this press release, including statements regarding the anticipated development and expansion of the Bank’s business, and the intent, belief or current expectations of the Bank, its directors or its officers, are “forward-looking” statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such “forward-looking” statements. These risks and uncertainties include, but are not limited to, risks related to the local and national economy, the Bank’s performance and regulatory matters.

Seacoast Commerce Banc Holdings
Selected Financial Data
Consolidated and Unaudited (000)

	For the Quarters Ended			% Change
	06/30/2019	03/31/2019	06/30/2018	06/30 - 06/30
Balance Sheet Items				
Total Gross Loans	914,634	909,471	805,275	13.6%
<i>SBA Loans Available for Sale (Memo Only)</i>	424,071	409,906	373,772	13.5%
Total Assets	1,150,834	1,073,100	998,386	15.3%
Total Deposits	1,010,171	825,625	776,358	30.1%
<i>Non-Interest DDA (Memo Only)</i>	546,393	404,771	345,080	58.3%
Bank Borrowings	-	109,000	85,000	(100%)
Shareholders' Equity	126,395	123,540	113,950	10.9%
<i>Bank Shareholders' Equity (Memo Only)</i>	126,392	123,493	126,612	(0.2%)
Income Statement Items				
Total Interest Income	17,050	15,737	14,042	21.4%
Total Interest Expense	1,197	1,498	1,249	(4.2%)
Net Interest Income	15,852	14,239	12,792	23.9%
Provision for Loan Losses	700	234	200	250%
Non-Interest Income (excluding gains)	712	649	421	69.2%
Gain on Sale Income	2,022	1,260	1,828	(10.6%)
Non-Interest Expense	12,103	10,929	10,210	18.5%
Pre-Tax Income	5,071	4,986	4,631	9.5%
Our Fair Share of Income Taxes (29.5%)	1,494	1,466	1,335	11.9%
Net Income	3,577	3,520	3,296	8.5%
QTD Diluted Earnings per Share	\$0.36	\$0.36	\$0.34	7.0%
YTD Diluted Earnings per Share	\$0.72	\$0.36	\$0.65	10.0%
Book Value per Share	\$13.24	\$12.95	\$12.36	7.1%
Tangible Book Value per Share	\$9.33	\$9.04	\$8.28	12.3%
QTD ROAA	1.30%	1.38%	1.34%	(3.0%)
YTD ROAA	1.34%	1.38%	1.32%	1.4%
QTD ROATCE	16.41%	16.90%	17.84%	(8.1%)
YTD ROATCE	16.65%	16.90%	17.59%	(5.3%)
Ending Shares Outstanding	9,549	9,538	9,219	3.6%
Stock Price	\$20.00	\$20.15	\$20.25	(1.2%)
Market Capitalization	\$190,983	\$192,183	\$186,691	2.3%
Qtr. Cash Dividends Paid to Shareholders	\$0.11	\$0.10	\$0.08	37.5%
YTD Cash Dividends Paid to Shareholders	\$0.21	\$0.10	\$0.16	31.3%

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