



Seacoast Commerce Banc Holdings Announces Fourth Quarter and Full Year 2017 Results

Full-Year 2017 Highlights

- Excluding one-time merger expenses, Deferred Tax Asset (DTA) write-downs associated with tax reform, and the related income tax affects, net income for the full-year of \$8.1 million, up \$1.2 million, or 17.9%; earnings per share of \$1.18; ROATCE of 16.34%; ROAA of 1.19%
- Results include \$2.0 million of merger-related expenses and \$3.8 million of DTA write-downs
- Closed \$10 million common equity private placement offering, issued at market
- Completed acquisition of Capital Bank on October 1, 2017
- Hired National Sales Managers for our SBA production group, and specialty deposits groups, to drive development of national lending and deposit platforms
- Gross loan growth of \$330 million, up 73.8%
- SBA loan originations of \$255.1 million, up 5.7%
- SBA guaranteed loan retention growth of \$66.5 million, up 22.7%
- Deposit growth of \$201.7 million, up 41.3%
- Noninterest-bearing deposits represent 41.0% of total deposits

SAN DIEGO, CA – January 23, 2018 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), the holding company of [Seacoast Commerce Bank](#) (“Bank”), reported consolidated unaudited net income for 2017 of \$2.3 million, or \$0.33 per share, compared with net income of \$6.9 million, or \$1.15 per share, for 2016. 2017 results include two significant one-time items; \$2.0 million in merger expenses and \$3.8 million in DTA write-downs as a result of tax reform. Excluding those two items, operating net income would have been \$8.1 million, up \$1.2 million over 2016, or 17.9%. For the fourth quarter of 2017, the Company reported a net loss of (\$2.1) million, compared to net income of \$1.9 million for the fourth quarter of 2016. Fourth quarter results include one-time merger related expenses of \$1.6 million and \$3.8 million in DTA write-downs. Excluding one-time items, fourth quarter operating net income was \$3.3 million compared to fourth quarter 2016 net income of \$1.9 million, up \$1.4 million, or 71.2%. The Company’s reported return on average tangible common equity (ROATCE) was 4.59% for 2017 and (11.7%) for the fourth quarter. Excluding one-time items, the Company’s ROATCE was 16.34% for the full year and 17.95% for the fourth quarter.

Richard M. Sanborn, President & Chief Executive Officer, commented, “Our team had an amazing 2017 on multiple fronts. From record growth in all our divisions to the completion of our acquisition, everyone contributed to our success. The Capital Bank acquisition is producing results in line with our expectations, and we are excited to see our new national sales managers expand our lending and deposit platforms. From a financial standpoint, with Capital Bank now fully integrated into Seacoast, we expect to benefit from a full year of synergies and cost saves which will drive value to our shareholders.”

Allan W. Arendsee, Chairman of the Board, stated, "The Board of Directors is very excited about what the management team was able to accomplish this past year. From the completion of our private placement where we raised an additional \$10 million in capital, to our acquisition of Capital Bank and completion of systems integration, our team performed exceptionally well. The board of directors firmly believes that we have the right plan in place to continue providing our shareholders with an exceptional return on their investment over the long-term."

Quarterly Financial highlights (in millions):

	<u>12/31/2017</u>	<u>09/30/2017</u>	<u>12/31/2016</u>	<u>12/31 Change</u>	<u>% Change</u>
Consolidated Net Income	(\$2.142)	\$1.425	\$1.922	(\$4.064)	(211.4%)
ROATCE	(11.68%)	12.56%	19.24%	(30.92%)	(160.7%)
ROAA	(0.91%)	0.92%	1.32%	(2.23%)	(168.7%)
Earnings Per Share (Basic)	(\$0.23)	\$0.23	\$0.32	(\$0.55)	(173.5%)
Net Interest Margin YTD	5.34%	5.14%	4.44%	0.90%	20.3%
Efficiency Ratio	74.7%	72.3%	71.3%	3.4%	4.8%

SBA Division's quarter-to-date results (in millions):

	<u>12/31/2017</u>	<u>09/30/2017</u>	<u>12/31/2016</u>	<u>Change</u>	<u>% Change</u>
SBA Loan Production	\$69.627	\$67.740	\$61.624	\$8.002	13.0%
SBA 7(a) guaranteed Loan Sales	\$18.151	\$13.089	\$18.589	(\$0.438)	(2.4%)
Percent of Guaranteed Loan Sales	34.8%	25.8%	40.2%	(5.5%)	(13.6%)
SBA Guaranteed Loan Inventory	\$359.436	\$343.389	\$292.950	66.485	22.7%

As previously discussed, the Company's growth and long-term shareholder value creation strategy is based on consistently generating and holding more saleable SBA loans. Holding loans, versus selling for a one-time gain, results in more consistent, predictable, and re-occurring spread income.

Selected highlights for fourth-quarter 2017 versus fourth-quarter 2016:

Balance Sheet Metrics

- Asset growth of 64.9%, or \$369.4 million, to \$938.9 million;
- Loan growth of 73.8%, or \$329.5 million, to \$775.9 million;
- SBA loans held for sale up 22.7%, or \$66.5 million, to \$359.4 million;
- Deposit growth of 41.3%, or \$210.7 million, to \$720.9 million;
- Non-Interest Bearing deposits represent 41.0% of total deposits;
- Shareholders' Equity growth of 161.0%, or \$66.9 million, to \$108.5 million.

Income Statement Metrics

- Interest Income up 108.1%, or \$6.8 million, to \$13.1 million;
- Interest Expense up 160.3%, or \$616 thousand, to \$1.0 million;
- Net-Interest Income up 104.7%, or \$6.2 million to \$12.1 million;
- Non-Interest Income down (6.9%), or (\$158) thousand, to \$2.1 million;
- Non-Interest Expenses up 26.4%, or \$2.0 million, to \$9.5 million (ex. merger expenses);
- Net Income down (211.4%), or (\$4.1) million, to (\$2.1) million (inc. merger and DTA adj.).

Other Metrics

- SBA loans funded QTD up 13.0%, or \$8.0 million, to \$69.6 million;
- SBA loans funded YTD up 5.7%, or \$13.7 million, to \$255.1 million;
- Allowance for loan losses of \$4.5 million was 2.52% of loans held for investment;
- Allowance for loan losses stands at 103.8% of non-performing loans;
- Non-performing loans to total gross loans of 0.56%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 2.88%;
- No charge-offs in 2016 or 2017;
- Since inception of the Bank's SBA program a little over eight years ago, the bank has funded 1,738 loans for \$1.5 billion in small business financing;
- The Bank services a total of 1,373 SBA loans for \$1 billion, of which \$441 million has been sold in the secondary market and is not reflected on the bank's balance sheet.

The Bank has always maintained capital levels well above the regulatory highest designation, "well capitalized", and had capital ratios at December 31, 2017, as follows:

<u>Capital Ratios as of Dec. 31, 2017</u>	<u>Company</u>	<u>Bank</u>	<u>"Well Capitalized" Level</u>
Tier 1 Leverage Ratio:	7.97%	9.42%	5.00%
Common Equity Tier 1 Ratio:	12.73%	15.06%	7.00%
Tier 1 Risk-Based Capital Ratio:	12.73%	15.06%	8.50%
Total Risk-Based Capital Ratio:	13.55%	15.88%	10.50%

As reported by the [U.S. Small Business Administration](#) ("SBA") for their fiscal year-ending September 30, 2017, Seacoast Commerce Bank was the 13th 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 \$276.1 million approved.

[Seacoast Commerce Banc Holdings](#) is a bank holding company with one wholly-owned banking subsidiary, [Seacoast Commerce Bank](#). Both the Company and the Bank are headquartered in San Diego, California, with the Bank having four full-service banking branches in Encinitas, National City, San Diego, and San Juan Capistrano, California, and production offices in San Diego, Orange County, Los Angeles, Sacramento and San Ramon, California; Phoenix, Arizona; Denver, Colorado; Las Vegas and Reno, Nevada; Eugene, Oregon; Austin, Dallas, and Houston, Texas; and Bellevue, Washington. For more information on Seacoast Commerce Banc Holdings, please visit www.scbholdings.com; to learn more about Seacoast Commerce Bank, visit 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
	12/31/2017	09/30/2017	12/31/2016	12/31 - 12/31
Balance Sheet Items				
Total Gross Loans	775,859	502,636	446,323	73.8%
<i>SBA Loans Available for Sale (Memo Only)</i>	359,436	343,389	292,950	22.7%
Total Assets	938,927	615,406	569,537	64.9%
Total Deposits	720,854	534,599	510,163	41.3%
<i>Non-Interest DDA (Memo Only)</i>	295,694	270,418	261,619	13.0%
Shareholders' Equity	108,518	55,501	41,579	161.0%
<i>Bank Shareholders' Equity (Memo Only)</i>	121,589	51,649	50,304	141.7%
Income Statement Items				
Total Interest Income	13,064	8,283	6,278	108.1%
Total Interest Expense	1,000	390	384	160.3%
Net Interest Income	12,064	7,893	5,893	104.7%
Provision for Loan Losses	0	0	(1,000)	(100%)
Non-Interest Income	2,133	2,008	2,291	(6.9%)
Non-Interest Expense (<i>inc. merger expenses</i>)	11,545	7,202	6,190	86.5%
Pre-Tax Income	2,652	2,699	2,994	(11.4%)
Income Taxes (<i>inc. DTA adj.</i>) (180.8%)	4,793	1,274	1,072	347.1%
Net Income (<i>inc. merger and DTA adj.</i>)	(2,142)	1,425	1,922	(211.4%)
QTD Basic Earnings per Share	(\$0.23)	\$0.23	\$0.32	(173.5%)
YTD Basic Earnings per Share	\$0.33	\$0.72	\$1.15	(71.4%)
YTD Basic Earnings per Share Adjusted *	\$1.18	\$0.79	\$1.15	2.6%
Book Value per Share	\$11.89	\$8.50	\$7.06	68.4%
QTD ROAA	(0.91%)	0.92%	1.32%	(168.8%)
QTD ROAA Adjusted *	1.39%	1.13%	1.32%	5.3%
YTD ROAA	0.34%	0.99%	1.25%	(73.3%)
YTD ROAA Adjusted *	1.19%	1.20%	1.25%	(4.8%)
QTD ROATCE	(11.68%)	12.56%	19.24%	(160.7%)
QTD ROATCE Adjusted *	17.95%	16.45%	19.24%	(6.7%)
YTD ROATCE	4.59%	13.28%	18.56%	(75.3%)
YTD ROATCE Adjusted *	16.34%	17.17%	18.56%	(12.0%)
Ending Shares Outstanding	9,129	6,532	5,886	55.1%
Stock Price	\$20.35	\$21.90	\$17.80	14.3%
Market Capitalization	\$185,766	\$143,060	\$104,765	77.3%
YTD Cash Dividends Paid to Shareholders	\$0.32	\$0.24	\$0.15	113.3%

* Adjusted to exclude one-time merger and DTA write-down expenses

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