



## Seacoast Commerce Banc Holdings Announces Third Quarter 2017 Results

### Third Quarter 2017 Highlights

- Excluding merger expenses and the related income tax affects, net income of \$1.9 million; earnings per share of \$0.30; ROACE of 16.45%; ROAA of 1.20%
- Third quarter results included \$230 thousand of one-time merger-related expenses
- Gross loan growth of \$86.1 million, or 20.7% annualized
- SBA loan originations of \$67.7 million, or \$270.8 million annualized
- SBA guaranteed loan retention growth of \$64.3 million, or 23.0% annualized
- Non-maturity (core) deposit growth of \$23.8 million, or 4.7% annualized
- Noninterest-bearing deposits represent 51.3% of total deposits
- Closed our \$10 million common equity private placement offering, issued at market
- Subsequently completed the acquisition of Capital Bank on October 1, 2017; proforma assets of \$930 million with the acquisition of Capital Bank completed

SAN DIEGO, CA – October 19, 2017 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), the holding company of [Seacoast Commerce Bank](#) (“Bank”), reported consolidated unaudited net income for the third quarter of 2017 of \$1.4 million, or \$0.23 per share, compared with net income of \$1.4 million, or \$0.23 per share, for the second quarter of 2017, and \$1.5 million, or \$0.25 per share, for the third quarter 2016, a 4.9% decrease. Financial results for the third quarter of 2017 include \$230 thousand of merger-related expenses. For the third quarter of 2017, the Company’s reported return on average common equity was 12.56%, compared to 13.19% for the second quarter of 2017, and 15.74% for the third quarter of 2016. This was the Company’s 29<sup>th</sup> consecutive quarterly profit.

Richard M. Sanborn, President & Chief Executive Officer, commented, “We had a very productive quarter on all fronts; from overall loan growth, to growth in SBA guaranteed loans retained, to further reducing our interest costs, expanding our margin, and lowering overall operating expenses. Our staff was able to produce those results while also completing a \$10 million private placement, and completing the acquisition of Capital Bank, which officially closed on October 1<sup>st</sup>. It is a true testament to the outstanding staff at both Seacoast and Capital Bank that allowed us to successfully do what we did. We are very excited for what we believe the merger of Capital Bank and Seacoast Commerce Bank will produce, not only in expanding both bank’s offering of products and services, but the benefits to clients and shareholders alike.”

Allan W. Arendsee, Chairman of the Board, stated, “The Board of Directors is extremely proud of our team for continuing to focus on adding long-term shareholder value, all while also focused on completing our private placement and completing our acquisition of Capital Bank. The Board is also very excited to be adding two new directors, Dr. B. Ted Field and Timothy K. O’Connor, from the Capital Bank board of directors. Their insight, knowledge, industry expertise, and corporate history will be valuable additions to the Seacoast board.”

Financial highlights (in millions):

	<u>09/30/2017</u>	<u>06/30/2017</u>	<u>09/30/2016</u>	<u>9/30 Change</u>	<u>% Change</u>
Consolidated Net Income	\$1.425	\$1.421	\$1.499	(\$0.074)	(4.9%)
Return on Ave. Common Equity	12.56%	13.19%	15.74%	(3.17%)	(20.2%)
Return on Ave. Assets	0.92%	0.97%	1.03%	(0.12%)	(11.3%)
Earnings Per Share (Basic)	\$0.23	\$0.23	\$0.25	(\$0.02)	(6.5%)
Net Interest Margin YTD	5.14%	4.96%	4.47%	0.67%	15.0%
Efficiency Ratio	72.1%	74.2%	76.5%	(3.8%)	(4.9%)

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

	<u>09/30/2017</u>	<u>06/30/2017</u>	<u>09/30/2016</u>	<u>Change</u>	<u>% Change</u>
SBA Loan Production	\$67.740	\$65.657	\$74.245	(\$6.505)	(8.8%)
SBA 7(a) guaranteed Loan Sales	\$13.089	\$20.503	\$39.575	(\$26.485)	(66.9%)
Percent of Guaranteed Loan Sales	25.8%	41.6%	71.0%	(45.0%)	(63.7%)
SBA Guaranteed Loan Inventory	\$343.389	\$318.693	\$279.139	64.251	23.0%

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 third-quarter 2017 versus third-quarter 2016:

Balance Sheet Metrics

- Asset growth of 6.3%, or \$36.5 million, to \$615.4 million;
- Loan growth of 20.7%, or \$86.2 million, to \$502.6 million;
- SBA loans held for sale up 23.0%, or \$64.3 million, to \$343.4 million;
- Deposit growth of 2.3%, or \$11.9 million, to \$534.6 million;
- Non-Interest Bearing deposits represent 51.3% of total deposits;
- Shareholders' Equity growth of 40.6%, or \$16.0 million, to \$55.5 million.

Income Statement Metrics

- Interest Income up 33.0%, or \$2.1 million, to \$8.3 million;
- Interest Expense down (7.5%), or \$32 thousand, to \$390 thousand;
- Net-Interest Income up 35.9%, or \$2.1 million to \$7.9 million;
- Non-Interest Income (excluding gain-on-sale) up 41.7%, or \$209 thousand, to \$709 thousand;
- Gain-on-sale Income down (63.5%), or \$2.3 million, to \$1.3 million;
- Non-Interest Expenses down 4.6%, or \$351 thousand, to \$7.2 million;
- Net Income down (4.9%), or \$74 thousand, to \$1.4 million;
- Net Income (excluding non-recurring expenses) up 23.5%, or \$352 thousand, to \$1.9 million.

Other Metrics

- SBA loans funded QTD down 8.8%, or \$6.5 million, to \$67.7 million;
- SBA loans funded YTD up 3.2%, or \$5.7 million, to \$185.4 million;
- Allowance for loan losses of \$4.5 million was 2.83% of loans held for investment;
- Allowance for loan losses stands at 183.8% of non-performing loans;

- Non-performing loans to total gross loans of 0.49%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 3.39%;
- No charge-offs year-to-date;
- Since inception of the Bank’s SBA program over seven years ago, the bank has funded 1,618 loans for \$1.4 billion in small business financing;
- The Bank services a total of 1,191 SBA loans for \$885 million, of which \$393 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 September 30, 2017, as follows:

<u>Capital Ratios as of Sept. 30, 2017</u>	<u>Company</u>	<u>Bank</u>	<u>“Well Capitalized” Level</u>
Tier 1 Leverage Ratio:	8.80%	8.12%	5.00%
Common Equity Tier 1 Ratio:	18.53%	17.82%	7.00%
Tier 1 Risk-Based Capital Ratio:	18.53%	17.82%	8.50%
Total Risk-Based Capital Ratio:	19.79%	19.08%	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 13<sup>th</sup> 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 full-service banking branches in San Diego and National City, California, and loan production offices in San Diego, Orange County, Los Angeles, Sacramento and San Ramon, California; Phoenix, Arizona; Denver, Colorado; Las Vegas, Nevada; Austin, Dallas, and Houston, Texas; and Bellevue, Washington. For more information on Seacoast Commerce Banc Holdings, please visit [www.scbholdings.com](http://www.scbholdings.com); to learn more about Seacoast Commerce Bank, visit [www.sccombank.com](http://www.sccombank.com), or contact Richard M. Sanborn, President and Chief Executive Officer at 858-432-7001, or [rsanborn@scbholdings.com](mailto:rsanborn@scbholdings.com).

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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 9/30 - 9/30
	09/30/2017	06/30/2017	09/30/2016	
<b>Balance Sheet Items</b>				
Total Gross Loans	502,636	471,694	416,473	20.7%
<i>SBA Loans Available for Sale (Memo Only)</i>	343,389	318,693	279,139	23.0%
Total Assets	615,406	590,008	578,917	6.3%
Total Deposits	534,599	518,781	522,725	2.3%
<i>Non-Interest DDA (Memo Only)</i>	270,418	251,355	257,257	5.1%
Shareholders' Equity	55,501	44,358	39,488	40.6%
<i>Bank Shareholders' Equity (Memo Only)</i>	51,649	51,224	48,775	5.9%
<b>Income Statement Items</b>				
Total Interest Income	8,283	7,511	6,230	33.0%
Total Interest Expense	390	384	422	(7.5%)
Net Interest Income	7,893	7,128	5,809	35.9%
Provision for Loan Losses	0	0	0	0%
Non-Interest Income	2,008	2,670	4,060	(50.5%)
Non-Interest Expense	7,202	7,270	7,553	(4.6%)
Pre-Tax Income	2,699	2,528	2,315	16.6%
Our Fair Share of Income Taxes (47.2%)	1,274	1,107	817	56.0%
<b>Net Income</b>	<b>1,425</b>	<b>1,421</b>	<b>1,499</b>	<b>(4.9%)</b>
<b>QTD Basic Earnings per Share</b>	\$0.23	\$0.23	\$0.25	(6.5%)
<b>YTD Basic Earnings per Share</b>	\$0.72	\$0.49	\$0.84	(14.0%)
<b>Book Value per Share</b>	\$8.50	\$7.41	\$6.75	26.0%
<b>QTD Return on Average Assets</b>	0.92%	0.97%	1.03%	(11.3%)
<b>YTD Return on Average Assets</b>	0.99%	1.03%	1.23%	(19.6%)
<b>QTD Return on Average Common Equity</b>	12.56%	13.19%	15.74%	(20.2%)
<b>YTD Return on Average Common Equity</b>	13.28%	14.23%	18.32%	(27.5%)
<b>Ending Shares Outstanding</b>	6,532	5,986	5,854	11.6%
<b>Stock Price</b>	\$21.90	\$20.70	\$16.02	39.9%
<b>Market Capitalization</b>	\$143,060	\$123,911	\$93,786	56.1%

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