



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

SAN DIEGO, CA – January 18, 2017 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), and its wholly owned subsidiary [Seacoast Commerce Bank](#) (“Bank”), today announced its consolidated unaudited results of operations for the fourth quarter and full-year ended December 31, 2016. For 2016, the Company reported record net income of \$6.9 million or 19.6% over 2015 net income of \$5.8 million. For the fourth quarter of 2016 the Company reported net income of \$1.9 million or 18.4% over fourth quarter 2015 net income of \$1.6 million. This was the Company’s 26th consecutive quarterly profit. The following is a comparison of return metrics (in millions):

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>Change</u>	<u>% Change</u>
Quarterly Consolidated Net Income	\$1.922	\$1.623	\$0.299	18.4%
Quarterly Return on Ave. Common Equity	19.2%	19.8%	-0.60%	-3.1%
Year-to-date Consolidated Net Income	\$6.909	\$5.779	\$1.131	19.6%
Year-to-date Return on Ave. Common Equity	18.6%	19.2%	-0.60%	-3.2%

The following is a comparison of the SBA Division’s year-to-date results, which is the Bank’s primary lending driver:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>\$ Change</u>	<u>% Change</u>
SBA Loan Production	\$241.3	\$225.3	\$16.1	7.1%
SBA 7(a) Guaranteed Loan Sales	\$107.3	\$92.6	\$14.7	15.8%
Period-end SBA Guaranteed Loan Inventory	\$293.0	\$268.2	\$24.8	9.2%

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 full year-end 2016 versus year-end 2015:

Balance Sheet Metrics

- Asset growth of \$54.6 million, or 10.6%, to \$569.5 million;
- Loan growth of \$49.9 million, or 12.6%, to \$446.3 million;
- SBA loans held for sale up \$24.8 million, or 9.2%, to \$293.0 million;
- Deposit growth of \$46.9 million, or 10.1%, to \$510.2 million;
- Non-Interest Bearing deposit growth of \$57.2 million or 28.0%, to \$261.6 million;
- Non-Interest Bearing deposits represent 51.3% of total deposits;
- Shareholders’ Equity growth of \$3.2 million, or 8.3%, to \$41.6 million.

Income Statement Metrics

- Interest Income of \$24.5 million, up \$2.2 million, or 9.9%;
- Interest Expense of \$1.6 million, down \$192 thousand, or (10.6%);
- Net-Interest Income of \$22.9 million, up \$2.4 million, or 11.7%;
- Non-Interest Income of \$2.4 million, up \$900 thousand, or 59.8%;
- Gain-on-sale of loans income of \$10.7 million, down \$673 thousand, or (5.9%);
- Non-Interest Expenses of \$26.2 million, up \$3.0 million or 13.0%;
- Net Income of \$6.9 million, up \$1.1 million, or 19.6%.

Other Metrics

- SBA loans funded YTD of \$241.3 million, up \$16.1 million, or 7.1%;
- Year-end ALLL of \$4.5 million was 2.94% of loans held for investment;
- Net Non-performing loans to total gross loans was 1.33%;
- Net Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) was 3.26%;
- Full year net charge-offs were \$0;
- Since inception of the Bank's SBA program just over seven years ago, the bank has funded 1,472 loans for \$1.19 billion in small business financing;
- The Bank services a total of 1,117 SBA loans for \$822 million, of which \$386 million has been sold in the secondary market and is not reflected on the banks balance sheet;
- First year cash dividends paid to Common shareholders of \$0.15 a share.

The Bank has always maintained capital levels well above the regulatory highest designation, "well capitalized", and had capital ratios at December 31, 2016, as follows:

		<u>"Well Capitalized" Level</u>
BASEL Tier 1 Capital Ratio:	8.63%	5.00%
BASEL Common Equity Tier 1 Ratio:	18.81%	7.00%
BASEL Tier 1 Risk-Based Capital Ratio:	18.81%	8.50%
BASEL Total Risk-Based Capital Ratio:	20.07%	10.50%

As reported by the [U.S. Small Business Administration](#) ("SBA") for their fiscal year ended September 30, 2016, Seacoast Commerce Bank was the 12th 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 \$260.6 million approved in 2016. In addition to being ranked the 12th largest SBA lender in the nation, Seacoast was the 2nd largest SBA lender in Nevada; the 5th largest SBA lender in California; and the 7th largest lender in Arizona.

Richard M. Sanborn, President & Chief Executive Officer, commented, "We are pleased with our 2016 results, especially our record loan production, and maintaining our return on equity above our balance sheet growth, which creates excess capital, enabling us to pay dividends to our shareholder. We also remain committed to our strategy of consistent performance, while managing the company to minimize risk and exceed peer-group results. One of the strategies which we deployed to further reduce risk was selling participations in some of the un-guaranteed portions of the SBA loans we held in our portfolio. Over the past six quarters we sold approximately \$81 million in un-guaranteed participations. These actions have benefited us in several ways including increasing the bank's total risk-based capital ratio;

allowing the bank to hold more guaranteed loans in the portfolio, which is our main goal; and significantly increasing the ratio of loan loss reserves we hold. Our peer group averages 1.34% for loan loss reserves to loans not held for sale, and our ratio at the end of the third quarter was 4.01%. After analyzing the amount of reserves we hold, compared to the reduced risk in our loan portfolio after the un-guaranteed loan sales, and upon consultation with both our accountants and regulatory agencies, we concluded that a reversal of \$1 million in reserves was appropriate and warranted. The reserve reversal corresponds with the associated reserves we held against the un-guaranteed loans that have now been sold off. While some banks have reversed reserves to generate additional income, we have chosen not to do that. Instead, the reserve reversal allowed us to reduce our fourth quarter guaranteed loan sales by \$11.5 million, resulting in more SBA guaranteed loans in our portfolio while still hitting our original budgeted net income. At the end of the day, selling un-guaranteed participations, reversing the reserves associated with those sales, and holding more guaranteed loans is positive for the bank and shareholders”, Sanborn concluded.

Allan W. Arendsee, Chairman of the Board, stated, “Our high performing fourth quarter and full-year results remain consistent with our past results, which is always our focus, and a direct result of every employee working together to accomplish our goals. The Board of Directors is very proud of our team for always doing what’s right, focusing on adding long-term shareholder value, and ensuring the bank operates in a safe and sound manner. We firmly believe this strategy will provide shareholders with a superior return on their investment over the long run, and we will continually look for ways to improve on our performance going forward”, Arendsee concluded.

About Seacoast Commerce Banc Holding: [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 Chula Vista, 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; Portland, Oregon; Houston and Dallas, 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
	12/31/2016	09/30/2016	12/31/2015	12/31 – 12/31
Balance Sheet Items				
Total Gross Loans	446,323	416,473	396,404	12.6%
<i>SBA Loans Available for Sale (Memo only)</i>	292,950	279,139	268,185	9.2%
Total Assets	569,537	578,917	514,907	10.6%
Total Deposits	510,163	522,725	463,309	10.1%
<i>Non-Interest DDA (Memo only)</i>	261,619	257,257	204,385	28.0%
Shareholders' Equity	41,579	39,488	38,394	8.3%
<i>Bank Shareholders' Equity (Memo only)</i>	50,304	48,775	44,014	14.3%
Income Statement Items				
Total Interest Income	6,278	6,230	6,062	3.6%
Total Interest Expense	384	422	449	(14.5%)
Net Interest Income	5,893	5,809	5,612	5.0%
Provision for Loan Losses	(1,000)	0	0	-
Non-Interest Income	2,291	4,060	3,612	(36.6%)
Non-Interest Expense	6,190	7,553	6,502	(4.8%)
Pre-Tax Income	2,994	2,315	2,722	10.0%
Our Fair Share of Income Taxes (35.8%)	1,072	817	1,099	(2.4%)
Net Income	1,922	1,499	1,623	18.4%
QTD Basic Earnings per Share	\$0.32	\$0.25	\$0.28	13.1%
YTD Basic Earnings per Share	\$1.15	\$0.84	\$1.00	15.1%
Book Value per Share	\$7.06	\$6.75	\$5.96	18.4%
QTD Return on Average Assets	1.32%	1.03%	1.20%	9.6%
YTD Return on Average Assets	1.25%	1.23%	1.20%	4.3%
QTD Return on Average Common Equity	19.2%	15.74%	19.8%	(3.1%)
YTD Return on Average Common Equity	18.6%	18.32%	19.2%	(3.2%)
Ending Shares Outstanding	5,885,670	5,854,311	5,766,571	2.1%
Stock Price	\$17.80	\$16.02	\$17.19	3.6%
Market Capitalization	\$104,765	\$93,786	\$99,127	5.7%
Cash Dividends Paid to Common Shareholders	\$0.15	\$0.00	\$0.15	-

Contact:

Richard M. Sanborn

President & Chief Executive Officer

Phone: 858-432-7001

Email: rsanborn@scbholdings.com