



Seacoast Commerce Banc Holdings Announces Fourth Quarter and Full Year 2018 Results

Full-Year 2018 Highlights

- Net income for the full-year of \$12.9 million, up \$10.6 million, or 463.7% *
- Earnings per share of \$1.37, up \$1.04, or 314.5% *
- ROATCE of 16.99%, up 270.0% *
- ROAA of 1.33%, up 296.7% *
- Asset growth of \$101.2 million, or 10.8%
- Gross loan growth of \$102.3 million, or 13.2%
- SBA guaranteed loan retention growth of \$42.3 million, or 11.8%
- Deposit growth of \$87.9 million, or 12.2%
- Specialty focused deposit growth of \$170.7 million, or 40.4%
- Non-interest bearing deposits represent 43.4% of total deposits
- Hired six new SBA and three new Deposit Business Development Officers

*2017 results include \$2 million in one-time merger expenses and \$3.8 million in adjustments associated with tax reform.

SAN DIEGO, CA – January 16, 2019 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), the holding company of [Seacoast Commerce Bank](#) (“Bank”), reported consolidated unaudited net income for 2018 of \$12.9 million, or \$1.37 per share, compared with net income of \$2.3 million, or \$0.33 per share, for 2017. 2017 results include two significant one-time items; \$2.0 million in merger expenses and \$3.8 million in Deferred Tax Asset write-downs as a result of tax reform. Excluding those two items 2017 operating net income would have been \$8.1 million, with 2018 net income up \$4.8 million, or 59.3%. For the fourth quarter of 2018, the Company reported net income of \$3.1 million, compared to a net loss of (\$2.1) million for the fourth quarter of 2017. Fourth quarter 2017 results include one-time merger related expenses of \$1.6 million and \$3.8 million in DTA write-downs. The Company’s 2018 full-year return on average tangible common equity (ROATCE) and return on average assets (ROAA) were 16.99% and 1.33%, respectively, versus 4.59% and 0.34%, respectively, for 2017.

Richard M. Sanborn, President & Chief Executive Officer, commented, “2018 was a significant year for us on many fronts. We fully integrated and received great benefits from our acquisition of Capital Bank, crossed over the \$1 billion asset threshold, and expanded our SBA and specialty deposit platforms. Our strategy of originating and holding variable-rate SBA loans, and funding those loans with low-cost core deposits, 43% of which are non-interest bearing, continues to achieve superior operating results. This strategy resulted in our net interest margin expanding 63 basis points to 5.97% (YTD) and is driving consistent, predictable spread income. Also of significance was the success our specialty deposit groups had growing our core deposits by \$170.7 million, or 40.4%, to \$593.2 million, which allowed us to further reduce higher cost deposits associated with Capital Bank and repay \$13.1 million in bank holding company debt. We feel confident that in the current rate and economic cycle that we will continue to be able to outperform our peers and deliver superior returns for our shareholders.”

Allan W. Arendsee, Chairman of the Board, stated, “As our CEO discussed, 2018 was a tremendous year for the Company. We have continually looked for and sought opportunities to

enhance our performance and we will continue to do that so long as the economic impact of any decision is in the best interests of our shareholders. The Board of Directors fully believes that the strategies we have been implementing are the right strategies to drive the company's growth and profitability in a safe and sound manner, and in a way that provides an exemplary return to our shareholders."

Quarterly Financial highlights (in millions):

| | <u>12/31/2018</u> | <u>09/30/2018</u> | <u>12/31/2017</u> | <u>12/31 Change</u> | <u>% Change</u> |
|----------------------------|-------------------|-------------------|-------------------|---------------------|-----------------|
| Consolidated Net Income | \$3.079 | \$3.471 | (\$2.142) | \$5.221 | 243.8% |
| ROATCE | 15.13% | 17.81% | (11.52%) | 26.65% | 231.3% |
| ROAA | 1.22% | 1.46% | (0.91%) | 2.13% | 234.6% |
| Earnings Per Share (Basic) | \$0.32 | \$0.37 | (\$0.23) | \$0.56 | 239.3% |
| Net Interest Margin YTD | 5.97% | 5.85% | 5.34% | 0.63% | 11.8% |
| Efficiency Ratio | 68.6% | 67.9% | 74.7% | (6.10%) | (8.2%) |

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

| | <u>12/31/2018</u> | <u>09/30/2018</u> | <u>12/31/2017</u> | <u>Change</u> | <u>% Change</u> |
|----------------------------------|-------------------|-------------------|-------------------|---------------|-----------------|
| SBA Loan Production | \$73.719 | \$81.314 | \$69.627 | \$4.093 | 5.9% |
| SBA 7(a) guaranteed Loan Sales | \$12.225 | \$23.157 | \$18.151 | (\$5.926) | (32.6%) |
| Percent of Guaranteed Loan Sales | 22.1% | 38.0% | 34.8% | (12.6%) | (36.6%) |
| SBA Guaranteed Loan Inventory | \$401.732 | \$389.231 | \$359.436 | \$42.297 | 11.8% |
| Commercial Loan Production | \$26.288 | \$18.460 | \$11.451 | \$14.837 | 129.6% |
| 1031 Exchange Deposits | \$174.807 | \$149.160 | \$80.460 | \$94.348 | 117.3% |
| Property Management Deposits | \$167.434 | \$159.440 | \$112.329 | \$55.107 | 49.1% |
| Association Management Deposits | \$172.386 | \$163.930 | \$151.632 | \$20.754 | 13.7% |

As previously discussed, the Company's growth and long-term shareholder value creation strategy is based on consistently generating and holding 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 2018 versus fourth-quarter 2017:

Balance Sheet Metrics

- Asset growth of 10.8%, or \$101.2 million, to \$1.0 billion;
- Loan growth of 13.2%, or \$102.3 million, to \$878.1 million;
- SBA loans held for sale up 11.8%, or \$42.3 million, to \$401.7 million;
- Deposit growth of 12.2%, or \$87.9 million, to \$808.8 million;
- Non-Interest Bearing deposits represent 43.4% of total deposits;
- Shareholders' Equity growth of 10.6%, or \$11.5 million, to \$120.1 million.

Income Statement Metrics

- Interest Income up 22.3 %, or \$2.9 million, to \$16.0 million;
- Interest Expense up 61.3%, or \$613 thousand, to \$1.6 million;
- Net-Interest Income up 19.0%, or \$2.3 million to \$14.4 million;
- Non-Interest Income down (42.9%), or (\$916) thousand, to \$1.2 million;

- Non-Interest Expenses down (3.1%), or (\$362) thousand, to \$11.2 million;
- Net Income up 243.8%, or \$5.2 million, to \$3.1 million.

Other Metrics

- SBA loans funded QTD up 5.9%, or \$4.1 million, to \$73.7 million;
- SBA loans funded YTD up 0.4%, or \$1.0 million, to \$256.1 million;
- Allowance for loan losses of \$4.9 million was 1.51% of loans held for investment;
- Non-performing loans to total gross loans of 0.62%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 3.45%;
- Since inception of the Bank’s SBA program a little over nine years ago, the bank has funded 1,976 loans for \$1.7 billion in small business financing;
- The Bank services a total of 1,316 SBA loans for \$1 billion, of which \$344 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 December 31, 2018, as follows:

| <u>Capital Ratios as of Dec. 31, 2018</u> | <u>Company</u> | <u>Bank</u> | <u>“Well Capitalized” Level</u> |
|---|----------------|-------------|---------------------------------|
| Tier 1 Leverage Ratio: | 8.63% | 8.59% | 5.00% |
| Common Equity Tier 1 Ratio: | 13.02% | 12.97% | 7.00% |
| Tier 1 Risk-Based Capital Ratio: | 13.02% | 12.97% | 8.50% |
| Total Risk-Based Capital Ratio: | 13.80% | 13.75% | 10.50% |

As reported by the [U.S. Small Business Administration](#) (“SBA”) for their fiscal year ending September 30, 2018, Seacoast Commerce Bank was the 14th 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 \$293 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](#), which also operates as Capital Bank, a division of 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, Ohio, Oregon, Massachusetts, Minnesota, Missouri, Nevada, Texas, Utah 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 |
|---|-------------------------------|-------------------|-------------------|----------------------|
| | 12/31/2018 | 09/30/2018 | 12/31/2017 | 12/31 - 12/31 |
| Balance Sheet Items | | | | |
| Total Gross Loans | 878,142 | 821,256 | 775,859 | 13.2% |
| <i>SBA Loans Available for Sale (Memo Only)</i> | 401,732 | 389,231 | 359,436 | 11.8% |
| Total Assets | 1,040,131 | 1,022,248 | 938,927 | 10.8% |
| Total Deposits | 808,760 | 765,402 | 720,854 | 12.2% |
| <i>Non-Interest DDA (Memo Only)</i> | 350,694 | 323,546 | 295,694 | 18.6% |
| Shareholders' Equity | 120,066 | 117,566 | 108,518 | 10.6% |
| <i>Bank Shareholders' Equity (Memo Only)</i> | 119,659 | 129,117 | 121,589 | (1.6%) |
| Income Statement Items | | | | |
| Total Interest Income | 15,974 | 14,181 | 13,064 | 22.3% |
| Total Interest Expense | 1,613 | 1,355 | 1,000 | 61.3% |
| Net Interest Income | 14,361 | 12,826 | 12,064 | 19.0% |
| Provision for Loan Losses | 350 | 0 | 0 | - |
| Non-Interest Income | 1,217 | 2,362 | 2,133 | (42.9%) |
| Non-Interest Expense <i>(inc. merger expenses)</i> | 11,183 | 10,737 | 11,545 | (3.1%) |
| Pre-Tax Income | 4,045 | 4,451 | 2,652 | 52.5% |
| Income Taxes <i>(inc. DTA adj.)</i> (23.9%) | 966 | 979 | 4,793 | (79.9%) |
| Net Income <i>(inc. merger and DTA adj.)</i> | 3,079 | 3,471 | (2,142) | 243.8% |
| QTD Basic Earnings per Share | \$0.32 | \$0.37 | (\$0.23) | 239.3% |
| Book Value per Share | \$12.84 | \$12.57 | \$11.89 | 8.0% |
| Tangible Book Value per Share | \$8.84 | \$8.56 | \$7.74 | 14.1% |
| QTD ROAA | 1.22% | 1.46% | (0.91%) | 234.6% |
| QTD ROATCE | 15.13% | 17.81% | (11.52%) | 231.3% |
| Ending Shares Outstanding | 9,353 | 9,353 | 9,129 | 2.46% |
| Stock Price | \$20.50 | \$22.65 | \$20.35 | 0.74% |
| Market Capitalization | \$191,743 | \$211,843 | \$185,766 | 3.22% |
| Cash Dividends Paid to Shareholders | \$0.09 | \$0.09 | \$0.08 | 12.5% |

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

| | For the Years Ended | | \$ Change | % Change |
|--|----------------------------|-------------------|------------------|-----------------|
| | 12/31/2018 | 12/31/2017 | | |
| Balance Sheet Items | | | | |
| Total Gross Loans | 878,142 | 775,859 | 102,283 | 13.2% |
| <i>SBA Loans Available for Sale (Memo Only)</i> | <i>401,732</i> | <i>359,436</i> | <i>42,297</i> | <i>11.8%</i> |
| Total Assets | 1,040,131 | 938,927 | 101,204 | 10.8% |
| Total Deposits | 808,760 | 720,854 | 87,906 | 12.2% |
| <i>Non-Interest DDA (Memo Only)</i> | <i>350,694</i> | <i>295,694</i> | <i>55,000</i> | <i>18.6%</i> |
| Shareholders' Equity | 120,066 | 108,518 | 11,518 | 10.6% |
| <i>Bank Shareholders' Equity (Memo Only)</i> | <i>119,659</i> | <i>121,589</i> | <i>(1,930)</i> | <i>(1.6%)</i> |
| Income Statement Items | | | | |
| Total Interest Income | 57,147 | 35,580 | 21,567 | 60.6% |
| Total Interest Expense | 5,307 | 2,143 | 3,143 | 147.7% |
| Net Interest Income | 51,839 | 33,437 | 18,402 | 55.0% |
| Provision for Loan Losses | 550 | 0 | 550 | - |
| Non-Interest Income | 7,944 | 9,678 | (1,733) | (17.9%) |
| Non-Interest Expense (<i>inc. merger expenses</i>) | 41,754 | 32,679 | 9,076 | 27.8% |
| Pre-Tax Income | 17,479 | 10,436 | 7,043 | 67.5% |
| Income Taxes (<i>inc. DTA adj.</i>) (26.2%) | 4,579 | 8,148 | (3,569) | (43.8%) |
| Net Income (<i>inc. merger and DTA adj.</i>) | 12,900 | 2,288 | 10,612 | 463.7% |
| YTD Basic Earnings per Share | \$1.37 | \$0.33 | \$1.04 | 314.5% |
| Book Value per Share | \$12.84 | \$11.89 | \$0.95 | 8.0% |
| Tangible Book Value per Share | \$8.84 | \$7.74 | \$1.10 | 14.1% |
| YTD ROAA | 1.33% | 0.34% | \$0.99 | 296.7% |
| YTD ROATCE | 16.99% | 4.59% | 12.40% | 270.7% |
| Ending Shares Outstanding | 9,353 | 9,129 | 224,762 | 2.46% |
| Stock Price | \$20.50 | \$20.35 | \$0.15 | 0.74% |
| Market Capitalization | \$191,743 | \$185,766 | \$5,977 | 3.22% |
| YTD Cash Dividends Paid to Shareholders | \$0.34 | \$0.32 | \$0.02 | 6.3% |

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