



Seacoast Commerce Banc Holdings Announces Second Quarter 2017 Results

Second Quarter 2017 Highlights

- Excluding merger related expenses, net income of \$1.7 million; earnings per share of \$0.27; ROACE of 15.51%; ROAA of 1.14%
- Second quarter results included \$281 thousand of merger-related expenses
- Gross loan growth of \$21.2 million, or 18.8% annualized
- SBA loan originations of \$65.7 million, or \$262.8 million annualized
- SBA guaranteed loan retention growth of \$16.7 million, or 22.0% annualized
- Non-maturity (core) deposit growth of \$17.1 million, or 13.6% annualized
- Noninterest-bearing deposits represent 48.6% of total deposits
- Completed the relocation of our Chula Vista branch to National City on June 12, 2017
- Announced acquisition of Capital Bank on May 2, 2017
- Received Federal Reserve Bank and California Department of Business Oversight approval for acquisition on June 23, 2017 and July 10, 2017 respectively
- Pro forma assets of \$900 million when acquisition of Capital Bank completed

SAN DIEGO, CA – July 20, 2017 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), the holding company of [Seacoast Commerce Bank](#) (“Bank”), reported consolidated unaudited net income for the second quarter of 2017 of \$1.4 million, or \$0.23 per share, compared with net income of \$1.6 million, or \$0.26 per share, for the first quarter of 2017, and \$1.8 million, or \$0.30 per share, for the second quarter 2016, a 22.7% decrease. Financial results for the second quarter of 2017 include \$281 thousand of merger-related expenses. For the second quarter of 2017, the Company’s return on average common equity was 13.19%, compared to 15.33% for the first quarter of 2017, and 19.72% for the second quarter of 2016. This was the Company’s 28th consecutive quarterly profit.

Richard M. Sanborn, President & Chief Executive Officer, commented, “We are very pleased with our second quarter results in light of our decision to reduce loan sales, as previously stated, in addition to the focus needed on completing the buildout and relocation of our Chula Vista branch to National City, and the focus needed on our recently announced acquisition of Capital Bank. Our team has done a great job of continuing to deliver consistent results while working on both projects, and on preparing the two companies for integration.”

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. The Board is firmly committed to ensuring the bank operates in a safe and sound manner, and with a strategy that will provide shareholders with a superior return on their investment over the long run. The Board is especially pleased with our team’s ability to effectively balance driving consistent quarterly results while working on our branch relocation and bank acquisition.”

Financial highlights (in millions):

	<u>06/30/2017</u>	<u>03/31/2017</u>	<u>06/30/2016</u>	<u>6/30 Change</u>	<u>% Change</u>
Consolidated Net Income	\$1.421	\$1.584	\$1.777	(\$0.356)	(20.0%)
Return on Ave. Common Equity	14.23%	15.33%	19.72%	(5.48%)	(33.1%)
Return on Ave. Assets	1.03%	1.09%	1.34%	(0.31%)	(23.1%)
Earnings Per Share (Basic)	\$0.23	\$0.26	\$0.30	(\$0.07)	(22.7%)
Net Interest Margin	4.96%	4.72%	4.58%	0.38%	8.3%
Efficiency Ratio	74.2%	74.1%	70.3%	3.9%	5.5%

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

	<u>06/30/2017</u>	<u>03/31/2017</u>	<u>06/30/2016</u>	<u>Change</u>	<u>% Change</u>
SBA Loan Production	\$65.657	\$52.045	\$65.430	\$0.227	0.35%
SBA 7(a) guaranteed Loan Sales	\$20.503	\$16.644	\$29.096	(\$8.593)	(29.5%)
Percent of Guaranteed Loan Sales	41.6%	42.6%	59.3%	(17.7%)	(29.8%)
SBA Guaranteed Loan Inventory	\$318.693	\$301.970	\$280.010	\$38.683	13.8%

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 second-quarter 2017 versus second-quarter 2016:

Balance Sheet Metrics

- Asset growth of 9.5%, or \$51.4 million, to \$590.0 million;
- Loan growth of 15.3%, or \$62.6 million, to \$471.7 million;
- SBA loans held for sale up 13.8%, or \$38.7 million, to \$318.7 million;
- Deposit growth of 7.0%, or \$34.0 million, to \$518.8 million;
- Non-Interest Bearing deposits represent 48.6% of total deposits;
- Shareholders' Equity growth of 16.6%, or \$6.3 million, to \$44.4 million.

Income Statement Metrics

- Interest Income up 23.6%, or \$1.4 million, to \$7.5 million;
- Interest Expense down (7.9%), or \$33 thousand, to \$384 thousand;
- Net-Interest Income up 26.0%, or \$1.5 million to \$7.1 million;
- Non-Interest Income (excluding gain-on-sale) up 26.0%, or \$142 thousand, to \$688 thousand;
- Gain-on-sale Income down (30.4%), or \$866 thousand, to \$2.0 million;
- Non-Interest Expenses up 14.2%, or \$906 thousand, to \$7.3 million;
- Net Income down (20.0%), or \$356 thousand, to \$1.4 million.

Other Metrics

- SBA loans funded QTD up 0.3%, or \$227 thousand, to \$65.7 million;
- SBA loans funded YTD up 11.6%, or \$12.2 million, to \$117.7 million;
- Allowance for loan losses of \$4.5 million was 2.95% of loans held for investment;
- Allowance for loan losses stands at 78.0% of non-performing loans;
- Non-performing loans to total gross loans of 1.22%;

- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 3.84%;
- No charge-offs year-to-date;
- Since inception of the Bank's SBA program over six years ago, the bank has funded 1,545 loans for \$1.3 billion in small business financing;
- The Bank services a total of 1,065 SBA loans for \$796 million, of which \$375 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, 2017, as follows:

<u>Capital Ratios as of June 30, 2017</u>	<u>Company</u>	<u>Bank</u>	<u>"Well Capitalized" Level</u>
Tier 1 Leverage Ratio:	7.28%	8.59%	5.00%
Common Equity Tier 1 Ratio:	15.96%	18.79%	7.00%
Tier 1 Risk-Based Capital Ratio:	15.96%	18.70%	8.50%
Total Risk-Based Capital Ratio:	17.22%	20.05%	10.50%

As reported by the [U.S. Small Business Administration](#) ("SBA") for their 9-months ending June 30, 2017, Seacoast Commerce Bank was the 14th largest SBA lender in the nation, out of over 3,000 financial institution that are approved as an SBA lender. SBA rankings are based on total dollars approved with Seacoast having \$197.3 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 production offices in San Diego, Orange County, Los Angeles, Sacramento and San Ramon, California; Phoenix, Arizona; Denver, Colorado; Las Vegas and Reno, Nevada; 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 6/30 - 6/30
	06/30/2017	03/31/2017	06/30/2016	
Balance Sheet Items				
Total Gross Loans	471,694	450,463	409,096	15.3%
<i>SBA Loans Available for Sale (Memo Only)</i>	<i>318,693</i>	<i>301,970</i>	<i>280,010</i>	13.8%
Total Assets	590,008	571,969	538,626	9.5%
Total Deposits	518,781	512,853	484,750	7.0%
<i>Non-Interest DDA (Memo Only)</i>	<i>251,355</i>	<i>263,792</i>	<i>251,528</i>	(0.1%)
Shareholders' Equity	44,358	43,179	38,039	16.6%
<i>Bank Shareholders' Equity (Memo Only)</i>	<i>51,224</i>	<i>50,794</i>	<i>47,610</i>	7.6%
Income Statement Items				
Total Interest Income	7,511	6,722	6,076	23.6%
Total Interest Expense	384	369	417	(7.9%)
Net Interest Income	7,128	6,353	5,659	26.0%
Provision for Loan Losses	0	0	0	0%
Non-Interest Income	2,670	2,866	3,393	(21.3%)
Non-Interest Expense	7,270	6,662	6,364	14.2%
Pre-Tax Income	2,528	2,557	2,688	(6.0%)
Our Fair Share of Income Taxes (43.8%)	1,107	973	911	21.5%
Net Income	1,421	1,584	1,777	(20.0%)
QTD Basic Earnings per Share	\$0.23	\$0.26	\$0.30	(22.7%)
YTD Basic Earnings per Share	\$0.49	\$0.26	\$0.59	(17.3%)
Book Value per Share	\$7.41	\$7.22	\$6.50	14.0%
QTD Return on Average Assets	0.97%	1.09%	1.35%	(28.1%)
YTD Return on Average Assets	1.03%	1.09%	1.34%	(23.1%)
QTD Return on Average Common Equity	13.19%	15.33%	19.72%	(33.1%)
YTD Return on Average Common Equity	14.23%	15.33%	19.71%	(27.8%)
Ending Shares Outstanding	5,986	5,977	5,851	2.3%
Stock Price	\$20.70	\$18.80	\$15.64	32.4%
Market Capitalization	\$123,911	\$112,361	\$91,511	35.4%

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