



Seacoast Commerce Banc Holdings Announces Third Quarter 2020 Results

Third Quarter 2020 Highlights

- Net income of \$3.7 million, up \$34 thousand, or 1.0%*
- Diluted Earnings per share of \$0.38, up \$0.01, or 2.7%*
- Return on Average Tangible Common Equity of 14.38%, YTD of 15.10%*
- Return on Average Assets of 1.08%, YTD of 1.20%*
- Net Interest Margin of 4.64%, YTD of 5.04%, current month cost of deposits of 0.08%
- Asset growth of \$245.2 million, or 22.7% annualized**
- Gross loan growth of \$240.6 million, or 26.1% annualized**
- Retained SBA guaranteed loan growth of \$180.7 million, or 41.5% annualized**
- SBA Loan production of \$95.4 million, up \$24.8 million, or 35.1% annualized
- Deposit growth of \$153.2 million, or 18.0% annualized
- Non-interest-bearing deposit growth of \$192.9 million, or 43.5% annualized
- Non-interest-bearing deposits represent 63.4% of total deposits
- Property Management specialty deposit growth of \$192.2 million, or 43.2% annualized
- Quarterly cash dividend of \$0.14 per share, up 27.3%
- Became the nation's 8th largest SBA lender with \$315.7 million in FY 2020 approvals
- Announced our merger with Enterprise Financial Services Corp on August 20th, 2020

* Excludes \$787 thousand in nonrecurring merger expenses

** Includes \$92.1 million in outstanding SBA PPP loans

SAN DIEGO, CA – October 21, 2020 – [Seacoast Commerce Banc Holdings](#) (OTC Pink: SCBH) (“Company”), the holding company of [Seacoast Commerce Bank](#) (“Bank”), today reported unaudited consolidated net income for the third quarter ended September 30, 2020, of \$2.9 million versus 2019 third quarter unaudited consolidated net income of \$3.7 million, a 20.4% decrease. When excluding \$787 thousand of one-time nonrecurring expenses related to the pending merger with Enterprise Financial Services Corp, net income was \$3.7 million, a 1.0% increase over 2019. On a merger expense adjusted basis, diluted earnings per share increased 2.7% to \$0.38 per share versus \$0.37 per share in 2019. Additionally, the Company reported third quarter return on average tangible common equity (ROATCE) of 14.38% and return on average assets (ROAA) of 1.08%, with year-to-date ROATCE of 15.10% and ROAA of 1.20%.

On August 20th, 2020, [Enterprise Financial Services Corp](#) (“EFSC”) and [Seacoast Commerce Banc Holdings](#) (“SCBH”) jointly announced that EFSC and SCBH had entered into a definitive merger agreement whereby SCBH would merge with and into EFSC with the transaction expected to close in the 4th quarter of 2020. Under the terms of the definitive agreement, upon consummation of the transaction, each holder of SCBH common stock will receive 0.5061 shares of EFSC common stock for each SCBH common share held and cash in lieu of fractional shares. The transaction is intended to qualify as a tax-free reorganization for U.S. federal income tax purposes and SCBH shareholders are not expected to recognize gain or loss to the extent of the stock consideration received.

Richard M. Sanborn, President & Chief Executive Officer, commented, “The third quarter of 2020 was a very good quarter, considering the environment in which we are operating. While the COVID-19 pandemic has significantly disrupted life and business operations as we know it, the Seacoast team has continued to outperform. Our 3rd quarter growth across all business lines was exceptional with SBA production up 35%, SBA guaranteed loans available for sale up 42%, and property management focused deposits up 43%, in each case compared to the 3rd quarter of 2019, all setting all-time records. On top of our exceptional growth and production numbers, our credit portfolio is also in excellent shape with net non-performing loans of only \$1.1 million, a six-year low, with reserves for potential loan losses at an all-time high of \$7.3 million. Our operating results were aided by our industry leading current net interest margin of 4.64%, with our current cost of deposits at an all-time low of just 0.08%. We are excited to be handing a solid banking franchise to Enterprise and look forward to the strength of our combined institutions.”

Allan W. Arendsee, Chairman of the Board, stated, “The Board of Directors is gratified by the tremendous strides the whole management team has made to ensure the institution’s strong performance throughout the pandemic, and on the efforts made to turn over a strong performing bank to the Enterprise team. We are very excited about joining the Enterprise franchise and look forward to our future together.”

Quarterly Financial highlights (in millions)*:

	09/30/2020	06/30/2020	09/30/2019	09/30 Change	% Change
Consolidated Net Income	\$2.931	\$3.692	\$3.684	(\$0.753)	(20.4%)
ROATCE	11.51%	15.09%	16.17%	(4.66%)	(28.9%)
ROAA	0.86%	1.21%	1.33%	(0.47%)	(35.3%)
Earnings Per Share (Diluted)	\$0.30	\$0.38	\$0.37	(\$0.07)	(20.4%)
Dividend Paid	\$0.14	\$0.12	\$0.11	\$0.03	27.3%
Bank Net Interest Margin	4.64%	5.33%	6.18%	(1.54%)	(24.9%)

* Includes \$787 thousand in one-time nonrecurring merger related expenses

Specialty Division quarter-to-date results (in millions):

	09/30/2020	06/30/2020	09/30/2019	Change	% Change
SBA Loan Production	\$95.431	\$61.770*	\$70.657	\$24.774	35.1%
SBA 7(a) Guaranteed Loan Sales	\$13.938	\$14.251	\$8.320	\$5.618	67.5%
Percent of Guaranteed Loan Sales	19.5%	30.4%	15.7%	3.8%	24.2%
SBA Guaranteed Loan Inventory	\$615.964	\$476.135	\$435.250	\$180.714	41.5%
Commercial Loan Production	\$23.687	\$38.975	\$10.050	\$13.637	135.7%
1031 Exchange Deposits	\$67.310	\$153.447	\$119.919	(\$52.609)	(43.9%)
Commercial Management Deposits	\$316.172	\$289.094	\$230.705	\$85.467	37.1%
Association Management Deposits	\$321.092	\$315.043	\$214.354	\$106.738	49.8%

* Excludes \$92.5 million in SBA PPP loans.

Selected highlights for third-quarter 2020 versus third-quarter 2019:

Balance Sheet Metrics

- Asset growth of 22.7%, or \$245.2 million, to \$1.3 billion;

- Loan growth of 26.1%, or \$240.6 million, to \$1.2 billion;
- Saleable SBA guaranteed loans up 41.5%, or \$180.7 million, to \$616.0 million;
- Deposit growth of 18.0%, or \$153.2 million, to \$1.0 billion;
- Property Management deposit growth of 43.2%, up \$192.2 million, to \$637.3 million;
- Non-Interest-Bearing deposits represent 63.4% of total deposits;
- Shareholders' Equity growth of 8.2%, or \$10.6 million, to \$139.9 million.

Income Statement Metrics

- Interest Income down (13.0%), or (\$2.2) million, to \$14.8 million;
- Interest Expense down (73.9%), or (\$904) thousand, to \$320 thousand;
- Net-Interest Income down (8.3%), or (\$1.3) million to \$14.5 million;
- Non-Interest Income (excluding gains) up 84.1%, or \$743 thousand, to \$1.6 million;
- Gain on sale income up 99.9%, or \$710 thousand, to \$1.4 million;
- Non-Interest Expenses up 7.2%, or \$866 thousand, to \$12.8 million;
- Net Income down (20.4%) or (\$753) thousand, to \$2.9 million.

Other Metrics

- SBA loans funded up 35.1% or \$24.8 million, to \$95.4 million, and \$321.0 million YTD;
- SBA 7(a) loan sales percentage down to 19.5% of guaranteed production;
- Allowance for loan losses of \$7.3 million, or 1.63% of held for investment, net of guarantees;
- Allowance for loan losses stands at 675.6% of non-performing loans, net of SBA guarantees;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 1.86%;
- Loan modifications down from \$218.3 million, or 20.2% of total loans at June 30, 2020, to \$17.2 million, or 1.5% of total loans, with only 1 relationship receiving a second deferral;
- Since inception of the Bank's SBA program 11 years ago, the Bank has funded 3,132 loans for \$2.3 billion in small business financing;
- The Bank services a total of 2,137 SBA loans for \$1.3 billion, of which \$318 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 September 30, 2020, as follows:

<u>Capital Ratios as of Sept. 30, 2020</u>	<u>Company</u>	<u>Bank</u>	<u>"Well Capitalized" Level</u>
Tier 1 Leverage Ratio:	8.38%	8.35%	5.00%
Common Equity Tier 1 Ratio:	13.71%	13.68%	7.00%
Tier 1 Risk-Based Capital Ratio:	13.71%	13.68%	8.50%
Total Risk-Based Capital Ratio:	14.69%	14.66%	10.50%

As reported by the U.S. Small Business Administration ("SBA") for their fiscal year ending September 30, 2020, Seacoast Commerce Bank was the 8th 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 \$315.7 million approved, up from the 10th largest lender in 2019.

About Seacoast Commerce Banc Holdings: Seacoast Commerce Banc Holdings is a bank holding company with one wholly owned banking subsidiary, Seacoast Commerce Bank. Both the

holding company and the bank are headquartered in San Diego, California, with the Bank having five full-service banking branches in California and Nevada, and loan and deposit production offices throughout Arizona, California, Colorado, Illinois, Indiana, Massachusetts, Michigan, Nevada, Ohio, Oregon, 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 proposed merger with Enterprise Financial Services Corp ("EFSC"), the operations of EFSC after the merger and 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; the possibility that the proposed merger with EFSC may not be completed in a timely manner, or at all; and the possibility that EFSC may not realize the anticipated benefits of the proposed merger when expected or at all.

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

	For the Quarters Ended			% Change
	09/30/2020	06/30/2020	09/30/2019	09/30 - 09/30
Balance Sheet Items				
Total Gross Loans	1,161,597	1,090,276	921,047	26.1%
<i>SBA Loans Available for Sale (Memo Only)</i>	<i>615,964</i>	<i>568,635</i>	<i>435,250</i>	41.5%
Total Assets	1,327,419	1,288,454	1,082,173	22.7%
Total Deposits	1,005,171	1,041,070	851,984	18.0%
<i>Non-Interest DDA (Memo Only)</i>	<i>636,830</i>	<i>650,341</i>	<i>443,897</i>	43.5%
Bank Borrowings	166,102	96,210	86,000	93.1%
Shareholders' Equity	139,910	137,681	129,353	8.2%
<i>Bank Shareholders' Equity (Memo Only)</i>	<i>139,620</i>	<i>137,710</i>	<i>129,399</i>	7.9%
Income Statement Items				
Total Interest Income	14,800	14,581	17,010	(13.0%)
Total Interest Expense	320	470	1,224	(73.9%)
Net Interest Income	14,480	14,111	15,786	(8.3%)
Provision for Loan Losses	293	325	360	(18.6%)
Non-Interest Income (excluding gains)	1,627	1,183	884	84.1%
Gain on Sale Income	1,420	1,201	710	99.9%
Non-Interest Expense	12,849	11,064	11,982	7.2%
Pre-Tax Income	4,385	5,105	5,038	(13.0%)
Our Fair Share of Income Taxes (33.2%)	1,454	1,414	1,354	7.4%
Net Income	2,931	3,692	3,684	(20.4%)
QTD Diluted Earnings per Share	\$0.30	\$0.37	\$0.37	(20.4%)
YTD Diluted Earnings per Share	\$1.05	\$0.75	\$1.09	(3.6%)
Book Value per Share	\$14.42	\$14.29	\$13.53	6.5%
Tangible Book Value per Share	\$10.61	\$10.45	\$9.65	10.0%
QTD ROAA	0.86%	1.21%	1.33%	(35.3%)
YTD ROAA*	1.20%	1.27%	1.34%	(10.4%)
QTD ROATCE	11.51%	15.09%	16.17%	(28.9%)
YTD ROATCE*	15.10%	15.48%	16.48%	(8.4%)
Ending Shares Outstanding	9,703	9,635	9,557	1.5%
Stock Price	13.85	\$12.50	\$18.15	(23.7%)
Market Capitalization	\$134,388	\$120,448	\$173,461	(22.5%)
Qtr. Cash Dividends Paid to Shareholders	\$0.14	\$0.12	\$0.11	27.3%
YTD Cash Dividends Paid to Shareholders	\$0.38	\$0.24	\$0.32	18.8%

* Excluding \$787 thousand in one-time nonrecurring merger expenses

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