



Seacoast Commerce Banc Holdings Announces Second Quarter 2020 Results

Second Quarter 2020 Highlights:

- **Net income of \$3.7 million, up \$115 thousand, or 3.2%**
- **Earnings per share of \$0.38, up \$0.01, or 2.5%**
- **Return on Average Tangible Common Equity of 15.09%**
- **Return on Average Assets of 1.21%**
- **Asset growth of \$137.6 million, or 12.0% annualized**
- **Gross loan growth of \$175.6 million, or 19.2% annualized**
- **SBA loan production of \$154.3 million, up 124.3%, with \$92.5 million in PPP loans**
- **Retained SBA guaranteed loan growth of \$144.6 million, or 34.1% annualized**
- **Deposit growth of \$30.9 million, or 3.1% annualized**
- **Non-interest-bearing deposit growth of \$103.9 million, or 19.0%**
- **Non-interest-bearing deposits represent 62.5% of total deposits**
- **Property Management focused deposit growth of \$211.2 million, or 53.7% annualized**

SAN DIEGO, CA – July 15, 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 second quarter ended June 30, 2020, of \$3.7 million, versus 2019 second quarter unaudited consolidated net income of \$3.6 million, a 3.2% increase. On a per share basis, net income increased 2.5% to \$0.38 per share versus \$0.37 per share. Additionally, the Company reported second quarter return on average tangible common equity (ROATCE) and return on average assets (ROAA) of 15.09% and 1.21% respectively, compared to 16.41% and 1.30% for the second quarter of 2019.

Richard M. Sanborn, President & Chief Executive Officer, commented, “The whole Seacoast team feels very good about our second quarter results given the unprecedented impact on businesses as a result of the worldwide pandemic. The Covid-19 crisis caused many significant challenges which severely disrupted our normal business operations, with the significant national shut down of businesses, the work from home mandates, coupled with the Federal Reserve Bank’s rate cut of 150 basis points and rapid launch of the SBA Paycheck Protection Program (PPP) loan program. With most everyone’s lives on hold, virtually all lending stopped at the end of March. With the Federal Reserve Bank’s rate cut, the interest income we receive on our variable rate loan portfolio dropped by over \$800 thousand a month. With the launch of the PPP loan program, we ceased our traditional SBA lending to focus our whole team on PPP loans. Collectively, these actions could have been devastating to our financial results; however, our whole team rallied and found important ways to contribute. While traditional lending stopped in April, we funded \$92.5 million in PPP loans. Remarkably, with the re-start of our normal lending in May, we funded \$61.8 million in SBA loans in two months, vs \$68.8 million in three months in 2019. The commercial lending side had similar results with \$39.0 million in new commercial loans funded in just two months of the second quarter of 2020, vs \$7.2 million in commercial loans funded over three months in 2019. On the income and expense side, while we did lose over \$2.0 million in

expected interest income due to the interest rate cut, we were successful in reducing our funding costs by \$727 thousand, and reduced our non-interest expenses by over \$1 million, versus the second quarter of 2019. This full team effort allowed us to still earn over a 15% ROATCE, with less than budgeted loans sales, while increasing our reserves for potential loan losses by \$325 thousand. All things considered; this was a remarkable quarter.”

Allan W. Arendsee, Chairman of the Board, stated, “The board of directors recognize the unimaginable events that have transpired over the last few months, and the incredible effort put forth by the whole Seacoast Team to ensure our clients received much needed loan deferrals and PPP loans to give them time to recover during the pandemic, while also ensuring our clients, our employees, and our community were safe. These last few months have shown the resolve of our staff, and the financial benefits of our business model, as everyone continues to focus on doing what is right, what is safe, and what is sound.”

Quarterly Financial highlights (in millions):

	<u>06/30/2020</u>	<u>03/31/2020</u>	<u>06/30/2019</u>	<u>06/30 Change</u>	<u>% Change</u>
Consolidated Net Income	\$3.692	\$3.792	\$3.577	\$0.115	3.2%
ROATCE	15.09%	15.88%	16.41%	(1.32%)	(8.0%)
ROAA	1.21%	1.34%	1.30%	(0.09%)	(6.8%)
Earnings Per Share (Basic)	\$0.38	\$0.39	\$0.37	\$0.01	2.5%
Dividend Paid	\$0.12	\$0.12	\$0.11	\$0.01	9.0%
Net Interest Margin	5.33%	5.71%	6.19%	(0.86%)	(13.9%)
Bank Efficiency Ratio	66.6%	66.7%	67.3%	(0.70%)	(1.0%)

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

	<u>06/30/2020</u>	<u>03/31/2020</u>	<u>06/30/2019</u>	<u>Change</u>	<u>% Change</u>
SBA Loan Production *	\$61.770	\$71.504	\$68.783	(\$7.013)	(10.2%)
SBA 7(a) guaranteed Loan Sales	\$14.251	\$20.976	\$14.629	(\$0.378)	(2.6%)
Percent of Guaranteed Loan Sales	30.4%	39.1%	28.4%	2.0%	7.0%
SBA Guarantee Portions Held *	\$476.135	\$470.384	\$424.071	\$52.064	12.3%
Commercial Loan Production	\$38.975	\$4.685	\$7.158	\$31.817	444.5%
1031 Exchange Deposits	\$153.447	\$141.528	\$304.446	(\$150.999)	(49.6%)
Property Management Deposits	\$289.094	\$260.686	\$204.162	\$84.932	41.6%
Association Management Deposits	\$315.043	\$288.523	\$188.827	\$126.216	66.8%

* Excludes \$92.5 million in PPP loans

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

Balance Sheet Metrics

- Asset growth of 12.0%, or \$137.6 million, to \$1.3 billion;
- Loan growth of 19.2%, or \$175.6 million, to \$1.1 billion;
- SBA guaranteed loans held up 34.1%, or \$144.6 million, to \$568.6 million;
- Deposit growth of 3.1%, or \$30.9 million, to \$1.0 billion;
- Non-Interest-Bearing deposits represent 62.5% of total deposits;
- Shareholders’ Equity growth of 8.9%, or \$11.3 million, to \$137.7 million.

Income Statement Metrics

- Interest Income down 14.5%, or \$2.5 million, to \$14.6 million;
- Interest Expense down 60.7%, or \$727 thousand, to \$470 thousand;
- Net-Interest Income down 11.0%, or \$1.7 million, to \$14.1 million;
- Non-Interest Income up 17.9%, or \$362 thousand, to \$2.4 million;
- Non-Interest Expenses down 8.6%, or \$1.0 million, to \$11.1 million;
- Net Income up 3.2%, or \$115 thousand, to \$3.7 million.

Other Metrics

- Allowance for loan losses of \$7.1 million was 1.71% of loans held for investment, net of FV;
- Allowance for loan losses stands at 301.8% of non-performing loans, net of guarantees;
- Non-performing loans to total gross loans of 0.56%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 3.68%;
- Since inception of the Bank's SBA program a little over ten years ago, the bank has funded 3,038 loans for \$2.1 billion in small business financing;
- The Bank services 2,066 SBA loans for \$1.2 billion, of which \$317.8 million has been sold in the secondary market and is not reflected on the banks balance sheet.

<u>Capital Ratios as of Jun. 30, 2020</u>	<u>Company</u>	<u>Bank</u>	<u>"Well Capitalized" Level</u>
Tier 1 Leverage Ratio:	8.96%	8.96%	5.00%
Common Equity Tier 1 Ratio:	14.02%	14.03%	7.00%
Tier 1 Risk-Based Capital Ratio:	14.02%	14.03%	8.50%
Total Risk-Based Capital Ratio:	15.03%	15.04%	10.50%

As reported by the [U.S. Small Business Administration](#) ("SBA") for their third quarter ending June 30, 2020, Seacoast Commerce Bank was the 10th largest SBA lender in the nation (excluding PPP loans), out of over 3,000 financial institutions approved as SBA lenders. SBA rankings are based on total dollars approved, with Seacoast having \$196.3 million in loans approved.

[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, Georgia, Illinois, Indiana, Massachusetts, Nevada, New Jersey, Ohio, Oregon, Texas, Utah and Washington. For more information, please visit [www.scbholdings.com](#) or [www.sccombank.com](#), or contact Richard M. Sanborn, President and Chief Executive Officer at (725) 465-1919, 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
	06/30/2020	03/31/2020	06/30/2019	06/30 - 06/30
Balance Sheet Items				
Total Gross Loans	1,090,276	965,647	914,634	19.2%
<i>SBA Guaranteed Loans Held (memo only)</i>	<i>568,635</i>	<i>470,384</i>	<i>424,071</i>	34.1%
Total Assets	1,288,454	1,132,853	1,150,834	12.0%
Total Deposits	1,041,070	967,473	1,010,171	3.1%
<i>Non-Interest DDA (Memo Only)</i>	<i>650,341</i>	<i>519,857</i>	<i>546,393</i>	19.0%
Bank Borrowings (\$91,949 PPPLF Advance)	96,210	15,000	-	NA
Shareholders' Equity	137,681	134,894	126,395	8.9%
<i>Bank Shareholders' Equity (Memo Only)</i>	<i>137,710</i>	<i>134,219</i>	<i>126,392</i>	9.0%
Income Statement Items				
Total Interest Income	14,581	15,975	17,050	(14.5%)
Total Interest Expense	470	906	1,197	(60.7%)
Net Interest Income	14,111	15,069	15,852	(11.0%)
Provision for Loan Losses	325	500	700	(53.6%)
Non-Interest Income (excluding gains)	1,183	711	712	66.2%
Gain on Sale Income	1,201	1,739	2,022	(8.3%)
Non-Interest Expense	11,064	11,729	12,103	(8.6%)
Pre-Tax Income	5,105	5,290	5,071	0.7%
Our Fair Share of Income Taxes (27.7%)	1,414	1,498	1,494	(5.4%)
Net Income	3,692	3,792	3,577	3.2%
QTD Basic Earnings per Share	\$0.38	\$0.39	\$0.37	2.5%
YTD Basic Earnings per Share	\$0.77	\$0.39	\$0.74	4.4%
Book Value per Share	\$14.29	\$14.00	\$13.24	7.9%
Tangible Book Value per Share	\$10.45	\$10.16	\$9.33	12.0%
QTD ROAA	1.21%	1.34%	1.30%	(6.8%)
YTD ROAA	1.27%	1.34%	1.34%	(5.2%)
QTD ROATCE	15.09%	15.88%	16.41%	(8.0%)
YTD ROATCE	15.48%	15.88%	16.65%	(7.0%)
Ending Shares Outstanding	9,635	9,633	9,549	0.9%
Stock Price	\$12.50	12.26	\$20.00	(37.5%)
Market Capitalization	\$120,448	\$118,103	\$190,983	(36.9%)
Cash Dividends Paid to Shareholders	\$0.12	\$0.12	\$0.11	9.1%
YTD Cash Dividend Paid to Shareholders	\$0.24	\$0.12	\$0.21	14.3%

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