



Seacoast Commerce Banc Holdings Announces Third Quarter 2018 Results

Third quarter 2018 versus 2017* highlights

- Net Income of \$3.5 million, up 143.5%
- Net Interest Margin of 5.99%, up 9.7%
- Earnings Per Share of \$0.37, up 59.2%
- ROATCE of 17.81%, up 41.8%
- ROAA of 1.46%, up 58.9%
- Asset growth of \$406.8 million, or 66.1%
- Surpassed \$1 billion in assets
- Loan growth of \$318.6 million, or 63.4%
- SBA loan production growth of \$13.6 million, or 20.0%
- Deposit growth of \$230.8 million, or 43.2%
- Specialty deposit growth of \$116.8 million, or 32.8%
- Non-interest bearing deposit growth of \$53.1 million, or 19.6%
- Non-interest bearing deposits represent 42.4% of total deposits
- Opened a deposit production office in Atlanta, GA
- Opened SBA production offices in Atlanta, GA; Dallas, TX; Spokane, WA

SAN DIEGO, CA – October 18, 2018 – [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, 2018, of \$3.5 million versus 2017 third quarter unaudited consolidated net income of \$1.4 million, a 143.5% increase. On a per share basis, net income increased 59.2% to \$0.37 per share versus \$0.23 per share in 2017. Additionally, the Company reported third quarter return on average tangible common equity (ROATCE) of 17.81% and return on average assets (ROAA) of 1.46%, compared to 12.56% and 0.92% for the third quarter of 2017, a 41.8% and 58.9% increase respectively. 2017 quarterly results included one-time merger expenses related to the acquisition of Capital Bank.

Richard M. Sanborn, President & Chief Executive Officer, commented, “The third quarter of 2018 was a continuation of our past results with strong financial metrics across all our business lines. Our 2018 plan called for the expansion of our SBA loan production team by adding 12 business development officers while also doubling our specialty deposit team in key markets over a 2-year period. We are excited to report that we are on track, having hired 6 new SBA business development officers to date, while already meeting our goal of doubling our specialty deposit staff. While it takes time to ramp up production we are very encouraged by the results to date, the buildup in our pipeline of new business, and the continued expansion of our net-interest margin which is being driven by our focus on variable rate loans and low-to-no cost funding. Our unique banking model of focusing on specialty lending and deposit platforms is proving to be a strong and financially compelling model that is allowing us to continually post superior financial results.”

Allan W. Arendsee, Chairman of the Board, stated, "From our acquisition of Capital Bank to the expansion of our specialty business lines, the past year has been exciting. The team continues to execute on our expansion plan, which allowed us to return more capital to shareholders through an increased dividend this past quarter. Our long-term plan has not changed; create an institution that's focused on creating superior shareholder value growth in a safe and sound manner. The board of directors is very proud of how the team is performing."

Quarterly Financial highlights (in millions):

| | 09/30/2018 | 06/30/2018 | 09/30/2017 * | 09/30 Change | % Change |
|----------------------------|------------|------------|--------------|--------------|----------|
| Consolidated Net Income | \$3.471 | \$3.296 | \$1.425 | \$2.046 | 143.5% |
| ROATCE | 17.81% | 17.84% | 12.56% | 5.25% | 41.8% |
| ROAA | 1.46% | 1.34% | 0.92% | 0.54% | 58.9% |
| Earnings Per Share (Basic) | \$0.37 | \$0.35 | \$0.23 | \$0.14 | 59.2% |
| Bank Net Interest Margin | 5.99% | 5.73% | 5.46% | 0.53% | 9.7% |
| Bank Efficiency Ratio | 67.9% | 67.0% | 72.3% | (4.4%) | (6.1%) |

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

| | 09/30/2018 | 06/30/2018 | 09/30/2017 | Change | % Change |
|----------------------------------|------------|------------|------------|----------|----------|
| SBA Loan Production | \$81.314 | \$53.480 | \$67.740 | \$13.574 | 20.0% |
| Other Specialty Loan Production | \$18.460 | \$5.974 | - | - | - |
| SBA 7(a) Guaranteed Loan Sales | \$23.157 | \$21.246 | \$13.089 | \$10.067 | 76.9% |
| Percent of Guaranteed Loan Sales | 38.0% | 53.0% | 25.8% | 12.2% | 47.4% |
| SBA Guaranteed Loan Inventory | \$389.231 | \$373.772 | \$343.389 | \$45.842 | 13.3% |
| 1031 Exchange Deposits | \$149.160 | \$141.039 | \$103.966 | \$45.194 | 43.5% |
| Property Management Deposits | \$159.440 | \$146.693 | \$107.146 | \$52.294 | 48.8% |
| Association Management Deposits | \$163.930 | \$162.423 | \$144.582 | \$19.348 | 13.4% |

As previously discussed, the Company's growth and long-term shareholder value creation strategy is based on consistently generating and holding more variable rate saleable SBA loans. Holding loans, versus selling for a one-time gain, results in more consistent, predictable, recurring spread income.

Selected highlights for third-quarter 2018 versus third-quarter 2017:

Balance Sheet Metrics

- Asset growth of 66.1%, or \$406.8 million, to \$1.022 billion;
- Loan growth of 63.4%, or \$318.6 million, to \$821.3 million;
- SBA loans held for sale up 13.3%, or \$45.8 million, to \$389.2 million;
- Deposit growth of 43.2%, or \$230.8 million, to \$765.4 million;
- Non-interest bearing deposits represent 42.4% of total deposits;
- Shareholders' Equity growth of 111.8%, or \$62.1 million, to \$117.6 million.

Income Statement Metrics

- Interest Income up 71.2%, or \$5.9million, to \$14.2 million;
- Interest Expense up 247.3%, or \$1.0 million, to \$1.4 million;
- Net-Interest Income up 62.5%, or \$4.9 million to \$12.8 million;

- Non-Interest Income up 17.6%, or \$353 thousand, to \$2.4 million;
- Non-Interest Expenses up 49.1%, or \$3.5 million, to \$10.7 million;
- Net Income up 143.5% or \$2.0 million, to \$3.5 million.

Other Metrics

- SBA loans funded up 20.0% or \$13.6 million, to \$81.3 million;
- Allowance for loan losses of \$4.6 million, or 1.72% of held for investment, net of FV marks;
- Allowance for loan losses stands at 126.4% of non-performing loans, net of FV marks;
- Non-performing loans to total gross loans of 0.45%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 2.8%;
- Since inception of the Bank’s SBA program a little over nine years ago, the bank has funded 1,906 loans for \$1.63 billion in small business financing;
- The Bank services a total of 1,349 SBA loans for \$1.02 billion, of which \$403.6 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, 2018, as follows:

| <u>Capital Ratios as of Sept. 30, 2018</u> | <u>Company</u> | <u>Bank</u> | <u>“Well Capitalized” Level</u> |
|--|----------------|-------------|---------------------------------|
| Tier 1 Leverage Ratio: | 8.85% | 10.14% | 5.00% |
| Common Equity Tier 1 Ratio: | 13.64% | 15.62% | 7.00% |
| Tier 1 Risk-Based Capital Ratio: | 13.64% | 15.62% | 8.50% |
| Total Risk-Based Capital Ratio: | 14.43% | 16.41% | 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, 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 |
|---|-------------------------------|-------------------|---------------------|----------------------|
| | 09/30/2018 | 06/30/2018 | 09/30/2017 * | 09/30 - 09/30 |
| Balance Sheet Items | | | | |
| Total Gross Loans | 821,256 | 805,275 | 502,636 | 63.4% |
| <i>SBA Loans Available for Sale (Memo Only)</i> | 389,231 | 373,772 | 343,389 | 13.3% |
| Total Assets | 1,022,248 | 998,386 | 615,406 | 66.1% |
| Total Deposits | 765,402 | 776,358 | 534,599 | 43.2% |
| <i>Non-Interest DDA (Memo Only)</i> | 323,546 | 345,080 | 270,418 | 19.6% |
| Shareholders' Equity | 117,566 | 113,950 | 55,501 | 111.8% |
| <i>Bank Shareholders' Equity (Memo Only)</i> | 129,117 | 126,612 | 51,649 | 150.0% |
| Income Statement Items | | | | |
| Total Interest Income | 14,181 | 14,042 | 8,283 | 71.2% |
| Total Interest Expense | 1,355 | 1,249 | 390 | 247.3% |
| Net Interest Income | 12,826 | 12,792 | 7,893 | 62.5% |
| Provision for Loan Losses | 0 | 200 | 0 | - |
| Non-Interest Income | 2,362 | 2,310 | 2,008 | 17.6% |
| Non-Interest Expense | 10,737 | 10,272 | 7,202 | 49.1% |
| Pre-Tax Income | 4,451 | 4,631 | 2,699 | 64.9% |
| Our Fair Share of Income Taxes | 979 | 1,335 | 1,274 | (23.1%) |
| Net Income | 3,471 | 3,296 | 1,425 | 143.5% |
| QTD Basic Earnings per Share | \$0.37 | \$0.35 | \$0.23 | 59.2% |
| YTD Basic Earnings per Share | \$1.05 | \$0.68 | \$0.72 | 45.3% |
| Book Value per Share | \$12.57 | \$12.36 | \$8.50 | 47.9% |
| Tangible Book Value per Share | \$8.56 | \$8.28 | \$8.50 | 0.76% |
| QTD ROAA | 1.46% | 1.34% | 0.92% | 58.9% |
| YTD ROAA | 1.37% | 1.32% | 0.99% | 38.2% |
| QTD ROATCE | 17.81% | 17.84% | 12.56% | 41.8% |
| YTD ROATCE | 17.67% | 17.59% | 13.28% | 33.0% |
| QTD Net Interest Margin | 5.99% | 5.73% | 5.46% | 9.7% |
| YTD Net Interest Margin | 5.77% | 5.67% | 5.14% | 12.3% |
| Ending Shares Outstanding | 9,353 | 9,219 | 6,532 | 43.2% |
| Stock Price | \$22.65 | \$20.25 | \$21.90 | 3.42% |
| Market Capitalization | \$211,843 | \$186,691 | \$143,060 | 48.1% |
| Cash Dividends Paid to Shareholders | \$0.09 | \$0.08 | \$0.08 | 12.5% |

* September 2017 results include one-time merger expenses. Excluding merger expenses, ROATCE of 16.45%, ROAA of 1.20%, EPS of \$0.30.

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