



Seacoast Commerce Banc Holdings Announces Second Quarter 2018 Results

Second quarter 2018 versus 2017 highlights

- Net income of \$3.3 million, up \$1.9 million or 132.0%
- Earnings per share of \$0.35, up \$0.12, or 52.3%
- ROATCE of 17.84%, up from 13.19%, or 35.3%
- ROAA of 1.34%, up from 0.97%, or 38.8%
- Asset growth of \$408.4 million, or 69.2%
- Loan growth of \$333.6 million, or 70.7%
- Deposit growth of \$257.6 million, or 49.7%
- Non-Interest Bearing Deposit growth of \$93.7 million, or 37.3%
- Noninterest-bearing deposits represent 44.6% of total deposits
- Opened a deposit production office in Chicago, Illinois

SAN DIEGO, CA – July 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 second quarter ended June 30, 2018, of \$3.3 million versus 2017 second quarter unaudited consolidated net income of \$1.4 million, a 132.0% increase. On a per share basis, net income increased 52.3% to \$0.35 per share versus \$0.23 per share in 2017. Additionally, the Company reported second quarter return on average tangible common equity (ROATCE) of 17.84% and return on average assets (ROAA) of 1.34%, compared to 13.19% and 0.97% for the second quarter of 2017, a 35.3% and 38.8% increase respectively.

Richard M. Sanborn, President & Chief Executive Officer, commented, “The second quarter of 2018 was our second full quarter operating with the Capital Bank acquisition fully integrated and we are very pleased with the results. Over the last two quarters, Capital Bank core deposits have grown 2.4% with loan balances only decreasing 1.4%, which is much better than the 15% run-off typically experienced in acquisitions. With the additional scale our efficiency ratio also improved to 68% from 74% a year ago. On the production side, we experienced excellent growth in our specialty deposit verticals, with specialty core deposit growth of 11.7% in the second quarter alone, driven by our expanded specialty banking group. On the lending front, our strong second quarter financial performance allowed us to sell fewer loans than planned, which is a significant focus for us. Our unique banking model of focusing on specialty lending and deposit platforms is proving to be a strong and financially compelling model.”

Allan W. Arendsee, Chairman of the Board, stated, “Our partnership with Capital Bank last year is proving to be very beneficial to the bank financially and to our shareholders. It has always been our focus to pursue a strategy that creates long-term shareholder value in a safe and sound manner and our team is doing just that. As always, the board of directors believes that the right plan is in place to continue providing shareholders with an exceptional return on their investment over the long-term.”

Quarterly Financial highlights (in millions):

	<u>06/30/2018</u>	<u>03/31/2018</u>	<u>06/30/2017</u>	<u>06/30 Change</u>	<u>% Change</u>
Consolidated Net Income	\$3.296	\$3.053	\$1.421	\$1.875	132.0%
ROATCE	17.84%	17.31%	13.19%	4.65%	35.3%
ROAA	1.34%	1.30%	0.97%	0.37%	38.8%
Earnings Per Share (Basic)	\$0.35	\$0.33	\$0.23	\$0.12	52.3%
Net Interest Margin YTD	5.67%	5.59%	4.96%	0.71%	14.3%
Efficiency Ratio	68.0%	68.8%	74.2%	(6.20%)	(8.4%)

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

	<u>06/30/2018</u>	<u>03/31/2018</u>	<u>06/30/2017</u>	<u>Change</u>	<u>% Change</u>
SBA Loan Production	\$53.480	\$47.580	\$65.657	(\$12.176)	(18.5%)
Other Specialty Loan Production	\$5.974	\$14.339	\$0.00	\$5.974	NA
SBA 7(a) guaranteed Loan Sales	\$21.246	\$13.925	\$20.503	\$0.743	3.6%
Percent of Guaranteed Loan Sales	53.0%	39.0%	41.6%	11.4%	27.4%
SBA Guaranteed Loan Inventory	\$373.772	\$372.487	\$318.693	\$55.079	17.3%
1031 Exchange Deposits	\$141.039	\$112.742	\$102.468	\$38.571	37.6%
Commercial Management Deposits	\$146.693	\$124.883	\$88.895	\$57.798	65.0%
HOA Management Deposits	\$162.423	\$159.291	\$143.209	\$19.214	13.4%

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, recurring spread income.

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

Balance Sheet Metrics

- Asset growth of 69.2%, or \$408.4 million, to \$998.4 million;
- Loan growth of 70.7%, or \$333.6 million, to \$805.3 million;
- SBA loans held for sale up 17.3%, or \$55.1 million, to \$373.8 million;
- Deposit growth of 49.7%, or \$257.6 million, to \$776.4 million;
- Non-Interest Bearing deposits represent 44.6% of total deposits;
- Shareholders' Equity growth of 156.9%, or \$69.6 million, to \$114.0 million.

Income Statement Metrics

- Interest Income up 86.9%, or \$6.5 million, to \$14.0 million;
- Interest Expense up 225.6%, or \$0.865 million, to \$1.2 million;
- Net-Interest Income up 79.5%, or \$5.7 million to \$12.8 million;
- Non-Interest Income down (13.5%), or (\$0.360) million, to \$2.3 million;
- Non-Interest Expenses up 41.3%, or \$3.0 million, to \$10.3 million;
- Net Income up 132.0% or \$1.9 million, to \$3.3 million.

Other Metrics

- SBA loans funded down (18.5%), or (\$12.2) million, to \$53.5. million;
- SBA 7(a) loan sales up 3.6%, or \$0.743 million, to \$21.2 million;
- Allowance for loan losses of \$4.6 million was 1.83% of loans held for investment, net of PCI;
- Allowance for loan losses stands at 139.8% of non-performing loans, net of PCI;
- Non-performing loans to total gross loans of 0.41%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 2.59%;
- Since inception of the Bank's SBA program a little over nine years ago, the bank has funded 1,839 loans for \$1.6 billion in small business financing;
- The Bank services a total of 1,376 SBA loans for \$1.0 billion, of which \$425.3 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 June 30, 2018, as follows:

<u>Capital Ratios as of Jun. 30, 2018</u>	<u>Company</u>	<u>Bank</u>	<u>"Well Capitalized" Level</u>
Tier 1 Leverage Ratio:	7.89%	9.38%	5.00%
Common Equity Tier 1 Ratio:	13.13%	15.58%	7.00%
Tier 1 Risk-Based Capital Ratio:	13.13%	15.58%	8.50%
Total Risk-Based Capital Ratio:	13.96%	16.40%	10.50%

As reported by the [U.S. Small Business Administration](#) ("SBA") for their third quarter ending June 30, 2018, Seacoast Commerce Bank was the 16th 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 \$187 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, 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
	06/30/2018	03/31/2018	06/30/2017	06/30 - 06/30
Balance Sheet Items				
Total Gross Loans	805,275	804,475	471,694	70.7%
<i>SBA Loans Available for Sale (Memo Only)</i>	373,772	372,487	318,693	17.3%
Total Assets	998,386	980,172	590,008	69.2%
Total Deposits	776,358	744,869	518,781	49.7%
<i>Non-Interest DDA (Memo Only)</i>	345,080	327,781	251,355	37.3%
Shareholders' Equity	113,950	110,937	44,358	156.9%
<i>Bank Shareholders' Equity (Memo Only)</i>	126,612	123,738	51,224	147.2%
Income Statement Items				
Total Interest Income	14,042	12,951	7,511	86.9%
Total Interest Expense	1,249	1,090	384	225.6%
Net Interest Income	12,792	11,860	7,128	79.5%
Provision for Loan Losses	200	0	0	N/A
Non-Interest Income	2,310	2,100	2,670	(13.5%)
Non-Interest Expense	10,272	9,608	7,270	41.3%
Pre-Tax Income	4,631	4,353	2,528	83.2%
Our Fair Share of Income Taxes (28.8%)	1,335	1,299	1,107	20.5%
Net Income	3,296	3,053	1,421	132.0%
QTD Basic Earnings per Share	\$0.35	\$0.33	\$0.23	52.3%
YTD Basic Earnings per Share	\$0.68	\$0.33	\$0.049	38.7%
Book Value per Share	\$12.36	\$12.05	\$7.41	66.8%
Tangible Book Value per Share	\$8.28	\$7.95	\$7.41	11.7%
QTD ROAA	1.34%	1.30%	0.97%	38.8%
YTD ROAA	1.32%	1.30%	1.03%	28.6%
QTD ROATCE	17.84%	17.31%	13.19%	35.3%
YTD ROATCE	17.59%	17.31%	14.23%	23.7%
Ending Shares Outstanding	9,219	9,209	5,986	54.0%
Stock Price	\$20.25	\$20.30	\$20.70	(2.2%)
Market Capitalization	\$186,691	\$186,941	\$123,911	50.7%
YTD Cash Dividends Paid to Shareholders	\$0.16	\$0.08	\$0.16	N/A

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