



## **Seacoast Commerce Bank Announces Fourth Quarter and Full-Year Results With Record Loan, Deposit and Asset Growth**

**SAN DIEGO, CA** – January 15, 2014 – Seacoast Commerce Bank (OTCQB: SCCB) today announced its unaudited results of operations for the fourth quarter and full-year ended December 31, 2013. For the fourth quarter, the Bank reported net income of \$250 thousand, consistent with previous quarters, compared to \$58 thousand in the fourth quarter of 2012, or a 333% increase. For the full-year, the Bank reported net income of \$1.0 million, compared to net income of \$204 thousand in 2012, after excluding the one-time non-recurring tax benefit recorded in 2012, a 391% increase. This is the bank's 14<sup>th</sup> consecutive quarterly profit.

As has been previously discussed, the bank planned to manage its net income down to a modest level as it focused on reducing loan sales and retaining more of the guaranteed portions of the SBA loans funded. Retaining, versus selling loans, not only results in more balance sheet growth, but over time, produces more consistent, predictable and reoccurring interest income, and more long-term value for shareholders.

Assets reached a record \$340.2 million, up \$139.5 million or 69.5%; gross loans reached a record \$288.7 million, up \$114.1 million or 65.4%; deposits reached a record \$310.2 million, up \$151.2 million or 95.1%, with no wholesale or brokered deposits.

The Bank's growth and long-term shareholder value creation strategy is based on holding more saleable SBA loans. The Bank grew its inventory of guaranteed, saleable SBA loans by \$32.3 million in the fourth quarter, versus growth of \$18.5 million in the third quarter, growth of \$20.0 million in the second quarter, and growth of \$16.0 million in the first quarter.

Had the bank sold all its fourth quarter saleable loan production it could have generated \$2.0 million in net after-tax income in the fourth quarter, based on actual gains received on the loans that were sold. For comparative purposes, that potential \$2.0 million fourth quarter net income would have been 26.4% greater than the 2012 potential fourth quarter net income of \$1.6 million had all fourth quarter 2012 saleable production been sold.

For the full-year 2013, the Bank's growth in saleable guaranteed SBA loans held was \$85.5 million. Assuming those loans were sold at year-end at current actual sales premium levels, the bank could have recorded a net after-tax income of approximately \$5.8 million, which could be compared to a net income of \$3.6 million for 2012 (excluding any tax benefits) if all salable production was sold in 2012. That result would equate to a 62.6% increase in comparative net income for 2013.

Selected highlights for full year-end 2013 versus year-end 2012:

Balance Sheet Metrics

- Asset growth of \$139.5 million, or 69.5%, to a record \$340.2 million;
- Loan growth of \$114.1 million, or 65.4%, to a record \$288.7 million;
- SBA loans funded up \$29.3 million, or 19.2%, to a record \$181.8 million;
- SBA loans held for sale up \$85.5 million, or 115.8%, to a record \$159.4 million;
- The Bank services a total of 700 SBA loans for \$462.3 million, of which the guaranteed portion on 335 loans, totaling \$190.3 million, has been sold in the secondary market;
- Deposit growth of \$151.2 million, or 95.1%, to a record \$310.2 million;
- Brokered deposits reduced \$25 million, or 100%, to \$-0-;
- Borrowings (wholesale funding) reduced \$17 million, or 100%, to \$-0-;
- Non-Interest Bearing deposit growth of \$6.5 million or 17.4%, to \$44.1 million;
- Shareholders' Equity growth of \$3.9 million, or 17.2%, to a record \$26.4 million, with \$1 million in net income and \$2.4 million in capital contributed from the exercise of shareholders 2010 Warrants;

Income Statement Metrics

- Interest Income of \$13.6 million, up \$6.0 million, or 79.5% from 2012;
- Net Interest Income of \$12.3 million, up \$5.6 million, or 82.7% from 2012;
- Gain-on-sale of loans managed down to just \$4.1 million versus \$4.3 million in 2012;
- Percent of loans sold in 2013 reduced to 34% from 39% in 2012 and 93% in 2011;
- Allowance for Loan Loss provision ("ALLL") for the year was \$1.5 million versus \$1.2 million in 2012;
- Positive operating leverage with growth in total revenue of 34.9% versus growth in total expenses of 24.7%;

Other Metrics

- The Bank had net charge-offs of \$25 thousand in 2013 versus net charge-offs of \$167 thousand in 2012, all from legacy (non-SBA) loans;
- Year-end ALLL of \$4.9 million was 3.89% of loans held for investment and 600% of non-performing loans;
- Non-performing loans were reduced 62.7% to just \$820 thousand, from 2.2 million;
- Non-performing loan to total loans down to 0.28%, from 1.26% in 2012;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) down to 2.73%, from 9.90% in 2012;
- Since inception of the Bank's SBA program, the bank has funded 760 loans for \$553.9 million in small business financing, of which only one loan has defaulted and been foreclosed on, which was subsequently sold with no loss to the bank.

The Bank has always maintained capital levels well above the FDIC's highest designation, "well capitalized", and had capital ratios at December 31, 2013 as follows:

		FDIC "Well Capitalized" Level
• Tier 1 Capital Ratio:	8.27%	5.00%
• Tier 1 Risk-Based Capital Ratio:	14.22%	6.00%
• Total Risk-Based Capital Ratio:	15.49%	10.00%

As reported by the U.S. Small Business Administration (“SBA”) for their fiscal year ended September 30, 2013, Seacoast Commerce Bank was the 9<sup>th</sup> largest SBA lender in the Nation, up from the 14<sup>th</sup> largest lender in 2012 and the 18<sup>th</sup> largest in 2011. SBA rankings are based on total dollars approved, with Seacoast having \$217 million approved in 2013. Seacoast funded \$182 million in new SBA loans during calendar year 2013 compared to \$152 million funded in 2012, a 19% increase. Of the \$182 million funded in 2013, fourth quarter funding’s were a record \$55 million, compared to \$47 million in the third quarter, \$44 million in the second quarter, and \$37 million in the first quarter of 2013. In addition to being ranked the 9<sup>th</sup> largest SBA lender in the Nation, Seacoast was the 4<sup>th</sup> largest SBA lender in California; the 3<sup>rd</sup> largest SBA lender the in Las Vegas, Nevada District, the 5<sup>th</sup> largest SBA lender in the Phoenix, Arizona District; the 7<sup>th</sup> largest SBA lender in the Seattle, Washington District; and the 10<sup>th</sup> largest SBA lender in the Dallas/Fort Worth District.

Richard M. Sanborn, President & Chief Executive Officer, commented, “We are very pleased to be able to report another record year of performance. Growth in the bank across all categories, loans, deposits and assets, was tremendous, and a direct result of the focus and hard work of our entire team. From the loan and deposit production staff to the back-office support staff, it was a record breaking year. Our strategy change up two years ago to hold more loans is paying off as we knew it would. Our interest income was up almost 80% in 2013 on loan production growth of 19%. This validates our strategy that holding more loans will, over time, produce more consistent, predictable, reoccurring income, and add more long-term shareholder value. We look forward to communicating more about our 2014 plans at our annual shareholder’s meeting in May.” Sanborn concluded.

Allan W. Arendsee, Chairman of the Board, stated, “The Board of Directors is again very proud of our team for doing what’s right; focusing on adding long-term shareholder value. The Board is firmly committed to ensuring the bank is operated 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.” Arendsee concluded.

Seacoast Commerce Bank is a business bank headquartered in San Diego, California, with full-service branches in San Diego, Chula Vista, and Glendale, California, and production offices in San Diego, Orange County, Los Angeles, Sacramento and San Ramon, California; Phoenix, Arizona; Las Vegas and Reno, Nevada; Houston and Dallas, Texas; Salt Lake City, Utah; and Bellevue, Washington. For more information on the bank please visit our website at [www.scombank.com](http://www.scombank.com) or contact Richard M. Sanborn, President and Chief Executive Officer at 858-432-7001.

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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 Bank**  
**Selected Financial Data – Unaudited (000)**

	For the Year Ended		%
	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>Change</u>
<b>Balance Sheet Items</b>			
Total Loans	288,656	174,533	65.4%
<i>SBA Loans Available for Sale (Memo Only)</i>	<u>159,365</u>	<u>73,834</u>	115.8%
Total Assets	<u>340,173</u>	<u>200,702</u>	69.5%
Total Deposits	<u>310,178</u>	<u>158,974</u>	95.1%
Shareholders' Equity	<u>26,356</u>	<u>22,485</u>	17.2%
<b>Income Statement Items</b>			
Total Interest Income	13,627	7,592	79.5%
Total Interest Expense	<u>1,341</u>	<u>868</u>	54.4%
Net Interest Income	<u>12,286</u>	<u>6,724</u>	82.7%
Provision for Loan Losses	1,500	1,200	25.0%
Non-Interest Income	5,840	6,709	(13.0%)
Non-Interest Expense	<u>14,998</u>	<u>12,028</u>	24.7%
Pre-Tax Income	<u>1,627</u>	<u>204</u>	697.5%
Income Tax (Benefit)	625	(3,799)	116.5%
<b>Net Income</b>	<b><u>1,002</u></b>	<b><u>4,003</u></b>	<b>(75.0%)</b>
<b>Net Income (*Excluding Tax Benefit)</b>	<b><u>1,002</u></b>	<b><u>204</u></b>	<b>391.2%</b>
<b>Economic Value Added (EVA) of loans not sold</b>	<u>8,296</u>	<u>5,900</u>	40.6%
<b>Net Income with EVA (assumes 41% tax)</b>	<b><u>5,776</u></b>	<b><u>5,764</u></b>	<b>0.2%</b>
<b>Basic Earnings per Share</b>	0.18	0.90	(79.9%)
<b>Basic Earnings per Share with EVA</b>	1.08	1.30	(16.7%)
<b>Book Value per Share</b>	4.01	4.16	(3.5%)
<b>Book Value per Share with EVA</b>	4.88	4.93	(1.1%)
<b>Return on Average Assets</b>	0.39%	2.49%	(84.5%)
<b>Return on Average Assets with EVA</b>	2.22%	3.59%	(38.0%)
<b>Return on Average Common Equity</b>	4.56%	24.86%	(81.7%)
<b>Return on Average Common Equity with EVA</b>	27.19%	35.82%	(24.1%)
<b>Shares Outstanding</b>	5,573,032	4,444,742	25.4%

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