



## **Seacoast Commerce Bank Announces Second Quarter Results With Record Loan, Deposit and Asset Growth**

**SAN DIEGO, CA** – July 17, 2013 – Seacoast Commerce Bank (OTCQB: SCCB) today announced its unaudited results of operations for the second quarter-ended June 30, 2013. The Bank reported net income of \$250 thousand, compared to net income of \$35 thousand for the second quarter of 2012, after excluding the one-time tax benefit of \$3.8 million recorded in the second quarter of 2012, or a 614% increase. Assets reached a record \$247 million, up \$90 million or 57%; loans reached a record \$221 million, up \$110 million or 99%; deposits reached a record \$219 million, up \$85 million or 64%. This is the bank's twelfth 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.

The Bank's growth and shareholder value creation strategy is based on holding more saleable SBA loans. The Bank grew its inventory of guaranteed, saleable SBA loans by \$20 million in the second quarter with saleable inventory up \$36 million year-to-date.

Had the bank sold its second quarter growth in saleable SBA loans, now held in the portfolio, it could have generated an additional \$2 million in pre-tax income in the second quarter based on actual gains received on the loans that were sold. The benefit to shareholders when loans are retained versus sold is that the bank will receive almost three-times more income over the life of the loan, which adds significantly to shareholder value over the long run.

Selected highlights for the second quarter of 2013 versus 2012:

- Asset growth of \$90 million, or 57%, to \$247 million;
- Loan growth of \$110 million, or 99%, to \$221 million;
- SBA loans funded of \$44 million, an increased \$9 million, or 24%;
- Second quarter increase in SBA loans held for sale of \$20 million;
- Portfolio of SBA loans held for sale up \$79 million, or 274%, to \$108 million;
- Total SBA loan production since inception of the program (late 2009) is \$453 million;
- Current portfolio of SBA loans serviced (all self-originated) reached 602 loans for \$400 million, of which \$196 million has been sold in the secondary market;
- Deposit growth of \$85 million, or 64%, to \$219 million;
- Non-Interest Bearing deposit growth of \$13 million or 46%, to \$43 million;
- Shareholders' Equity growth of \$3 million, or 16%, to \$26 million;
- Non-performing loans to total loans down to 0.18%;
- Non-performing assets to total assets down to 0.16%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) down to 1.58%.

- Reserves for potential loan losses stands at \$4 million versus total non-performing loans of \$407 thousand.

The Bank has always maintained capital levels well above the FDIC’s highest designation, “well capitalized,” and had capital ratios at June 30, 2013, as follows:

		FDIC “Well Capitalized” Level
• Tier 1 Capital Ratio:	8.93%	5.00%
• Tier 1 Risk-Based Capital Ratio:	14.71%	6.00%
• Total Risk-Based Capital Ratio:	15.99%	10.00%

Seacoast Commerce Bank continues to be one of the top SBA loan production banks in the Nation. As reported by the U.S. Small Business Administration (“SBA”) for the first nine months of the SBA’s fiscal year ended June 30, 2013, Seacoast Commerce Bank was the 8<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 \$151.3 million in approved loans in the first nine months.

Richard M. Sanborn, President & Chief Executive Officer, commented, “Our good start in 2013 is continuing as the growth in our balance sheet is allowing us to produce consistent, predictable, recurring results, as we have discussed. Our SBA loan production is up nicely; problem loans are at their lowest level in five years; and our deposit generation efforts will be greatly supplemented with the addition of our newest branch in Glendale, CA, which opened July 1”, Sanborn concluded.

Allan W. Arendsee, Chairman of the Board, stated, “Our strategy is the same; operate our bank in a safe and sound manner with an emphasis on long-term shareholder value creation, and our management team is doing just that. The Board of Directors is very pleased with the consistent success we’ve been able to accomplish over the last few years and look forward to another successful year”, Arendsee concluded.

Seacoast Commerce Bank is a business bank headquartered in San Diego, California, with offices in San Diego, Chula Vista, Orange County, Los Angeles, Palm Desert, Sacramento and San Ramon, California; Phoenix, Arizona; Las Vegas and Reno, Nevada; Dallas and Houston, 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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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.

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.

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

	For the Quarter Ended		%
	<u>06/30/2013</u>	<u>06/30/2012</u>	<u>Change</u>
<b>Balance Sheet Items</b>			
Total Loans (Gross)	220,667	111,077	98.7%
<i>SBA Loans Available for Sale (Memo Only)</i>	<u>108,461</u>	<u>28,995</u>	274.0%
Total Assets	<u>247,318</u>	<u>157,426</u>	57.1%
Total Deposits	<u>218,608</u>	<u>133,165</u>	64.2%
Shareholders' Equity	<u>25,654</u>	<u>22,175</u>	15.7%
<b>Income Statement Items</b>			
Total Interest Income	3,241	1,720	88.4%
Total Interest Expense	<u>266</u>	<u>218</u>	21.9%
Net Interest Income	<u>2,975</u>	<u>1,502</u>	98.0%
Provision for Loan Losses	500	450	11.1%
Non-Interest Income	1,526	2,073	(26.4%)
Non-Interest Expense	<u>3,535</u>	<u>3,089</u>	14.4%
Pre-Tax Income	<u>466</u>	<u>35</u>	1,231.4%
Income Tax (Benefit) [46.35% computed rate]	216	(3,840)	-
<b>Net Income</b>	<u><u>250</u></u>	<u><u>3,876</u></u>	<b>(93.5%)</b>
<b>Economic Value (EVA) of loans not sold</b>	<u>2,115</u>	<u>873</u>	142.3%
<b>Net Income with EVA (after tax)*</b>	<u><u>1,523</u></u>	<u><u>488</u></u>	<b>212.2%</b>
<b>Basic Earnings per Share</b>	0.04	0.87	(94.9%)
<b>Basic Earnings per Share* with EVA</b>	0.28	0.10	166.9%
<b>Book Value per Share</b>	3.89	4.11	(5.3%)
<b>Book Value per Share with EVA</b>	4.09	4.21	(2.9%)
<b>Return on Average Assets</b>	0.41%	10.34%	(96.0%)
<b>Return on Average Assets* with EVA</b>	2.50%	1.30%	92.2%
<b>Return on Average Common Equity</b>	4.72%	86.77%	(94.6%)
<b>Return on Average Equity* with EVA</b>	28.73%	10.92%	163.1%
<b>Shares outstanding</b>	5,570,932	4,425,975	25.0%

\*Excludes Tax Benefit

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