



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

SAN DIEGO, CA – Jan. 16, 2013 – [Seacoast Commerce Bank](#) (OTCQB: SCCB) today announced its unaudited results of operations for the fourth quarter and full-year ended December 31, 2012. For the full-year, the Bank reported net income of \$4.0 million, compared to net income of \$2.3 million for 2011, a 74.2% increase. Assets reached a record \$200.7 million, up \$51.1 million or 34.1%; loans reached a record \$174.6 million, up \$85.5 million or 95.9%; deposits reached a record \$159.0 million, up \$29.3 million or 22.6%. This marks the bank's tenth consecutive quarterly profit.

As has been discussed in previous press releases, the bank planned to manage its net income down to a minimal 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.

For comparative purposes and to provide shareholders more information on the Bank's operations, the following additional information is provided: Full-year net income of \$4.0 million included tax benefits of \$3.8 million. Fourth quarter net income, after eliminating the effect of tax benefits, was managed down to \$36 thousand, consistent with all previously reported quarterly net incomes for 2012.

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 \$27.7 million in the fourth quarter, versus growth of \$17.1 million in the third quarter, growth of \$8.7 million in the second quarter, and growth of \$4.4 million in the first quarter.

Had the bank sold all its fourth quarter saleable loan production that is now held in the portfolio, it could have generated an additional \$2.8 million in pre-tax net income in the fourth quarter based on actual gains received on the loans that were sold. For comparative purposes, that potential \$2.8 million in income (pre-tax) in the fourth quarter would have been 290% greater than the 2011 fourth quarter net income of \$711 thousand. 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.

For the full-year 2012, the Bank's growth in saleable guaranteed SBA loans held was \$57.8 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 \$3.6 million (excluding any tax benefits), which could be compared to the net income of \$2.3 million reported for 2011 when all production was sold. That result would equate to a 57.0% increase in comparative net income.

Selected highlights for year-end 2012 versus year-end 2011:

- Asset growth of \$51.1 million, or 34.1%, to a record \$200.7 million;
- Loan growth of \$85.5 million, or 95.6%, to a record \$174.8 million;
- SBA loans funded totaled a record \$152.3 million, up 47.0%;
- SBA loans held for sale up \$57.8 million, or 361.6%, to a record \$73.8 million;
- SBA loan sales during 2012 totaled \$43.1 million, down 40.4% from \$72.3 million;
- The Bank services a total of 518 SBA loans for \$336.2 million, of which the guaranteed portion on 327 loans, totaling \$182.6 million, has been sold in the secondary market;
- Deposit growth of \$29.3 million, or 22.6%, to a record \$159.0 million;
- Non-Interest Bearing deposit growth of \$15.8 million or 72.7%, to \$37.6 million;
- Shareholders' Equity growth of \$4.4 million, or 24.4%, to a record \$22.5 million;
- Interest Income growth of \$976 thousand, or 14.8%, to \$7.6 million;
- Interest Expense reduction of \$508 thousand, or 36.9%, to \$868 thousand;
- Gain-on-sale of loans reduced \$3.2 million, or 42.6%, to \$4.3 million;
- Allowance for Loan Loss provision ("ALLL") for the year was \$1.2 million, consistent with 2011;
- Year-end ALLL of \$3.4 million was 3.42% of loans held for investment and 156.9% of non-performing loans;
- Other Real Estate owned ("ORE") reduced to \$0;
- Non-performing loan to total loans down to 1.26%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) down to 9.9%.

The Bank has always maintained capital levels well above the [FDIC's](#) highest designation, "well capitalized", and had capital ratios at December 31, 2012 as follows:

		<a href="#">FDIC</a> "Well Capitalized" Level
• Tier 1 Capital Ratio:	10.29%	5.00%
• Tier 1 Risk-Based Capital Ratio:	14.88%	6.00%
• Total Risk-Based Capital Ratio:	16.15%	10.00%

As reported by the [U.S. Small Business Administration](#) ("SBA") for their fiscal year ended September 30, 2012, [Seacoast Commerce Bank](#) was the 14<sup>th</sup> largest SBA lender in the Nation, up from the 18<sup>th</sup> largest lender in 2011 and the 23<sup>rd</sup> largest in 2010. SBA rankings are based on total dollars approved, with Seacoast having \$136 million approved in 2012. Seacoast funded \$152 million in new SBA loans during calendar year 2012 compared to \$104 million funded in 2011, a 47% increase. Of the \$152 million funded in 2012, fourth quarter funding's were a record \$54 million, compared to \$24 million in the fourth quarter of 2011. In addition to being ranked the 14<sup>th</sup> largest SBA lender in the U.S., Seacoast was the 4<sup>th</sup> largest SBA lender in California, the 5<sup>th</sup> largest SBA lender in Nevada, the 8<sup>th</sup> largest SBA lender in Dallas/Fort Worth, and the 11<sup>th</sup> largest SBA lender in Washington.

Richard M. Sanborn, President & Chief Executive Officer, commented, "It was a busy and successful year. We exceeded our goals and posted records for asset growth, loan growth, deposit growth, SBA production, and most importantly SBA loans retained, all while relocating our headquarters and opening a second full-service branch. Our decision a year ago to reduce

loan sales and manage our income down to break-even by holding more of the loans we produced has allowed us to report great numbers...the justification of that decision shows in our results. We know that holding loans will result in higher earning asset levels and higher levels of consistent, predictable, interest income, and while this strategy will affect our net income in the short-term, we firmly believe this strategy will add substantial shareholder value to our institution over the long-term. We look forward to communicating more about this strategy at our annual shareholder's meeting in May." Sanborn concluded.

Allan W. Arendsee, Chairman of the Board, stated, "The Board of Directors is very proud of our team for being able to consistently produce returns on assets and returns on equity many times greater than our Peer group, and our new strategy of holding loans versus selling loans will add tremendous long-term value for our shareholders." Arendsee concluded.

[Seacoast Commerce Bank](#) is a business bank operating in San Diego, California, with loan production offices in San Diego, Orange County, Los Angeles, Sacramento and San Ramon, California; Bellevue, Washington; Phoenix, Arizona; Dallas, Texas; Salt Lake City, Utah; and Las Vegas, Nevada. 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>12/31/2012</u>	<u>12/31/2011</u>	<u>Change</u>
<b>Balance Sheet Items</b>			
Total Loans	174,787	89,244	95.9%
<i>SBA Loans Available for Sale (Memo Only)</i>	<u>73,834</u>	<u>15,994</u>	361.6%
Total Assets	<u>200,702</u>	<u>149,644</u>	34.1%
Total Deposits	<u>158,974</u>	<u>129,674</u>	22.6%
Shareholders' Equity	<u>22,485</u>	<u>18,075</u>	24.4%
<b>Income Statement Items</b>			
Total Interest Income	7,592	6,616	14.8%
Total Interest Expense	<u>868</u>	<u>1,376</u>	(36.9%)
Net Interest Income	<u>6,724</u>	<u>5,239</u>	28.3%
Provision for Loan Losses	1,200	1,200	0%
Non-Interest Income	6,709	9,067	(26.0%)
Non-Interest Expense	<u>12,028</u>	<u>10,804</u>	11.3%
Pre-Tax Income	<u>204</u>	<u>2,302</u>	(91.1%)
Income Tax (Benefit)	(3,799)	4	-
<b>Net Income</b>	<u><u>4,003</u></u>	<u><u>2,298</u></u>	<b>74.2%</b>
<b>Economic Value (EVA) of loans not sold</b>	<u>5,909</u>	<u>0</u>	-
<b>Net Income with EVA (assumes 41% tax)*</b>	<u><u>3,607</u></u>	<u><u>2,298</u></u>	<b>57.0%</b>
<b>Basic Earnings per Share</b>	0.89	0.51	74.5%
<b>Basic Earnings per Share* with EVA</b>	0.81	0.51	58.8%
<b>Book Value per Share</b>	4.16	3.20	30.0%
<b>Book Value per Share with EVA</b>	4.07	3.20	27.2%
<b>Return on Average Assets</b>	2.49%	1.70%	46.5%
<b>Return on Average Assets* with EVA</b>	2.25%	1.70%	32.4%
<b>Return on Average Common Equity</b>	24.51%	18.00%	36.2%
<b>Return on Average Equity* with EVA</b>	22.45%	18.00%	24.7%

\*Excludes Tax Benefit

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