



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

**SAN DIEGO, CA** – October 17, 2013 – Seacoast Commerce Bank (OTCQB: SCCB) today announced its unaudited results of operations for the third quarter-ended September 30, 2013. The bank reported net income of \$250 thousand, compared to net income of \$35 thousand for the third quarter of 2012, or a 614% increase. Assets reached a record \$275 million, up \$114 million or 71%; loans reached a record \$247 million, up \$112 million or 84%; deposits reached a record \$241 million, up \$114 million or 90%. This is the bank's 13<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.

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 \$18.5 million in the third quarter with saleable inventory up \$54.8 million year-to-date.

Had the bank sold its third quarter growth in saleable SBA loans, now held in the portfolio, it could have generated an additional \$1 million in net income in the third 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 expected life of the loan, which adds significantly to shareholder value over the long run.

Selected highlights for the third-quarter of 2013 versus 2012:

- Asset growth of \$114 million, or 71%, to \$275 million;
- Loan growth of \$112 million, or 84%, to \$247 million;
- SBA loans funded of \$47 million, an increase of \$10 million, or 26%;
- SBA loans funded YTD of \$127 million, an increase of \$28 million, or 30%;
- Third quarter increase in SBA loans held for sale of \$18.5 million, up 8.0%;
- YTD increase in SBA loans held for sale up \$55 million, or 56%, to \$130 million;
- Total SBA loan production since inception of the program (late 2009) is \$500 million;
- Current portfolio of SBA loans serviced (all self-originated) reached 646 loans for \$433 million, of which \$202 million has been sold in the secondary market;
- Deposit growth of \$102 million, or 80%, to \$241 million;
- Non-Interest Bearing deposit growth of \$12 million or 32%, to \$44 million;
- Shareholders' Equity growth of \$4 million, or 18%, to \$26 million;
- Non-performing loans to total loans down to 0.29%;
- Non-performing assets to total assets down to 0.26%;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) down to 2.65%.

- Reserves for potential loan losses stands at \$4.9 million versus total non-performing loans of \$717 thousand.

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

		FDIC “Well Capitalized” Level
• Tier 1 Capital Ratio:	8.30%	5.00%
• Tier 1 Risk-Based Capital Ratio:	14.20%	6.00%
• Total Risk-Based Capital Ratio:	15.47%	10.00%

Richard M. Sanborn, President & Chief Executive Officer, commented, “Consistency has been our mantra and we’ve continued that theme through the third quarter. Our loan and deposit production teams are performing very well which allows us to post consistent results quarter-after-quarter. While the government shutdown, budget wrangling’s, and debt ceiling debate is causing concern in the markets, we feel confident in our ability to manage through it with minimal impact to our results, assuming all of the issues are resolved quickly, which thankfully they were.” Sanborn concluded.

Allan W. Arendsee, Chairman of the Board, stated, “Through difficult economic, political and regulatory times, our strategy has remained the same; have a sustainable plan and operate our bank in a safe and sound manner with an emphasis on long-term shareholder value creation. 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, 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 & 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>09/30/2013</u>	<u>09/30/2012</u>	<u>Change</u>
<b>Balance Sheet Items</b>			
Total Loans (Gross)	246,590	134,175	84%
<i>SBA Loans Available for Sale (Memo Only)</i>	<u>129,974</u>	<u>46,129</u>	182%
Total Assets	<u>274,855</u>	<u>160,954</u>	71%
Total Deposits	<u>240,726</u>	<u>126,445</u>	90%
Shareholders' Equity	<u>25,981</u>	<u>22,316</u>	16%
<b>Income Statement Items</b>			
Total Interest Income	3,600	1,981	82%
Total Interest Expense	<u>381</u>	<u>189</u>	102%
Net Interest Income	<u>3,219</u>	<u>1,792</u>	80%
Provision for Loan Losses	500	380	32%
Non-Interest Income	1,875	1,613	16%
Non-Interest Expense	<u>4,156</u>	<u>2,961</u>	40%
Pre-Tax Income	<u>438</u>	<u>64</u>	584%
Income Tax (Benefit)	187	29	545%
<b>Net Income</b>	<u><u>250</u></u>	<u><u>35</u></u>	<b>614%</b>
<b>Economic Value (EVA) of loans not sold</b>	<u>1,756</u>	<u>1,741</u>	1%
<b>Net Income with EVA (after tax)*</b>	<u><u>1,189</u></u>	<u><u>968</u></u>	<b>23%</b>
<b>Basic Earnings per Share</b>	0.04	0.01	300%
<b>Basic Earnings per Share* with EVA</b>	0.21	0.22	(5%)
<b>Book Value per Share</b>	3.95	4.14	(5%)
<b>Book Value per Share with EVA</b>	4.12	4.35	(5%)
<b>Return on Average Assets</b>	0.37%	0.09%	311%
<b>Return on Average Assets* with EVA</b>	1.75%	2.42%	(28%)
<b>Return on Average Common Equity</b>	4.42%	0.45%	882%
<b>Return on Average Equity* with EVA</b>	21.67%	17.14%	26%
<b>Shares Outstanding</b>	5,570,932	4,438,075	26%

\*Excludes Tax Benefit

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