

Seacoast Commerce Bank Announces Fourth Quarter and Full-Year Profit, Record Growth and Credit Improvement

CHULA VISTA, CA – Jan 24, 2012 – <u>Seacoast Commerce Bank</u> (OTC: SCCB.OB) today announced its unaudited results of operations for the fourth quarter and full-year ending December 31, 2011. The Bank reported net income of \$2.3 million for the year, compared to net income of \$326 thousand for 2010, a 598% increase, with net income of \$711 thousand in the fourth quarter compared to net income of \$585 thousand in the third quarter, a 21.5% increase on linked quarters. This marks the bank's sixth consecutive quarterly profit.

Selected highlights for year-end 2011 versus year-end 2010:

- Asset growth⁽¹⁾ of \$38.8 million, or 35.1%, to a record \$149.6 million;
- Loan growth⁽¹⁾ was essentially flat, with levels ending at \$89.2 million;
- SBA loans funded totaled \$104 million, up 5.1%;
- SBA loans held for sale up \$5.1 million⁽¹⁾, or 47.1%, to \$16 million;
- SBA loan sales during 2011 totaled \$72.3 million;
- Deposit growth of \$36.4 million, or 39.1%, \$129.7 million;
- Shareholders' Equity growth of \$4.7 million, or 34.8%, to \$18.0 million;
- FDIC Core deposit growth of \$38.7 million, or 54.8%;
- Core deposits as a percent of total deposits up 11.3%, to 84.4% of total deposits;
- The Bank held no brokered deposits nor any wholesale (non-core) borrowings;
- Interest Income growth of \$952 thousand, or 16.8%, to \$6.6 million;
- Interest Expense reduction of \$442 thousand, or 24.3%, to \$1.4 million;
- Non-Interest Income growth of \$703 thousand, or 8.4%, to \$9.1 million;
- Allowance for Loan Losses ("ALLL") provision for the year of \$1.2 million, down \$1.7 million, or 58.6%;
- Year over year reserve build of \$740 thousand, or 29%, resulting in an ending ALLL reserve of \$3.3 million, or 3.69% of gross loans;
- Net charge-offs of \$460 thousand were down \$2.4 million, or 83.7%;
- Other Real Estate owned ("ORE") reduced by \$296 thousand, or 22.6%, to \$1.0 million, representing one property that is well secured;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 15.3%;

The Bank has always maintained capital levels well above the <u>FDIC's</u> highest designation, "well capitalized", and had capital ratios at December 31, 2011 as follows:

FDIC "Well Capitalized" Level

•	Tier 1 Capital Ratio:	12.08%	5.00%
•	Tier 1 Risk-Based Capital Ratio:	21.39%	6.00%
•	Total Risk-Based Capital Ratio:	22.68%	10.00%

As reported by the <u>U.S. Small Business Administration</u> ("SBA") for their fiscal year ended September 30, 2011, <u>Seacoast Commerce Bank's SBA Division</u> was the #1 local SBA lender in the <u>San Diego District</u>, the 5th largest SBA lender in California, and the 18th largest SBA lender in the Nation, up from the 23rd largest lender last year. SBA rankings are based on total dollars approved, with Seacoast having \$156 million approved in 2011, up from \$92 million in 2010. Seacoast funded \$104 million in new SBA loans during calendar year 2011 compared to \$99 million funded in 2010, a 5.1% increase. Of the \$104 million funded in 2011, fourth quarter fundings were \$24.1 million, compared to \$19.6 million in the third quarter.

As also reported, <u>MultiFunding</u> released its first annual list of the 'most committed' SBA lenders in the nation, and Seacoast Commerce Bank was ranked the 3rd most committed, nationally, at helping small-business owners get SBA loans. <u>MultiFunding's</u> list was based on SBA loans made as a percentage of a bank's total deposits. Ami Kassar, founder and CEO of <u>MultiFunding</u> stated, "<u>MultiFunding</u> has released its first annual ranking of the most committed SBA lenders in order to honor and recognize the banks across the country who are aggressively helping small business owners through the SBA program. These banks deserve all of our recognition and support for assisting the economy." <u>MultiFunding's</u> list can be found at <u>www.multifunding.com</u>.

Richard M. Sanborn, President & Chief Executive Officer, commented, "We're excited about our 2011 results as they show the earnings power of our business strategy, which we committed to in late 2009, and we've consistently produced above Peer results the last six quarters. We are also excited about the expansion of our HOA Division in late 2011 as we see that Division as a great source of low-cost, stable funding to assist with our SBA program goals. With high levels of capital and liquidity, and our credit quality under control, we see an opportunity to start holding more SBA loans going forward. Holding SBA loans will result in higher earning asset levels and higher levels of consistent, predictable, interest income, albeit we will experience lower levels of gain-on-sale income. While this will affect our net income in the short-term, we firmly believe that 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 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 County, Orange County, Los Angeles, Sacramento and San Ramon, California; Bellevue, Washington; Phoenix, Arizona and Dallas, Texas. For more information on the bank please visit our website at www.sccombank.com or contact Richard M. Sanborn, President and Chief Executive Officer at 619-409-5762.

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		%
	12/31/2011	12/31/2010	Change
Balance Sheet Items	_		
Liquidity	53,393	19,732	170.6
Gross Loans (1)	89,145	89,607	(0.52)
Gross Loans	89,145	108,596	(17.8)
Total Deposits	129,674	93,244	39.1
Total Assets (1)	149,644	110,799	35.1
Total Assets	149,644	129,669	15.4
Shareholders' Equity	18,075	13,413	34.8
Income Statement Items			
Total Interest Income	6,616	5,664	16.8
Total Interest Expense	1,376	1,818	24.3
Net Interest Income	5,239	3,846	36.2
Provision for Loan Losses	1,200	2,900	58.6
Non-Interest Income	9,067	8,364	8.4
Non-Interest Expense	10,808	8,981	20.3
Net Income (Loss)	2,298	329	598.5
Basic Earnings per Share	0.51	0.08	537.5
Book Value per Share	3.20	2.64	21.2
Return on Average Assets*	1.70%	0.27%	529.6
Return on Average Equity*	15.52%	3.10%	400.6

^{*}Annualized

⁽¹⁾ Net of the effects of FAS 166 for 2010, which were eliminated in Q2, 2011.