



## Seacoast Commerce Bank Announces First Quarter Results

CHULA VISTA, CA – April 19, 2012 – Seacoast Commerce Bank (OTC: SCCB.OB) today announced its unaudited results of operations for the first quarter of 2012. The Bank reported net income of \$34 thousand for the quarter. As was discussed in the January 24, 2012 press release, and in detail in the 2011 Annual Report mailed to shareholders on April 12<sup>th</sup>, 2012, the bank planned to manage income down to a minimal level as it focused on reducing loan sales and retaining more of the guaranteed portions of the SBA loans it funded. Retaining, versus selling SBA loans will, over time, produce more consistent, predictable, and reoccurring interest income.

The Bank grew its inventory of guaranteed, saleable SBA loans by \$4.4 million during the first quarter alone, which if sold, would have generated an additional \$454 thousand in net income in the first quarter. For comparative purposes, the bank could have recorded \$488 thousand in net income in the first quarter, or 6.8% above the 2011 level of \$457 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 will add significantly more value to shareholder over the long run.

Selected highlights for the first quarter of 2012 versus 2011:

- Asset growth of \$31.4 million, or 27.2%, to \$146.6 million;
- Loan growth of \$2.5 million, or 2.6%, to \$96.3 million;
- SBA loan growth of \$16 million, or 38.5%, to \$57.6 million;
- SBA loans funded totaled \$26.0 million, down from \$32.0 million;
- SBA loans held for sale up \$4.4 million, or 12.2%, to \$20.3 million;
- Deposit growth of \$33.4 million, or 35.7%, \$127.0 million;
- FDIC Core deposit growth of \$36.0 million, or 50.4%;
- Reduction of \$7.6 million in higher-cost Certificates of Deposit, or a 20.1% reduction;
- The Bank held no brokered deposits nor had any wholesale (non-core) borrowings;
- Shareholders' Equity growth of \$4.3 million, or 30.9%, to \$18.2 million;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of 13.8%;
- Year over year loan loss reserve build of \$222 thousand, or 7.8%, resulting in an ending ALLL reserve of \$3.1 million, or 4.11% of loans not available for sale.

The Bank has always maintained capital levels well above the FDIC's highest designation, "well capitalized", and had capital ratios at March 31, 2012 as follows:

		FDIC "Well Capitalized" Level
• Tier 1 Capital Ratio:	12.44%	5.00%
• Tier 1 Risk-Based Capital Ratio:	20.57%	6.00%
• Total Risk-Based Capital Ratio:	21.85%	10.00%

Richard M. Sanborn, President & Chief Executive Officer, commented, "We are very focused on increasing our long-term shareholder value, and our new 'hold' strategy will do just that. While gains on the sale of our SBA loans are very lucrative, and we could certainly make a lot more money in the short term by continuing to sell everything we produce, the exponential increase in revenue we will receive over time by holding our SBA loans is absolutely in the best long term interests of our shareholders. With our short-term net income being significantly below that of comparative prior periods, by design, shareholders should compare our reported net income with the 'economic value' we added ("EVA") by not selling loans (which was an additional \$454 thousand in the first quarter) to prior period net income. The long term effect of this strategy will result in not only significantly more future income, but more consistent, predictable, and reoccurring interest income."

Sanborn continued, "Aside from our managed first quarter income plus the EVA we added being 6.8% above that of last year, we are very pleased with the continued growth and improved mix in our balance sheet, especially on the funding side. We achieved very good growth in core deposits in the first quarter even with planned runoff in our higher-cost CD base. Our previously announced expanded Homeowners' Association Division is doing great, with growth of \$8 million in new client deposit accounts in the first quarter, and a very strong pipeline of potential business going forward. Those very low-cost deposits will be a tremendous benefit to us going forward, as we look to hold even more loans. We look forward to communicating more about this strategy at our annual shareholder's meeting on May 18<sup>th</sup>." Sanborn concluded.

Allan W. Arendsee, Chairman of the Board, stated, "We are in this for the long term and always want to do what is in the best interest of our shareholders. With the Board of Directors and the management team holding almost 42% of our outstanding stock, we are very focused on doing what's in the best long term interests of our shareholders. Our goal has always been to consistently produce exceptional returns for our shareholders and we firmly believe this strategy is the right strategy to do that over the long term."

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 619-409-5762.

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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.

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

	For the Quarter Ended		%
	<u>03/31/2012</u>	<u>03/31/2011</u>	<u>Change</u>
<b>Balance Sheet Items</b>			
Liquidity	42,642	19,786	115.5%
Gross Loans	96,303	93,832	2.6%
SBA Loans Available for Sale	<u>20,281</u>	<u>18,071</u>	12.2%
Total Assets	<u>146,630</u>	<u>115,261</u>	27.2%
Total Deposits	<u>127,044</u>	<u>93,654</u>	35.7%
Shareholders' Equity	<u>18,223</u>	<u>13,918</u>	30.9%
<b>Income Statement Items</b>			
Total Interest Income <sup>(1)</sup>	1,578	1,589	(0.70%)
Total Interest Expense <sup>(1)</sup>	<u>263</u>	<u>299</u>	(12.0%)
Net Interest Income	<u>1,315</u>	<u>1,291</u>	1.9%
Provision for Loan Losses	150	300	(50.0%)
Non-Interest Income	1,831	2,105	(13.0%)
Non-Interest Expense	<u>2,962</u>	<u>2,639</u>	12.2%
<b>Net Income</b>	<u>34</u>	<u>457</u>	(92.5%)
<b>Economic Value Added (EVA) from loans not sold</b>	<u>454</u>	<u>0</u>	-
<b>Net Income with EVA</b>	<u>488</u>	<u>457</u>	6.8%
<b>Basic Earnings per Share</b>	0.01	0.10	
<b>Basic Earnings per Share with EVA</b>	0.11	0.10	
<b>Book Value per Share</b>	3.21	2.76	
<b>Book Value per Share with EVA</b>	3.32	2.76	
<b>Return on Average Assets*</b>	0.09%	1.36%	
<b>Return on Average Assets* with EVA</b>	1.33%	1.36%	
<b>Return on Average Equity*</b>	0.78%	13.82%	
<b>Return on Average Equity* with EVA</b>	11.10%	13.82%	

\*Annualized

<sup>(1)</sup> Excludes the effect of FAS 166 for comparative purposes