



Seacoast Commerce Bank Announces Second Quarter Results

SAN DIEGO, CA – July 18, 2012 – Seacoast Commerce Bank (OTCBB: SCCB) today announced its unaudited results of operations for the second quarter of 2012. The Bank reported net income of \$3.9 million for the quarter, compared to net income of \$545 thousand for the second quarter of 2011. Second quarter 2012 results included a \$3.8 million tax benefit. Excluding the tax benefit, the Bank earned \$35 thousand for the quarter, managed down to be consistent with the \$34 thousand earned in the first quarter of 2012. As was discussed in previous press releases, and in detail in the 2011 Annual Report, 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.

A cornerstone of the Bank's growth strategy is holding more saleable SBA loans. The Bank grew its inventory of guaranteed, saleable SBA loans by \$8.7 million during the second quarter, versus growth of \$4.4 million in the first quarter, which if sold, would have generated an additional \$873 thousand in net income in the second quarter. For comparative purposes, the bank could have recorded \$909 thousand in net income in the second quarter, or 67% above the 2011 level of \$545 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 shareholders over the long run.

Selected highlights for the second quarter of 2012 versus 2011:

- Asset growth of \$30.6 million, or 24.2%, to \$157.4 million;
- Loan growth of \$13.0 million, or 13.2%, to \$111.1 million;
- SBA loans funded of \$35.4 million, up 26.0% from \$28.1 million;
- SBA loans held for sale up \$5.1 million, or 21.2%, to \$29.0 million;
- Deposit growth of \$22.8 million, or 20.6%, to \$133.2 million,
- Reduced higher-cost CD's by \$10.0 million, or 28.2% to \$25.3 million;
- Non-interest bearing deposit growth of \$14.7 million, or 101.5%, to 21.9% of deposits;
- The Bank had no brokered deposits nor had any borrowings;
- Shareholders' Equity growth of \$7.6 million, or 52.5%, to \$22.2 million;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of only 6.9%;
- Year-over-year loan loss reserve build of \$351 thousand, or 11.7%, resulting in an ending ALLL reserve of \$3.4 million, or 4.65% of loans held for investment.

The Bank has always maintained capital levels well above the FDIC's highest designation, "well capitalized", and had capital ratios at June 30, 2012 as follows:

		FDIC "Well Capitalized" Level
• Tier 1 Capital Ratio:	12.35%	5.00%
• Tier 1 Risk-Based Capital Ratio:	18.55%	6.00%
• Total Risk-Based Capital Ratio:	19.83%	10.00%

Richard M. Sanborn, President & Chief Executive Officer, commented, "We had a very busy and productive quarter. Our SBA team had their second largest loan funding quarter ever; our HOA department's deposit growth is ahead of schedule; our planned reduction in higher-cost CD's is going well and bringing our cost of funding loans down nicely; our credit administration team has reduced our problem assets to their lowest level in four years; we completed a seamless bank-wide technology upgrade; and we successfully completed the opening of our second branch along with the relocation of our corporate and back-office locations into our new facility in Rancho Bernardo, all without interrupting any of our day-to-day operations or our quarterly results."

Sanborn continued, "We continue to be focused on increasing our long-term shareholder value and our new 'hold' strategy will do just that. As we've discussed, 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. Our short-term net income will be significantly below that of comparative prior periods, by design; shareholders should compare our reported net income with the 'economic value' added ("EVA") by not selling loans, 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."

Allan W. Arendsee, Chairman of the Board, stated, "The Board is very pleased with the success being delivered by the team at the bank and fully supports the efforts to build long-term shareholder value. As we've previously stated, 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.sccombank.com or contact Richard M. Sanborn, President and Chief Executive Officer at 858-432-7001.

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 Quarter Ended		%
	<u>06/30/2012</u>	<u>06/30/2011</u>	
Balance Sheet Items			
Liquidity	34,984	26,654	31.2%
Gross Loans	111,076	98,108	13.2%
SBA Loans Available for Sale	<u>28,995</u>	<u>23,923</u>	21.1%
Total Assets	<u>157,426</u>	<u>126,789</u>	24.2%
Total Deposits	<u>133,165</u>	<u>110,394</u>	20.6%
Shareholders' Equity	<u>22,175</u>	<u>14,546</u>	52.2%
Income Statement Items			
Total Interest Income	1,720	1,595	7.9%
Total Interest Expense	<u>218</u>	<u>300</u>	(27.2%)
Net Interest Income	<u>1,502</u>	<u>1,296</u>	16.0%
Provision for Loan Losses	450	300	50.0%
Non-Interest Income	2,073	2,338	(11.4%)
Non-Interest Expense	<u>3,089</u>	<u>2,798</u>	10.4%
Pre-Tax Income	<u>35</u>	<u>545</u>	(93.6%)
Income Tax (Benefit)	(3,840)	0	
Net Income	<u>3,876</u>	<u>545</u>	610.7%
Economic Value (EVA) of loans not sold	<u>873</u>	<u>0</u>	-
Pre-Tax Net Income with EVA	<u>909</u>	<u>545</u>	66.7%
Basic Earnings per Share	0.88	0.12	
Basic Earnings per Share* with EVA	0.21	0.12	
Book Value per Share	4.11	2.88	
Book Value per Share with EVA	4.30	2.88	
Return on Average Assets	10.34%	1.72%	
Return on Average Assets* with EVA	2.42%	1.72%	
Return on Average Equity	86.76%	16.08%	
Return on Average Equity* with EVA	20.34%	16.08%	

*Pre Tax Benefit

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