



Seacoast Commerce Bank Announces Third Quarter Results

SAN DIEGO, CA – October 17, 2012 – Seacoast Commerce Bank (OTCQB: SCCB) today announced its unaudited results of operations for the third quarter of 2012. The Bank reported net income of \$35 thousand for the quarter, consistent with the \$35 thousand reported in the second quarter (pre-tax), and the \$34 thousand reported in the first quarter. As has been discussed in previous press releases, 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 funded. Retaining, versus selling SBA loans will, over time, produce more consistent, predictable and reoccurring interest income, and more long term value for shareholders.

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 \$17.1 million in the third quarter, versus growth of \$8.7 million in the second quarter, and growth of \$4.4 million in the first quarter. Had the bank sold its third quarter production, it could have generated an additional \$1.7 million in net income in the third quarter. For comparative purposes, the bank could have recorded \$1.8 million in net income in the third quarter, or 204% above the 2011 level of \$585 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 third quarter ended 2012 versus 2011:

- Asset growth of \$17.3 million, or 12.1%, to \$161.0 million;
- Loan growth of \$40.4 million, or 43.1%, to \$134.2 million;
- Deposit growth of \$1.9 million, or 1.5%, after planned CD runoff, to \$126.4 million;
- Planned reduction in higher-cost CDs of \$16.7 million, reducing CDs by 54.7%;
- Non-interest bearing deposit growth of \$7.1 million, or 26.9%, to 26.5% of deposits;
- Core deposit growth of \$18.6 million, or 19.8%;
- SBA loans funded in Q3 of \$37.2 million, up 90.0% from \$19.6 million;
- SBA loans funded YTD of \$98.6 million, up 23.7% over 2011 YTD of \$79.7 million;
- SBA loans held for sale up \$17.1 million, or 59.1% in Q3 over Q2, to \$46.1 million;
- Shareholders' Equity growth of \$5.0 million, or 29.0%, to \$22.3 million;
- Reserve for loan losses (ALLL) of \$3.4 million, or 3.85% of loans held for investment;
- Non-performing assets down \$3.5 million or 77.1%, to just \$1.0 million;
- Non-performing assets to Tier 1 Capital plus ALLL (Texas Ratio) of only 4.8%.

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

		FDIC "Well Capitalized" Level
• Tier 1 Capital Ratio:	11.44%	5.00%
• Tier 1 Risk-Based Capital Ratio:	16.86%	6.00%
• Total Risk-Based Capital Ratio:	18.14%	10.00%

Richard M. Sanborn, President & Chief Executive Officer, commented, "We're very excited about our third quarter results and our momentum. Our SBA production was at an all-time record high; our growth in saleable SBA guaranteed retained loans was at a record high, and double that of the second quarter; our core deposit growth was exceptional; our non-interest bearing deposits to total deposits was at a record high; we have nearly eliminated all our higher-cost CDs, which has helped us significantly lower our costs of funding loans; we disposed of all our Other Real Estate Owned ("OREO") with gains recorded on the sales; we reduced our problem loans by over 70%; we hold reserves for loan losses at over three-times the balance of our remaining problem loans. It was a very busy and productive quarter."

Sanborn continued, "We continue to be focused on increasing our long-term shareholder value and our new 'hold' strategy is doing just that. As we've discussed, while gains on the sale of our SBA loans are very lucrative, and we could certainly make 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 management's continued success with the implementation of our plan, and fully supports the efforts to build exceptional 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>09/30/2012</u>	<u>09/30/2011</u>	
Balance Sheet Items			
Liquidity	15,186	43,465	(65.1%)
Gross Loans	134,175	93,792	43.1%
<i>SBA Loans Available for Sale (Memo Only)</i>	<u>46,129</u>	<u>19,873</u>	132.1%
Total Assets	<u>160,954</u>	<u>143,605</u>	12.1%
Total Deposits	<u>126,445</u>	<u>124,515</u>	1.5%
Shareholders' Equity	<u>22,316</u>	<u>17,293</u>	29.0%
Income Statement Items			
Total Interest Income	1,981	1,625	21.9%
Total Interest Expense	<u>189</u>	<u>289</u>	(34.7%)
Net Interest Income	<u>1,792</u>	<u>1,335</u>	34.2%
Provision for Loan Losses	380	300	26.7%
Non-Interest Income	1,613	2,174	(25.8%)
Non-Interest Expense	<u>2,961</u>	<u>2,621</u>	13.0%
Pre-Tax Income	<u>64</u>	<u>585</u>	(89.0%)
Income Tax (Benefit)	29	0	
Net Income	<u>35</u>	<u>585</u>	(94.0%)
Economic Value (EVA) of loans not sold	<u>1,741</u>	<u>0</u>	
Pre-Tax Net Income with EVA	<u>1,776</u>	<u>585</u>	203.6%
Basic Earnings per Share	0.01	0.13	(94.1%)
Basic Earnings per Share* with EVA	0.39	0.13	202.5%
Book Value per Share	4.14	3.03	36.6%
Book Value per Share with EVA	4.53	3.03	49.6%
Return on Average Assets	0.09%	1.70%	(94.7%)
Return on Average Assets* with EVA	4.44%	1.70%	161.2%
Return on Average Equity	0.63%	15.66%	(96.0%)
Return on Average Equity* with EVA	31.75%	15.66%	102.7%

*Pre Tax Benefit

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