SEACOAST BANKING CORP OF FLORIDA
Form 10-Q
May 10, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________.

Commission File No. 0-13660

Seacoast Banking Corporation of Florida

(Exact Name of Registrant as Specified in its Charter)

Florida	59-2260678
(State or Other Jurisdiction of Incorporation or Organization	(I.R.S. Employer Identification No.)
815 COLORADO AVENUE, STUART FL	34994
(Address of Principal Executive Offices)	(Zip Code)

(772) 287-4000

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o Accelerated Filer þ Non-Accelerated Filer o Small Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Common Stock, $.10 Par Value 93,514,212 shares as of March 31, 2011

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

Seacoast Banking Corporation of Florida and Subsidiaries

(Dollars in thousands, except share amounts)	March 31, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 29,578	$ 35,358
Interest bearing deposits with other banks	197,960	176,047
Total cash and cash equivalents	227,538	211,405
Securities:		
Available for sale (at fair value)	514,150	435,140
Held for investment (fair values: $25,817 at March 31, 2011 and $26,853 at December 31, 2010)	25,835	26,861
TOTAL SECURITIES	539,985	462,001
Loans held for sale	3,095	12,519
Loans	1,225,383	1,240,608
Less: Allowance for loan losses	(34,353)	(37,744)
NET LOANS	1,191,030	1,202,864
Bank premises and equipment, net	35,568	36,045
Other real estate owned	24,111	25,697
Other intangible assets	2,925	3,137
Other assets	57,067	62,713
	$ 2,081,319	$ 2,016,381
LIABILITIES		
Deposits	$ 1,686,210	$ 1,637,228
Federal funds purchased and securities sold under agreements to repurchase, maturing within 30 days	115,185	98,213
Borrowed funds	50,000	50,000
Subordinated debt	53,610	53,610
Other liabilities	10,516	11,031
	1,915,521	1,850,082

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CONDENSED CONSOLIDATED BALANCE SHEETS (continued) (Unaudited)
Seacoast Banking Corporation of Florida and Subsidiaries

(Dollars in thousands, except share amounts)	March 31, 2011	December 31, 2010
SHAREHOLDERS EQUITY		
Preferred stock, authorized 4,000,000 shares, par value $0.10 per share, issued and outstanding 2,000 shares of Series A	46,560	46,248
Warrant for purchase of 589,625 shares of common stock at $6.36 per share	3,123	3,123
Common stock, par value $0.10 per share, authorized 300,000,000 shares, issued 93,514,283 and outstanding 93,514,212 shares at March 31, 2011, and issued 93,487,652 and outstanding 93,487,581 shares at December 31, 2010	9,351	9,349
Other shareholders equity	106,764	107,579
TOTAL SHAREHOLDERS EQUITY	165,798	166,299
	$ 2,081,319	$ 2,016,381

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
Seacoast Banking Corporation of Florida and Subsidiaries

	Three Months Ended March 31,	
(Dollars in thousands, except per share data)	2011	2010
Interest and fees on loans	$ 16,213	$ 18,377
Interest and dividends on securities	3,723	3,796
Interest on interest bearing deposits and other investments	233	239
TOTAL INTEREST INCOME	20,169	22,412
Interest on deposits	2,940	4,467
Interest on borrowed money	773	732
TOTAL INTEREST EXPENSE	3,713	5,199
NET INTEREST INCOME	16,456	17,213
Provision for loan losses	640	2,068
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15,816	15,145
Noninterest income		
Other income	4,209	4,163
Securities gains, net	0	2,100
TOTAL NONINTEREST INCOME	4,209	6,263
TOTAL NONINTEREST EXPENSES	19,667	22,972
INCOME (LOSS) BEFORE INCOME TAXES	358	(1,564)
Benefit for income taxes	0	0
NET INCOME (LOSS)	358	(1,564)
Preferred stock dividends and accretion of preferred stock discount	937	937
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (579)	$ (2,501)
PER SHARE COMMON STOCK:		
Net income (loss) diluted	$ (0.01)	$ (0.04)
Net income (loss) basic	(0.01)	(0.04)
Cash dividends declared	0.00	0.00
Average shares outstanding diluted	93,458,692	58,845,822
Average shares outstanding basic	93,458,692	58,845,822

See notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
Seacoast Banking Corporation of Florida and Subsidiaries

	Three Months Ended March 31,	
(Dollars in thousands)	2011	2010
Cash flows from operating activities		
Interest received	$ 19,610	$ 22,594
Fees and commissions received	4,244	4,634
Interest paid	(3,621)	(5,185)
Cash paid to suppliers and employees	(17,377)	(18,136)
Income taxes received	0	20,797
Origination of loans held for sale	(31,106)	(35,750)
Proceeds from loans held for sale	40,530	50,553
Net change in other assets	942	(291)
Net cash provided by operating activities	13,222	39,216
Cash flows from investing activities		
Maturities of securities available for sale	32,591	33,794
Maturities of securities held for investment	1,984	1,454
Proceeds from sale of securities available for sale	2,135	43,481
Proceeds from sale of securities held for investment	0	5,452
Purchases of securities available for sale	(114,559)	(56,751)
Purchase of securities held for investment	(1,526)	0
Net new loans and principal repayments	10,993	17,288
Proceeds from sale of loans	0	700
Proceeds from the sale of other real estate owned	5,014	5,162
Proceeds from sale of Federal Home Loan Bank and Federal Reserve Bank stock	563	0
Additions to bank premises and equipment	(279)	(264)
Net cash (used in) provided by investing activities	(63,084)	50,316
Cash flows from financing activities		
Net increase (decrease) in deposits	48,983	(20,003)
Net increase (decrease) in federal funds purchased and repurchase agreements	16,972	(9,966)
Stock based employee benefit plans	40	40
Dividends paid	0	0
Net cash provided (used in) financing activities	65,995	(29,929)
Net increase in cash and cash equivalents	16,133	59,603
Cash and cash equivalents at beginning of period	211,405	215,100
Cash and cash equivalents at end of period	$ 227,538	$ 274,703

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued) (Unaudited)
Seacoast Banking Corporation of Florida and Subsidiaries

	Three Months Ended March 31,	
(Dollars in thousands)	2011	2010
Reconciliation of net income (loss) to net cash provided by operating activities		
Net income (loss)	$ 358	$ (1,564)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	753	790
Amortization of premiums and discounts on securities, net	479	13
Other amortization and accretion, net	(394)	134
Change in loans held for sale, net	9,424	14,803
Provision for loan losses	640	2,068
Gains on sale of securities	0	(2,100)
Gains on sale of loans	(85)	(87)
Losses on sale and write-downs of other real estate owned	449	3,825
Losses on disposition of fixed assets	3	1
Change in interest receivable	(433)	350
Change in interest payable	93	14
Change in prepaid expenses	962	981
Change in accrued taxes	52	20,975
Change in other assets	942	(291)
Change in other liabilities	(21)	(696)
Net cash provided by operating activities	$ 13,222	$ 39,216
Supplemental disclosures of non-cash investing activities:		
Fair value adjustment to securities	$ (1,601)	$ 1,049
Transfer from loans to other real estate owned	2,416	2,678

See notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
NOTE A BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U. S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U. S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011 or any other period. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2010.

Use of Estimates

The preparation of these condensed consolidated financial statements required the use of certain estimates by management in determining the Company s assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Specific areas, among others, requiring the application of management s estimates include determination of the allowance for loan losses, the valuation of investment securities available for sale, fair value of impaired loans, contingent liabilities, other real estate owned, and the valuation of deferred tax valuation allowance. Actual results could differ from those estimates.

NOTE B RECENT ACCOUNTING STANDARDS

Accounting Standards Update (ASU) 2010-6 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. The ASU amends Subtopic 820-10 with new disclosure requirements and clarification of existing disclosure requirements. New disclosures required include the amount of significant transfers in and out of levels 1 and 2 fair value measurements and the reasons for the transfers. In addition, the reconciliation for level 3 activity is required on a gross rather than net basis. The ASU provides additional guidance related to the level of disaggregation in determining classes of assets and liabilities and disclosures about inputs and valuation techniques. The amendments are effective for annual or interim reporting periods beginning after December 15, 2009, except for the requirement to provide the reconciliation for level 3 activity on a gross basis which is effective for annual or interim reporting periods beginning after December 15, 2010 (See Note E).

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ASU 2010-20 Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. The ASU requires expanded disclosure about the credit quality of the loan portfolio in the notes to financial statements, such as aging information and credit quality indicators. Both new and existing disclosures must be disaggregated by portfolio segment or class. The disaggregation of information is based on how the lender develops its allowance for credit losses and how it manages its credit exposure. The disclosures related to period-end balances are effective for annual or interim reporting periods ending after December 15, 2010, and the disclosures of activity that occurs during the reporting period are effective for annual or interim reporting periods beginning after December 15, 2010 (See Notes F and M).

ASU 2011-02 Receivables (Topic 310), A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The ASU amends Subtopic 310-40 to clarify existing guidance related to a creditor s evaluation of whether a restructuring of debt is considered a TDR. The amendments add additional clarity in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties. The updated guidance and related disclosure requirements are effective for financial statements issued for the first interim or annual period beginning on or after June 15, 2011, and should be applied retroactively to the beginning of the annual period of adoption. Early adoption is permitted. Management is currently evaluating the impact of the guidance on Huntington s Condensed Consolidated Financial Statements.

NOTE D BASIC AND DILUTED EARNINGS (LOSS) PER COMMON SHARE

Equivalent shares of 1,125,000 and 1,140,000 related to stock options, stock settled appreciation rights and warrants for the periods ended March 31, 2011 and 2010, respectively, were excluded from the computation of diluted EPS because they would have been anti-dilutive.

	Three Months Ended March 31,	
(Dollars in thousands, except per share data)	2011	2010
Basic:		
Net income (loss) available to common shareholders	$ (579)	$ (2,501)
Average shares outstanding	93,458,692	58,845,822
Basic (loss) EPS	$ (0.01)	$ (0.04)
Diluted:		
Net income (loss) available to common shareholders	$ (579)	$ (2,501)
Average shares outstanding	93,458,692	58,845,822
Diluted (loss) EPS	$ (0.01)	$ (0.04)

NOTE E FAIR VALUE INSTRUMENTS MEASURED AT FAIR VALUE

In certain circumstances, fair value enables the Company to more accurately align its financial performance with the market value of actively traded or hedged assets and liabilities. Fair values enable a company to mitigate the non-economic earnings volatility caused from financial assets and financial liabilities being carried at different bases of accounting, as well as, to more accurately portray the active and dynamic management of a company s balance sheet. ASC 820 provides additional guidance for estimating fair value when the volume and level of activity for an asset or liability has significantly decreased. ASC 820 also includes guidance on identifying circumstances that indicate a transaction is not orderly. Under ASC 820, fair value measurements for items measured at fair value at March 31, 2011 and 2010 included:

(Dollars in thousands)	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
March 31, 2011				
Available for sale securities (3)	$ 514,150	$	$ 514,150	$
Loans available for sale	3,095		3,095	
Loans (1)	47,781		11,709	36,072
Other real estate owned (2)	24,111		2,361	21,750
March 31, 2010				
Available for sale securities (3)	$ 365,986	$	$ 365,986	$
Loans available for sale	3,609		3,609	
Loans (1)	38,472		6,513	31,959
Other real estate owned (2)	19,076		341	18,735
Long-lived assets held for sale (2)	1,676		1,676	

(1) *See Note F. Nonrecurring fair value adjustments to loans identified as impaired reflect full or partial write-downs that are based on the loan s observable market price or current appraised value of the collateral in accordance with ASC 310.*

(2) *Fair value is measured on a nonrecurring basis in accordance with ASC 360.*

(3) *See Note J for further detail of fair value of individual investment categories.*

When appraisals are used to determine fair value and the appraisals are based on a market approach, the related loan s fair value is classified as Level 2 input. The fair value of loans based on appraisals which require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows, is classified as Level 3 inputs.

Transfers between levels of the fair value hierarchy are recognized on the actual date of the event or circumstances that caused the transfer, which generally coincides with the Company s monthly and/or quarter valuation process. During the first quarter of 2011 and 2010 transfers into and out of level 2 fair value for available for sale securities consisted of investment purchases, sales, maturities and principal repayments.

For loans classified as level 2 transfers in totaled $2.2 million and $2.4 million for the first quarter of 2011 and 2010, respectively, consisting of loans that became impaired. For 2011 and 2010, transfers out consisted of valuation write-downs of $1.8 million and $135,000, respectively, and foreclosures migrating to other real estate owned

(OREO) and other reductions (including principal payments) totaled $2.6 million and $215,000, respectively. No sales were recorded.

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For OREO classified as level 2 during the first quarter of 2011 and 2010, transfers out totaled $1.2 million and $2.6 million, respectively, consisting of valuation write-downs of $36,000 and $72,000 and sales of $1.1 million and $2.6 million, respectively, and transfers in consisted of foreclosed loans totaling $1.6 million and $131,000, respectively.

For 2011, loans classified as level 3 transfers in totaled $2.6 million for the first quarter, consisting of loans that became impaired and an increase in value on a single impaired loan. For 2011, transfers out consisted of valuation write-downs of $0.4 million and foreclosures migrating to other real estate owned (OREO) and other reductions (including principal payments) totaling $1.6 million. No sales were recorded.

For OREO classified as level 3 during the first quarter of 2011, transfers out totaled $2.9 million, consisting of valuation write-downs of $66,000 and sales of $2.8 million, and transfers in consisted of foreclosed loans totaling $0.9 million.

The following table shows the carrying value and fair value of the Company s financial assets and financial liabilities as of March 31, 2011 and 2010:

	March 31, 2011		March 31, 2010	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	$ 227,538	$ 227,538	$ 274,703	$ 274,703
Securities	539,985	539,967	376,214	376,371
Loans, net	1,191,030	1,205,261	1,329,559	1,338,252
Loans held for sale	3,095	3,095	3,609	3,609
Financial Liabilities				
Deposit liabilities	1,686,210	1,692,698	1,759,433	1,768,987
Borrowings	165,185	168,588	145,708	148,680
Subordinated debt	53,610	17,200	53,610	17,200

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value at March 31, 2011 and 2010:

Cash and cash equivalents: The carrying amount was used as a reasonable estimate of fair value.

Securities: The fair value of U.S. Treasury and U.S. Government agency, mutual fund and mortgage backed securities are based on market quotations when available or by using a discounted cash flow approach. The fair value of many state and municipal securities are not readily available through market sources, so fair value estimates are based on quoted market price or prices of similar instruments.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, mortgage, etc. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories. The fair value of loans, except residential mortgages, is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risks inherent in the loan. For residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusting for prepayment assumptions using discount rates based on secondary market sources. The estimated fair value is not an exit price fair value under ASC 820 when this valuation technique is used.

Loans held for sale: Fair values are based upon estimated values to be received from independent third party purchasers.

Deposit Liabilities: The fair value of demand deposits, savings accounts and money market deposits is the amount payable at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using the rates currently offered for funding of similar remaining maturities.

Borrowings: The fair value of floating rate borrowings is the amount payable on demand at the reporting date. The fair value of fixed rate borrowings is estimated using the rates currently offered for borrowings of similar remaining maturities.

Subordinated debt: The fair value of the floating rate subordinated debt is estimated using discounted cash flow analysis and the Company s current incremental borrowing rate for similar instruments.

NOTE F IMPAIRED LOANS AND VALUATION ALLOWANCE FOR LOAN LOSSES

At March 31, 2011 and 2010, the Company s recorded investments in impaired loans and the related valuation allowances were as follows:

	Impaired Loans for the Quarter Ended March 31, 2011				
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Valuation Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Construction & land development	$ 3,152	$ 7,996	$ 0	$ 3,601	$ 10
Commercial real estate	26,186	29,402	0	23,639	95
Residential real estate	8,583	12,872	0	9,348	4
Commercial and financial	0	0	0	3,071	0
Consumer	505	518	0	172	0
With an allowance recorded:					
Construction & land development	26,647	29,458	2,068	28,499	38
Commercial real estate	49,302	54,993	5,380	40,715	484
Residential real estate	27,906	28,560	4,142	27,227	235
Commercial and financial	300	322	199	169	1
Consumer	587	587	87	1,038	7
Total:					
Construction & land development	29,799	37,454	2,068	32,100	48
Commercial real estate	75,488	84,395	5,380	64,354	579
Residential real estate	36,489	41,432	4,142	36,575	239
Commercial and financial	300	322	199	3,240	1
Consumer	1,092	1,105	87	1,210	7
	$ 143,168	$ 164,708	$ 11,876	$ 137,479	$ 874

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	Impaired Loans for the Quarter Ended March 31, 2010			
(Dollars in thousands)	Recorded Investment	Related Valuation Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded	$ 57,225	$ 0		
With an allowance recorded	99,290	12,358		
	$ 156,515	$ 12,358	$ 155,712	$ 642

Impaired loans also include loans that have been modified in troubled debt restructurings (TDRs) where concessions to borrowers who experienced financial difficulties have been granted. At March 31, 2011 and 2010, accruing TDRs totaled $76.9 million and $60.0 million, respectively.

The valuation allowance is included in the allowance for loan losses. The average recorded investment in impaired loans for the quarter ended March 31, 2011 and 2010 was $137,479,000 and $155,712,000, respectively. The impaired loans were measured for impairment based primarily on the value of underlying collateral.

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful at which time payments received are recorded as reductions to principal. For the quarter ended March 31, 2011 and 2010, the Company recorded $874,000 and $642,000, respectively, in interest income on impaired loans.

The nonaccrual loans and accruing loans past due 90 days or more were $66,233,000 and none, respectively, at March 31, 2011 and were $96,321,000 and $163,000, respectively, at March 31, 2010.

Transactions in the allowance for loan losses for the quarter ended March 31, 2011 are summarized as follows:

	Allowance for Loan Losses for the Quarter Ended March 31, 2011					
(Dollars in thousands)	Beginning Balance	Provision for Loan Losses	Charge-Offs	Recoveries	Net Charge-Offs	Ending Balance
Construction & land development	$ 7,214	$ (1,558)	$ (1,850)	$ 306	$ (1,544)	$ 4,112
Commercial real estate	18,563	(1,226)	(581)	11	(570)	16,767
Residential real estate	10,102	3,275	(1,923)	76	(1,847)	11,530
Commercial and financial	480	172	0	87	87	739
Consumer	1,385	(23)	(182)	25	(157)	1,205
	$ 37,744	$ 640	$ (4,536)	$ 505	$ (4,031)	$ 34,353

The allowance for loan losses is composed of specific allowances for certain impaired loans and general allowances grouped into loan pools based on similar characteristics. The Company s loan portfolio and related allowance at March 31, 2011 is shown in the table below:

	At March 31, 2011					
	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		Total	
(Dollars in thousands)	Carrying Value	Associated Allowance	Carrying Value	Associated Allowance	Carrying Value	Associated Allowance
Construction & land development	$ 29,799	$ 2,068	$ 45,919	$ 2,044	$ 75,718	$ 4,112
Commercial real estate	75,488	5,380	451,732	11,387	527,220	16,767
Residential real estate	36,489	4,142	483,764	7,388	520,253	11,530
Commercial and financial	300	199	51,220	540	51,520	739
Consumer	1,092	87	49,580	1,118	50,672	1,205
	$ 143,168	$ 11,876	$ 1,082,215	$ 22,477	$ 1,225,383	$ 34,353

NOTE G: CONTINGENCIES

The Company and its subsidiaries, because of the nature of their businesses, are at all times subject to numerous legal actions, threatened or filed. Management presently believes that none of the legal proceedings to which it is a party are likely to have a materially adverse effect on the Company s consolidated financial condition, operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

NOTE H: EQUITY CAPITAL

The Company is well capitalized for bank regulatory purposes. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth under Capital Resources in this Report. At March 31, 2011, the Company s principal subsidiary, Seacoast National Bank, or Seacoast National , met the risk-based capital and leverage ratio requirements for well capitalized banks under the regulatory framework for prompt corrective action.

Seacoast National has agreed to maintain a Tier 1 capital (to adjusted average assets) ratio of at least 8.50% and a total risk-based capital ratio of at least 12.00% with its primary regulator, the Office of the Comptroller of the Currency (OCC). The agreement with the OCC as to minimum capital ratios does not change the Bank s status as well-capitalized for bank regulatory purposes.

NOTE I: LETTERS OF CREDIT

During the first quarter of 2010, the Company s banking subsidiary reduced by $33.0 million the letters of credit issued by the Federal Home Loan Bank (FHLB) used to satisfy a pledging requirement. Letters of credit outstanding with the FHLB sum to $43.0 million at March 31, 2011. The letters of credit have a term of one year with an annual fee equivalent to 5 basis points, or $21,500, amortized over the one year term of the letters. No interest cost is associated with the letters of credit.

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NOTE J: SECURITIES

The amortized cost and fair value of securities available for sale and held for investment at March 31, 2011 and December 31, 2010 are summarized as follows:

	March 31, 2011			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
SECURITIES AVAILABLE FOR SALE				
U.S. Treasury securities and obligations of U.S. Government Sponsored Entities	$ 4,194	$ 14	$	$ 4,208
Mortgage-backed securities of U.S Government Sponsored Entities	114,868	1,047	(1,015)	114,900
Collateralized mortgage obligations of U.S. Government Sponsored Entities	304,751	3,518	(2,015)	306,254
Private collateralized mortgage obligations	84,862	1,199	(1,431)	84,630
Obligations of state and political subdivisions	1,344	68		1,412
Other	2,746			2,746
	$ 512,765	$ 5,846	$ (4,461)	$ 514,150
SECURITIES HELD FOR INVESTMENT				
Collateralized mortgage obligations of U.S. Government Sponsored Entities	$ 14,367	$ 39	$	$ 14,406
Private collateralized mortgage obligations	2,755	41		2,796
Obligations of state and political subdivisions	7,713	80	(180)	7,613
Other	1,000	2		1,002
	$ 25,835	$ 162	$ (180)	$ 25,817

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	December 31, 2010			
	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
SECURITIES AVAILABLE FOR SALE				
U.S. Treasury securities and obligations of U.S. Government Sponsored Entities	$ 4,192	$ 20	$	$ 4,212
Mortgage-backed securities of Government Sponsored Entities	120,439	1,218	(1,023)	120,634
Collateralized mortgage obligations of Government Sponsored Entities	212,715	4,101	(1,357)	215,459
Private collateralized mortgage obligations	90,428	1,325	(1,369)	90,384
Obligations of state and political subdivisions	1,638	71		1,709
Other	2,742			2,742
	$ 432,154	$ 6,735	$ (3,749)	$ 435,140
SECURITIES HELD FOR INVESTMENT				
Collateralized mortgage obligations of Government Sponsored Entities	$ 15,423	$ 85	$	$ 15,508
Private collateralized mortgage obligations	3,540	79		3,619
Obligations of state and political subdivisions	7,398	69	(244)	7,223
Other	500	3		503
	$ 26,861	$ 236	$ (244)	$ 26,853

No sales of securities resulting in gains or losses occurred during the three month period ended March 31, 2011. Proceeds from sales of securities available for sale for the three month period ended March 31, 2010, were $59,167,000 with gross gains of $2,100,000 and no losses.

Securities with a carrying value of $338,043,000 and $328,554,000 and a fair value of $338,091,000 and $328,648,000 at March 31, 2011 and December 31, 2010, respectively, were pledged as collateral for repurchase agreements, United States Treasury deposits, and other public and trust deposits.

The amortized cost and fair value of securities at March 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Held for Investment		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)			
Due in less than one year	$ 25	$ 25	$ 2,495	$ 2,496
Due after one year through five years	380	382	1,699	1,712
Due after five years through ten years	1,767	1,825	1,344	1,412
Due after ten years	5,541	5,381		
	7,713	7,613	5,538	5,620

Mortgage-backed securities of Government Sponsored Entities			114,868	114,900
Collateralized mortgage obligations of Government Sponsored Entities	14,367	14,406	304,751	306,254
Private collateralized mortgage obligations	2,755	2,796	84,862	84,630
No contractual maturity	1,000	1,002	2,746	2,746
	$ 25,835	$ 25,817	$ 512,765	$ 514,150

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The estimated fair value of a security is determined based on market quotations when available or, if not available, by using quoted market prices for similar securities, pricing models or discounted cash flows analyses, using observable market data where available. The tables below indicate the amount of securities with unrealized losses and period of time for which these losses were outstanding at March 31, 2011 and December 31, 2010, respectively.

	March 31, 2011					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mortgage-backed securities of U.S. Government Sponsored Entities	$ 58,622	$ (1,015)	$	$	$ 58,622	$ (1,015)
Collateralized mortgage obligations of U.S. Government Sponsored Entities	91,712	(2,015)			91,712	(2,015)
Private collateralized mortgage obligations	33,298	(778)	13,155	(653)	46,453	(1,431)
Obligations of state and political subdivisions	5,096	(180)			5,096	(180)
Total temporarily impaired securities	$ 188,728	$ (3,988)	$ 13,155	$ (653)	$ 201,883	$ (4,641)

	December 31, 2010					
	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Mortgage-backed securities of U.S. Government Sponsored Entities	$ 61,176	$ (1,023)	$	$	$ 61,176	$ (1,023)
Collateralized mortgage obligations of U.S. Government Sponsored Entities	42,469	(1,357)			42,469	(1,357)
Private collateralized mortgage obligations	42,289	(631)	14,214	(738)	56,503	(1,369)
Obligations of state and political subdivisions	4,273	(244)			4,273	(244)
Total temporarily impaired securities	$ 150,207	$ (3,255)	$ 14,214	$ (738)	$ 164,421	$ (3,993)

The Company owned individual investment securities totaling $201.8 million with aggregate gross unrealized losses at March 31, 2011. Based on a review of each of the securities in the investment securities portfolio at March 31, 2011, the Company concluded that it expected to recover the amortized cost basis of its investment.

Approximately $1.4 million of the unrealized losses at March 31, 2011 pertain to private label securities secured by collateral originated in 2005 and prior with a fair value of $46.5 million and were attributable to a combination of factors, including relative changes in interest rates since the time of purchase and decreased liquidity for investment securities in general. The collateral underlying these mortgage investments are 30- and 15-year fixed and 10/1 adjustable rate mortgages loans with low loan to values, subordination and historically have had minimal foreclosures and losses. Based on its assessment of these factors, management believes that the unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality.

At March 31, 2011, the Company also had $3.0 million of unrealized losses on mortgage-backed securities of government sponsored entities having a fair value of $150.2 million that were attributable to a combination of factors, including relative changes in interest rates since the time of purchase and decreased liquidity for investment securities in general. The contractual cash flows for these securities are guaranteed by U.S. government agencies and U.S. government-sponsored enterprises. Based on its assessment of these factors, management believes that the unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality. Management expects to recover the entire amortized cost basis of these securities.

The unrealized losses on debt securities issued by states and political subdivisions amounted to $180,000 at March 31, 2011. The unrealized losses on state and municipal holdings included in this analysis are attributable to a combination of factors, including a general decrease in liquidity and an increase in risk premiums for credit-sensitive securities since the time of purchase. Based on its assessment of these factors, management believes that unrealized losses on these debt security holdings are a function of changes in investment spreads and liquidity and not changes in credit quality. Management expects to recover the entire amortized cost basis of these securities.

As of March 31, 2011, the Company does not intend to sell nor is it anticipated that it would be required to sell any of its investment securities that have losses. Therefore, management does not consider any investment to be other-than-temporarily impaired at March 31, 2011.

Included in other assets was $12.6 million at March 31, 2011 of Federal Home Loan Bank and Federal Reserve Bank stock stated at par value. At March 31, 2011, the Company has not identified events or changes in circumstances which may have a significant adverse effect on the fair value of the $12.6 million of cost method investment securities.

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NOTE K: INCOME TAXES

The tax provision for net income for the first quarter of 2011 totaled $172,000. An adjustment to the deferred tax valuation allowance was recorded in a like amount, and therefore there was no change in the carrying value of net deferred tax assets which are supported by tax planning strategies. Should the economy show improvement and the Company s credit losses continue to moderate prospectively, increased reliance on management s forecast of future taxable earnings could result in realization of additional future tax benefits from the net operating loss carryforwards. At March 31, 2011 the Company has approximately $47.7 million in its deferred tax valuation allowance related to its net operating loss carryforwards.

NOTE L COMPREHENSIVE LOSS

At March 31, 2011 and 2010, comprehensive loss was as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	2011	2010
Net income (loss)	$ 358	$ (1,564)
Unrealized gains (losses) on securities available for sale (net of tax)	(983)	1,614
Net reclassification adjustment	0	(970)
Comprehensive loss	$ (625)	$ (920)

NOTE M LOANS

The following table presents the contractual aging of the recorded investment in past due loans by class of loans as of March 31, 2011:

(Dollars in thousands)	**Accruing 30-59 Days Past Due**	**Accruing 60-89 Days Past Due**	**Accruing Greater Than 90 Days**	**Nonaccrual**	**Current**	**Total Financing Receivables**
Construction and land development	$ 76	$ 191	$	$ 25,892	$ 49,559	$ 75,718
Commercial real estate	2,698			25,150	499,372	527,220
Residential real estate	1,824	318		14,417	503,694	520,253
Commerical and financial	37			189	51,294	51,520
Consumer	110	12		585	49,657	50,364
Other					308	308
Total	$ 4,745	$ 521	$	$ 66,233	$ 1,153,884	$ 1,225,383

The Company utilizes an internal asset classification system as a means of reporting problem and potential problem loans. Under the Company s risk rating system, the Company classifies problem and potential problem loans as Special Mention, Substandard, and Doubtful . Substandard loans include those characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful, have all the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Loans that do not currently expose the Company to sufficient risk to warrant classification in one of the aforementioned categories, but possess weaknesses that deserve management s close attention are deemed to be Special Mention. Risk ratings are updated any time the situation warrants.

Loans not meeting the criteria above are considered to be pass-rated loans. The following table presents the risk category of loans by class of loans based on the most recent analysis performed as of March 31, 2011:

(Dollars in thousands)	Construction & Land Development	Commercial Real Estate	Residential Real Estate	Commercial and Financial	Consumer Loans	Total
Pass	$ 42,039	$ 371,107	$ 477,986	$ 49,184	$ 48,877	$ 989,193
Special mention	444	65,277	5,665	1,771	443	73,600
Substandard	3,357	15,348	191	265	261	19,422
Doubtful						
Nonaccrual	25,892	25,150	14,417	189	585	66,233
Troubled debt restructures	3,986	50,338	21,994	111	506	76,935
	$ 75,718	$ 527,220	$ 520,253	$ 51,520	$ 50,672	$ 1,225,383

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FIRST QUARTER 2011

The following discussion and analysis is designed to provide a better understanding of the significant factors related to the Company s results of operations and financial condition. Such discussion and analysis should be read in conjunction with the Company s Condensed Consolidated Financial Statements and the related notes included in this report. For purposes of the following discussion, the words the Company, we, us, and our refer to the combi entities of Seacoast Banking Corporation of Florida and its direct and indirect wholly owned subsidiaries.

EARNINGS OVERVIEW

The past three years have been difficult for the U.S. economy and for the financial services industry generally. Higher credit costs, primarily the result of loan portfolio pressure stemming from ongoing deterioration in real estate values, as well as increasing unemployment and other factors, negatively impacted the Company s earnings. Property value declines, which began in late 2007, continued through 2010 in most of our markets. While the Company did not have material exposure to many of the issues that originally plagued the industry (e.g., sub-prime loans, structured investment vehicles and collateralized debt obligations), the Company s exposure to construction and land development and the residential housing sector pressured its loan portfolio, resulting in increased credit costs and foreclosed asset expenses. As the economic downturn continued, consumer confidence and weak economic conditions began to impact areas of the economy outside of the housing sector and restrained new loan demand from credit worthy borrowers. Throughout this difficult operating environment, the Company has been proactively positioning its business for growth in the future by aggressively focusing on improving credit quality, de-risking the overall loan portfolio, disposing of problem assets, and focusing on growing core deposits.

As a result of these efforts, the Company reported net income of $358,000 for the first quarter of 2011, its first profit since the first quarter of 2008. Net loss available to common shareholders (after preferred dividends and accretion of preferred stock discount) for the first quarter of 2011 totaling $579,000 or $0.01 per average common diluted share, a significant improvement when compared to losses in 2010 for the fourth, third, second and first quarters of $11,142,000 or $0.12 per average common diluted share, $8,575,000 or $0.09 per average common diluted share, $14,733,000 or $0.25 per average common diluted share, and $2,501,000 or $0.04 per average common diluted share, respectively. The better performance for the first quarter of 2011 reflects lower credit costs (including lower provisioning for loan losses), and reflects our determination in tackling risk exposures over that past couple years while planning for growth prospectively.

The net interest margin improved slightly, increasing 6 basis points during the first quarter of 2011 from the fourth quarter of 2010, and unchanged from the first quarter of 2010. A decline in loans, higher cash liquidity, and lower loan and investment security yields have been largely offset by improved loan quality and a larger investment securities portfolio. The Company has continued to benefit from lower rates paid for interest bearing liabilities due to the Federal Reserve s reduction in interest rates. The Company has improved its acquisition, retention and mix of deposits and this has resulted in lower funding costs and improved profitability. The average cost of interest bearing liabilities was 0.98 basis points for the first quarter of 2011, compared to 1.01 percent for the fourth quarter of 2010, and was 27 basis points lower compared to the first quarter of 2010. Loans as a percentage of average earning assets declined and securities increased during the quarter, compared to the fourth and first quarters of 2010. The yield on earning assets improved by two basis points during the first quarter of 2011, compared to the fourth quarter of 2010, but was 26 basis points lower than for the first quarter of 2010. Loan demand was better in the first quarter of 2011 with improved loan production but is expected to continue to be challenging, and may impede further improvement to the yield on earning assets.

Noninterest income totaled $4.2 million for the first quarter of 2011, compared to $4.2 million and $4.3 million for the first and second quarters of 2010, respectively, $4.5 million for the third quarter of 2010, and $5.2 million for the fourth quarter of 2010. Fourth quarter 2010 s result included a $600,000 gain on the sale of the Company s merchant business. A surge in home purchase closings before year-end and a seasonal slowing of home purchase transactions in early 2011 resulted in mortgage banking revenues declining $185,000 compared to the fourth quarter of 2010. Signs of improved stability in home prices and greater transaction volumes late in the first quarter could result in income from residential real estate production higher in 2011 than 2010 s results. Revenue from wealth management services were $81,000 higher and service charges on deposits were $70,000 higher when compared to first quarter 2010 as were improved results in debit card income, greater by $174,000 for the first quarter of 2011. Consumer activity and spending has improved, affected by economic conditions getting better and directly affecting many of the Company s fee-based business activities. Service charges and fees derived from customer relationships increased as a result of more accounts and households as a result of the retail deposit growth strategy. Overdraft fees related to check card payments beginning in the third quarter of 2010 were impacted by a requirement that customers elect to opt in for overdraft protection to be available for these types of payments, but the negative impacts were mostly offset by increased fees as a result of the growth in new deposit account households.

Noninterest expenses decreased by $8.1 million versus fourth quarter 2010 s result and were $3.3 million lower when compared to the first quarter of 2010. The largest decreases from the fourth and first quarters of 2010 were primarily in assets dispositions expense and losses on other real estate owned and repossessed assets, decreasing by $8.4 million and $2.5 million, respectively, on an aggregate basis. Overhead related to salaries and wages, the largest component of overall overhead, were nearly unchanged compared to the fourth and first quarter of 2010.

Lower provisioning for loan losses for the first quarter of 2011 of $0.6 million, compared to provisioning of $4.0 million, $8.9 million, $16.8 million and $2.1 million for the fourth, third, second and first quarters of 2010, respectively. Provisions for loans losses were much higher during 2009 and 2010 as a result of higher net charge-offs and the Company increasing its allowance for loan losses to loans outstanding ratio to over 3 percent during these years. The allowance for loan losses to loans outstanding ratio at March 31, 2011 was 2.80 percent.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make judgments in the application of certain of its accounting policies that involve significant estimates and assumptions. Management, after consultation with the Company s Audit Committee, believes the most critical accounting estimates and assumptions that involve the most difficult, subjective and complex assessments are:

- the allowance and the provision for loan losses;
- the fair value and other than temporary impairment of securities;
- realization of deferred tax assets; and
- contingent liabilities.

The following is a discussion of the critical accounting policies intended to facilitate a reader s understanding of the judgments, estimates and assumptions underlying these accounting policies and the possible or likely events or uncertainties known to us that could have a material effect on our reported financial information.

Allowance and Provision for Loan Losses

The information contained on pages 29-31 and 38-47 related to the Provision for Loan Losses , Loan Portfolio , Allowance for Loan Losses and Nonperforming Assets is intended to describe the known trends, events and uncertainties which could materially affect the Company s accounting estimates related to our allowance for loan losses.

Fair Value and Other than Temporary Impairment of Securities Classified as Available for Sale

At March 31, 2011, outstanding securities designated as available for sale totaled $514,150,000. The fair value of the available for sale portfolio at March 31, 2011 was more than historical amortized cost, producing net unrealized gains of $1,385,000 that have been included in other comprehensive income (loss) as a component of shareholders equity (net of taxes). The Company made no change to the valuation techniques used to determine the fair values of securities during 2011 and 2010. The fair value of each security available for sale was obtained from independent pricing sources utilized by many financial institutions. The fair value of many state and municipal securities are not readily available through market sources, so fair value estimates are based on quoted market price or prices of similar instruments. Generally, the Company obtains one price for each security. However, actual values can only be determined in an arms-length transaction between a willing buyer and seller that can, and often do, vary from these reported values. Furthermore, significant changes in recorded values due to changes in actual and perceived economic conditions can occur rapidly, producing greater unrealized losses or gains in the available for sale portfolio.

The credit quality of the Company s securities holdings currently is investment grade. Any securities rated below investment grade are tested for other than temporary impairment, or OTTI . As of March 31, 2011, the Company s investment securities, except for approximately $9.1 million of securities issued by states and their political subdivisions, generally are traded in liquid markets. U.S. Treasury and U.S. Government agency obligations totaled $425.4 million, or 83 percent of the total available for sale portfolio. The remainder of the portfolio primarily consists of private label securities secured by collateral originated in 2005 or prior with amortized loan to values below 70%, and current FICO scores above 700. Generally these securities have credit support exceeding 5%. The collateral underlying these mortgage investments are primarily 30- and 15-year fixed rate, 5/1 and 10/1 adjustable rate mortgage loans. Historically, the mortgage loans serving as collateral for those investments have had minimal foreclosures and losses.

These investments are reviewed quarterly for other than temporary impairment, by considering the following primary factors: percent decline in fair value, rating downgrades, subordination, duration, amortized loan-to-value, and the ability of the issuers to pay all amounts due in accordance with the contractual terms. Prices obtained from pricing services are usually not adjusted. Based on our internal review procedures and the fair values provided by the pricing services, we believe that the fair values provided by the pricing services are consistent with the principles of ASC 820. However, on occasion pricing provided by the pricing services may not be consistent with other observed prices in the market for similar securities. Using observable market factors, including interest rate and yield curves, volatilities, prepayment speeds, loss severities and default rates, the Company may at times validate the observed prices using a discounted cash flow model and using the observed prices for similar securities to determine the fair value of its securities.

Changes in the fair values, as a result of deteriorating economic conditions and credit spread changes, should only be temporary. Further, management believes that the Company s other sources of liquidity, as well as the cash flow from principal and interest payments from the securities portfolio, reduces the risk that losses would be realized as a result of a need to sell securities to obtain liquidity.

The Company also holds stock in the Federal Home Loan Bank of Atlanta (FHLB) totaling $6.4 million as of March 31, 2011, unchanged from year-end 2010. The Company accounts for its FHLB stock based on the industry guidance in ASC 942, Financial Services Depository and Lending, which requires the investment to be carried at cost and evaluated for impairment based on the ultimate recoverability of the par value. We evaluated our holdings in FHLB stock at March 31, 2011 and believe our holdings in the stock are ultimately recoverable at par. We do not have operational or liquidity needs that would require redemption of the FHLB stock in the foreseeable future and, therefore, have determined that the stock is not other-than-temporarily impaired.

Realization of Deferred Tax Assets

At March 31, 2011, the Company has net deferred tax assets (DTA) of $19.5 million which are supported by tax planning strategies that could produce gains from transactions involving bank premises, investments, and other items that could be implemented during the NOL carry forward period.

As a result of the losses incurred in 2008, 2009, and 2010 the Company was and is in a three-year cumulative pretax loss position. A cumulative loss position is considered significant negative evidence in assessing the prospective realization of a DTA from a forecast of future taxable income. The use of the Company s forecast of future taxable income was not considered positive evidence which could be used to offset the negative evidence at this time. Therefore, the Company has recorded deferred tax valuation allowances for its net operating loss carryforwards totaling approximately $48 million at March 31, 2011. Should the economy show signs of improvement and our credit costs continue to moderate, management anticipates that increased reliance on its forecast of future taxable earnings would result in tax benefits as the recording of valuation allowances would no longer be necessary. It is management s opinion that Seacoast National s future taxable income will ultimately allow for the recovery of the NOL, and the realization of its deferred tax assets.

Contingent Liabilities

The Company is subject to contingent liabilities, including judicial, regulatory and arbitration proceedings, and tax and other claims arising from the conduct of our business activities. These proceedings include actions brought against the Company and/or our subsidiaries with respect to transactions in which the Company and/or our subsidiaries acted as a lender, a financial advisor, a broker or acted in a related activity. Accruals are established for legal and other claims when it becomes probable the Company will incur an expense and the amount can be reasonably estimated. Company management, together with attorneys, consultants and other professionals, assesses the probability and estimated amounts involved in a contingency. Throughout the life of a contingency, the Company or our advisors may learn of additional information that can affect our assessments about probability or about the estimates of amounts involved. Changes in these assessments can lead to changes in recorded reserves. In addition, the actual costs of resolving these claims may be substantially higher or lower than the amounts reserved for those claims. At March 31, 2011 and 2010, the Company had no significant accruals for contingent liabilities.

RESULTS OF OPERATIONS

NET INTEREST INCOME

Net interest income (on a fully taxable equivalent basis) for the first quarter of 2011 totaled $16,518,000, increasing from 2010 s fourth quarter by $139,000 or 0.8 percent, and lower than first quarter 2010 s result by $770,000 or 4.5 percent. The following table details net interest income and margin results (on a tax equivalent basis) for the past five quarters:

(Dollars in thousands)	Net Interest Income (tax equivalent)	Net Interest Margin (tax equivalent)
First quarter 2010	$ 17,288	3.48%
Second quarter 2010	16,286	3.27
Third quarter 2010	16,532	3.35
Fourth quarter 2010	16,379	3.42
First quarter 2011	16,518	3.48

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Fully taxable equivalent net interest income is a common term and measure used in the banking industry but is not a term used under generally accepted accounting principles (GAAP). We believe that these presentations of tax-equivalent net interest income and tax equivalent net interest margin aid in the comparability of net interest income arising from both taxable and tax-exempt sources over the periods presented. We further believe these non-GAAP measures enhance investors understanding of the Company s business and performance, and facilitate an understanding of performance trends and comparisons with the performance of other financial institutions. The limitations associated with these measures are the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently, including as a result of using different assumed tax rates. These disclosures should not be considered an alternative to GAAP. The following information is provided to reconcile GAAP measures and tax equivalent net interest income and net interest margin on a tax equivalent basis.

	First Quarter 2011	Fourth Quarter 2010	Third Quarter 2010	Second Quarter 2010	First Quarter 2010
	(Dollars in thousands)				
Non-taxable interest income	$ 119	$ 112	$ 138	$ 135	$ 148
Tax Rate	35%	35%	35%	35%	35%
Net interest income (TE)	$ 16,518	$ 16,379	$ 16,532	$ 16,286	$ 17,288
Total net interest income (not TE)	16,456	16,321	16,461	16,217	17,213
Net interest margin (TE)	3.48%	3.42%	3.35%	3.27%	3.48%
Net interest margin (not TE)	3.47	3.41	3.33	3.25	3.46

Net interest income and net interest margin (on a tax equivalent basis) have stabilized despite the challenging lending environment and the reduction of interest due to nonaccrual loans. Net interest margin on a tax equivalent basis increased 6 basis points to 3.48 percent for the first quarter of 2011 compared to the fourth quarter of 2010, and was unchanged year over year. Increased nonaccrual loans and changes in the earning assets mix have been the primary forces that have adversely affected our net interest income and net interest margin when comparing results for 2011 and 2010 to 2009 and prior periods.

The earning asset mix changed year over year impacting net interest income. For the first quarter of 2011, average loans (the highest yielding component of earning assets) as a percentage of average earning assets totaled 64.2 percent, compared to 69.1 percent a year ago. Average securities as a percent of average earning assets increased from 20.7 percent a year ago to 24.5 percent during the first quarter of 2011 and interest bearing deposits and other investments increased to 11.3 percent in 2011 from 10.2 percent in 2010. In addition to decreasing average total loans as a percentage of earning assets, the mix of loans changed, with volumes related to commercial real estate representing 46.9 percent of total loans at March 31, 2011 (compared to 49.9 percent at March 31, 2010). This reflects our reduced exposure to commercial construction and land development loans on residential and commercial properties, which declined by $27.9 million and $38.2 million, respectively, from March 31, 2010 to March 31, 2011. Lower yielding residential loan balances with individuals (including home equity loans and lines, and personal construction loans) represented 44.8 percent of total loans at March 31, 2011 (versus 41.1 percent a year ago) (see Loan Portfolio).

The yield on earning assets for the first quarter of 2011 was 4.26 percent, 26 basis points lower than for 2010 in the first quarter, a reflection of the lower interest rate environment and earning asset mix. The Federal Reserve has indicated its intent to continue rates at their historical lows for an extended period. The following table details the yield on earning assets (on a tax equivalent basis) for the past five quarters:

	1st Quarter 2011	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010
Yield	4.26%	4.24%	4.23%	4.22%	4.52%

The yield on loans decreased 3 basis points to 5.33 percent over the last twelve months, with nonaccrual loans totaling $66.2 million or 5.4 percent of total loans at March 31, 2011 (versus $96.3 million or 7.0 percent of total loans a year ago), improving the yield on our loan portfolio. The yield on investment securities was lower, decreasing 56 basis points year over year to 3.17 percent for the first quarter of 2011, due primarily to purchases of securities at lower yields available in current markets, which diluted the overall portfolio yield year over year. The dilution in yield on investment securities was less severe in the first quarter of 2011 than over the past three quarters, comparing to a decline of 108 basis points for fourth quarter 2010 s yield year over year, versus 156 basis points for the third quarter 2010 year over year, and 140 basis points for second quarter 2010 year over year. Interest bearing deposits and other investments yielded 0.44 percent for the first quarter of 2011, slightly below first quarter 2010 s yield of 0.47 percent. The Company has over $150 million of excess cash liquidity it can invest in securities or loans at higher yields when management deems it appropriate.

Average earning assets for the first quarter of 2011 decreased $90.7 million or 4.5 percent compared to 2010 s first quarter average balance. Average loan balances decreased $157.5 million or 11.3 percent to $1,236.3 million, while average investment securities were $55.5 million or 13.3 percent higher totaling $472.4 million and average interest bearing deposits and other investments increased $11.3 million or 5.5 percent to $216.9 million. The decline in average earning assets is consistent with reduced funding as a result of a planned reduction in brokered deposits (only $7.4 million remain outstanding at March 31, 2011), and certificates of deposit (principally single service deposit customers).

Commercial and commercial real estate loan production for the first quarter of 2011 totaled approximately $11 million, compared to production for all of 2010 and 2009 of $10 million and $14 million, respectively. Period-end total loans outstanding have declined by $147.9 million or 10.8 percent since March 31, 2010, and lower than the decline during the first quarter of 2010 year over year, by $259.3 million or 15.9 percent. Economic conditions in the markets the Company serves are expected to continue to be challenging, and although we continue to make loans, these conditions are expected to have a negative impact on loan growth, but possibly to a lessened degree if the consensus opinion that conditions will improve in 2011 is realized. At March 31, 2011 the Company s total commercial and commercial real estate loan pipeline was $71 million, versus $28 million at December 31, 2010 and $32 million at March 31, 2010.

A total of 17 applications were received seeking restructured residential mortgages during the first quarter of 2011, compared to 37, 28, 15 and 21 in the first, second, third and fourth quarters of 2010, respectively. The Company continues to lend, and we have expanded our residential mortgage loan originations and seek to expand loans to small businesses in 2011. However, as consumers and businesses seek to reduce their borrowings, and the economy remains weak, opportunities to lend prudently to creditworthy borrowers are expected to remain a challenge.

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Closed residential mortgage loan production for the first quarter of 2011 totaled $32 million, of which $13 million was sold servicing released. In comparison, closed residential mortgage loan production for the first, second, third and fourth quarters of 2010 totaled $33 million, $33 million, $38 million and $49 million, respectively, of which $17 million, $26 million, $29 million and $28 million was sold servicing-released, respectively. Applications for residential mortgages totaled $72 million during the first quarter of 2011, compared to $52 million during the same period in 2010 and $244 million for all of 2010. Existing home sales and home mortgage loan refinancing activity in the Company s markets have increased, but demand for new home construction is expected to remain soft during 2011.
During the first quarter of 2011 there were no securities gains or losses. In comparison, sales of mortgage backed securities totaling $59.2 million resulted in securities gains of $2,100,000 during the first quarter of 2010. The securities were sold because of historically tight spreads with the belief these securities had minimal opportunity to further increase in value. During the first quarter of 2011, maturities (primarily pay-downs of $32.9 million) totaled $33.4 million and securities portfolio purchases totaled $115.6 million. Purchases in 2011 have been conducted principally to reinvest funds from maturities and loan principal repayments, as well as to reinvest excess funds (an interest bearing deposit) at the Federal Reserve Bank. In comparison, during the first quarter of 2010 maturities (entirely pay-downs) totaled $35.2 million and securities portfolio purchases totaled $56.8 million.
The cost of average interest-bearing liabilities in the first quarter of 2011 decreased 3 basis points to 0.98 percent from fourth quarter 2010 and was 27 basis points lower than for the first quarter of 2010, reflecting the lower interest rate environment and improved deposit mix. The following table details the cost of average interest bearing liabilities for the past five quarters:

	1st Quarter 2011	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010
Rate	0.98%	1.01%	1.09%	1.17%	1.25%

For the first quarter of 2011, the Company s retail core deposit focus continues to produce strong growth in core deposit customer relationships when compared to prior year results. The improved deposit mix and lower rates paid on interest bearing deposits during 2011 (and last several quarters) reduced the overall cost of total deposits to 0.72 percent for the first quarter of 2011, 31 basis points lower than the same quarter a year ago. A significant component favorably affecting the Company s net interest margin, the average balances of lower cost interest bearing deposits (NOW, savings and money market) totaled 60.3 percent of total average interest bearing deposits for the first quarter of 2011, an improvement compared to the average of 57.2 percent a year ago. The average rate for lower cost interest bearing deposits for the first quarter of 2011 was 0.30 percent, down by 29 basis points from 2010 s rate for the same period. Certificate of deposit (CD) rates paid were also lower during the first quarter of 2011, averaging 1.78 percent, a 28 basis point decrease compared to 2010 first quarter result. Average CDs (the highest cost component of interest bearing deposits) were 39.7 percent of interest bearing deposits for 2011 s first quarter, compared to 42.8 percent a year ago.

Average short-term borrowings have been principally comprised of sweep repurchase agreements with customers of Seacoast National, which decreased $10.4 million to $93.3 million or 10.0 percent from the first quarter of 2010. Public fund clients with larger balances have the most significant influence on average sweep repurchase agreement balances outstanding during the year, with balances typically peaking during the fourth and first quarters each year. During 2011 and 2010, no federal funds purchased were utilized. Other borrowings are comprised of subordinated debt of $53.6 million related to trust preferred securities issued by trusts organized by the Company, and advances from the FHLB of $50.0 million. No changes have occurred to other borrowings since year-end 2009.

Company management believes its market expansion, branding efforts and retail deposit growth strategies have produced new relationships and core deposits, which have assisted in maintaining a stable net interest margin. Reductions in nonperforming assets also are expected to be accretive to the Company s future net interest margin.

PROVISION FOR LOAN LOSSES

Management determines the provision for loan losses charged to operations by continually analyzing and monitoring delinquencies, nonperforming loans and the level of outstanding balances for each loan category, as well as the amount of net charge-offs, and by estimating losses inherent in its portfolio. While the Company s policies and procedures used to estimate the provision for loan losses charged to operations are considered adequate by management, factors beyond the control of the Company, such as general economic conditions, both locally and nationally, make management s judgment as to the adequacy of the provision and allowance for loan losses necessarily approximate and imprecise (see Nonperforming Assets and Allowance for Loan Losses).

The provision for loan losses is the result of a detailed analysis estimating an appropriate and adequate allowance for loan losses. The analysis includes the evaluation of impaired loans as prescribed under FASB Accounting Standards Codification (ASC) 310 as well as, an analysis of homogeneous loan pools not individually evaluated as prescribed under ASC 450. For the first quarter of 2011, a lower provisioning for loan losses of $0.6 million was recorded, a substantial improvement over provisioning in 2010 for the first, second, third and fourth quarters of $2.1 million, $16.7 million, $8.9 million and $4.0 million, respectively. The net charge-offs for the first quarter of 2011 totaled $4.0 million, compared to net charge-offs for the first, second, third and fourth quarters of 2010 of $3.5 million, $20.2 million, $10.7 million and $4.7 million, respectively. Net charge-offs represented 1.32 percent of average total loans for the first quarter of 2011, versus 2.95 percent of average total loans for all of 2010. Delinquency trends show continued stability (see Nonperforming Assets).

Note F to the financial statements (titled Impaired Loans and Valuation Allowance for Loan Losses) provides certain information concerning the Company s allowance and provisioning for loan losses for the first quarters of 2011 and 2010.

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Higher losses in the commercial construction and land development portfolio secured by residential land were realized over the past couple years. During 2010, the Company sold $27.6 million of loans which accounted for $11.1 million of total net charge-offs for the year. With timely and more aggressive collection efforts, loan sales, and charge-offs, the Company s residential construction and land development loans have been reduced to $13.2 million or 1.1 percent of total loans at March 31, 2011 (see Loan Portfolio), down from approximately $41.1 million or 3.0 percent of total loans at March 31, 2010. Total commercial real estate (CRE) loans have declined 19.1 percent from $684.7 million at March 31, 2010 to $574.8 million at March 31, 2011. Under regulatory guidelines for commercial real estate concentrations, Seacoast National s total commercial real estate loans outstanding (as defined in the guidance) represented 206 percent of total risk based capital at March 31, 2011.

The Company has also reduced its concentrations of large individual loan relationships over the periods compared, which the Company believes has reduced overall risk in its loan portfolio. The following table details the Company s reduced exposure to large residential construction and land development loans over the past five quarters, as evidenced by loans in this portfolio with balances of $4 million or more declining from $12.5 million at March 31, 2010 to no outstanding balance at March 31, 2011. Of the remaining $13.2 million in residential construction and land development loans with balances of less than $4 million, $1.6 million or 12 percent are classified as nonperforming.

QUARTERLY TRENDS LOANS AT END OF PERIOD
(Dollars in Millions)

		2010				2011	2011 Nonperforming	
		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	1st Qtr	No.
Residential Construction and Land Development								
Condominiums	>$4 mil	$	$	$	$	$	$	
	<$4 mil	0.9	0.9	0.9	0.9	0.5	0.5	1
Town homes	>$4 mil							
	<$4 mil							
Single Family Residences	>$4 mil							
	<$4 mil	3.9	3.6	3.8				
Single Family Land & Lots	>$4 mil	5.9	5.9					
	<$4 mil	15.7	9.6	10.3	7.0	6.6	0.1	2
Multifamily	>$4 mil	6.6	4.3					
	<$4 mil	8.1	8.2	6.3	6.1	6.1	1.0	2
TOTAL	>$4 mil	12.5	10.2					
TOTAL	<$4 mil	28.6	22.3	21.3	14.0	13.2	1.6	5
GRAND TOTAL		$ 41.1	$ 32.5	$ 21.3	$ 14.0	$ 13.2	$ 1.6	5

The Company s other loan portfolios related to residential real estate are amortizing loans. The Company has never offered sub-prime, Alt A, Option ARM or any negative amortizing residential loans, programs or products, although it has originated and holds residential mortgage loans from borrowers with original or current FICO credit scores that are currently less than prime FICO credit scores. Substantially all residential originations have been underwritten to conventional loan agency standards, including loans having balances that exceed agency value limitations.

The Company selectively adds residential mortgage loans to its portfolio, primarily loans with adjustable rates. Home equity loans (amortizing loans for home improvements with maturities of 10 to 15 years) totaled $67.7 million and home equity lines totaled $57.4 million at March 31, 2011, compared to $89.1 million and $60.1 million at March 31, 2010. Each borrower s credit was fully documented as part of the Company s underwriting of home equity lines. The Company never promoted home equity lines greater than 80 percent of value or used credit scoring solely as the underwriting criteria. Therefore this portfolio of loans, primarily to customers with other relationships to Seacoast National, has performed better than portfolios of our peers. Net charge-offs for the three months ended March 31, 2011 totaled $80,000 for home equity lines, compared to $1,694,000 for all of 2010, and home equity lines past due 90 days or more and nonaccrual lines (aggregated) were $1,450,000 and $384,000 at March 31, 2011 and 2010, respectively.

From year-end 2009, nonaccrual loans declined by $29.6 million to $68.3 million at December 31, 2010, and presently total $66.2 million at March 31, 2011 (see Nonperforming Assets). Loans declined $156.9 million or 11.2 percent during 2010, and since year-end 2010 have declined $15.2 million or 1.2 percent (see Loan Portfolio). Congress and bank regulators have encouraged recipients of Troubled Asset Relief Program (TARP) capital to use such capital to make more loans. In that respect, the Company has successfully increased its residential mortgage production in 2011 and 2010. A total of 323 applications were taken during 2011 with an aggregate value of $72 million with $32 million in loans closed, compared to 1,168 applications taken for all of 2010 with an aggregate value of $244 million and $152 million in loans closed. Existing home sales and home mortgage loan refinancing activity in the Company s markets have increased, however demand for new home construction is expected to remain soft.

NONINTEREST INCOME

Noninterest income, excluding gains or losses from securities, totaled $4,209,000 for the first quarter of 2011, $46,000 or 1.1 percent higher than for 2010 s first quarter and $978,000 or 18.9 percent lower than the fourth quarter 2010. Fourth quarter 2010 s result included a $600,000 gain for the sale of the Company s merchant business. Noninterest income accounted for 20.4 percent of total revenue (net interest income plus noninterest income, excluding securities gains or losses) in 2011, compared to 19.5 percent a year ago.

Noninterest income for the first quarter of 2011, and the fourth and first quarters of 2010, is detailed as follows:

(Dollars in thousands)	1st Qtr 2011	4th Qtr 2010	1st Qtr 2010
Service charges on deposits	$ 1,442	$ 1,590	$ 1,372
Trust income	523	510	476
Mortgage banking fees	395	580	421
Brokerage commissions and fees	320	325	286
Marine finance fees	298	355	339
Debit card income	891	814	717
Other deposit-based EFT fees	90	75	93
Other income	250	938	459
Total	$ 4,209	$ 5,187	$ 4,163

For the first quarter of 2011, revenues from the Company s wealth management services businesses (trust and brokerage) increased year over year, by $81,000 or 10.6 percent, and were higher than the fourth quarter of 2010 by $8,000 or 1.0 percent. Included in the $81,000 increase, trust revenue was higher by $47,000 or 9.9 percent and brokerage commissions and fees were higher by $34,000 or 11.9 percent. Economic uncertainty is the primary issue affecting clients of the Company s wealth management services. It is expected that fees from wealth management will continue to improve as the economy and stock market improve. Included in the $34,000 overall growth in brokerage commissions and fees for first quarter 2011 was an increase of $44,000 in revenue from insurance annuity sales year over year, partially offset by a $7,000 decrease in aggregate brokerage and mutual fund commissions. Higher *inter vivos* trust, estate and testamentary trust fees were the primary cause for the higher trust income versus a year ago, as these increased $26,000, $14,000 and $6,000, respectively.

Service charges on deposits for the first quarter of 2011 were $70,000 or 5.1 percent higher year over year versus 2010 s first quarter result, and were $148,000 or 9.3 percent lower when compared to fourth quarter 2010. Overdraft fees represented approximately 76 percent of total service charges on deposits for the first quarter of 2011, unchanged from the average for all of 2010 and slightly higher than the 74 percent recorded for the first quarter of 2010. We are pleased with this result considering all financial institutions adopted procedures beginning on July 1, 2010 expected to result in a negative impact on overdraft fee income. Service charges on deposits increased each quarter throughout 2010 and for the first quarter of 2011 year over year, reflecting the growth in core deposit households over the last couple years. Growth rates for remaining service charge fees on deposits have been nominal or declining, as the trend over the past few years is for customers to prefer deposit products which have no fees or where fees can be avoided by maintaining higher deposit balances.

For the first quarter of 2011, fees from the non-recourse sale of marine loans originated by our Seacoast Marine Division of Seacoast National decreased $41,000 or 12.1 percent compared to first quarter 2010, and compared to fourth quarter 2010 were $57,000 or 16.1 percent lower. Approximately $5 million of first quarter s marine loan production was placed in our loan portfolio, thereby reducing the percentage of production sold during the first quarter of 2011. The Seacoast Marine Division originated $23 million in loans during the first quarter of 2011, compared to $25 million, $17 million, $17 million and $20 million in loans during the first, second, third and fourth quarters of 2010 (a total of $79 million for 2010), respectively. Of the loans originated during the first quarter of 2011, and first, second, third and fourth quarters of 2010, $18 million, $20 million, $17 million, $17 million and $20 million were sold (77.7 percent of production for 2011 and 93.7 percent of production for all of 2010). Production levels have been significantly lower since the end of 2008 and are reflective of the general economic downturn. Lower attendance at boat shows by consumers, manufacturers, and marine retailers over the past couple years has resulted in lower marine sales and loan volumes. The Seacoast Marine Division is headquartered in Ft. Lauderdale, Florida with lending professionals in Florida, California, Washington and Oregon.

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Greater usage of check or debit cards over the past several years by core deposit customers and an increased cardholder base has increased our interchange income. For first quarter 2011, debit card income increased $174,000 or 24.3 percent from first quarter 2010, and was $77,000 or 9.5 percent higher than fourth quarter 2010. Other deposit-based electronic funds transfer (EFT) income decreased $3,000 or 3.2 percent from first quarter 2010 but compared to fourth quarter 2010, was $15,000 or 20.0 percent higher. Debit card and other deposit-based EFT revenue is dependent upon business volumes transacted, as well as the fees permitted by VISA® and MasterCard®. It is uncertain how the Dodd-Frank regulation will impact this source of fee revenue over 2011 and beyond but it is expected to reduce fees collected by financial institutions.

The Company originates residential mortgage loans in its markets, with loans processed by commissioned employees of Seacoast National. Many of these mortgage loans are referred by the Company s branch personnel. Mortgage banking fees in the first quarter of 2011 decreased $26,000 or 6.2 percent from first quarter 2010, and were $185,000 or 31.9 percent lower than fourth quarter 2010. A surge in home purchase closings before year-end 2010 and a seasonal slowing on home purchase transactions in early 2011 were the primary causes for the decline from the fourth quarter. Mortgage banking revenue as a component of overall noninterest income was 9.4 percent for the first quarter 2011, compared to 11.0 percent for all of 2010 Mortgage revenues are dependent upon favorable interest rates, as well as good overall economic conditions, including the volume of new and used home sales. We are beginning to see some signs of stability for residential real estate sales and activity in our markets, with transactions increasing, prices firming and affordability improving. The Company had more mortgage loan origination opportunities in markets it serves during 2010 and this is expected to continue during 2011. The Company increased production in 2010 and 2011 by increasing its market share and the Company was the number one originator in its Martin, St. Lucie and Indian River counties of home purchase mortgages. The Company has only had to repurchase a single sold mortgage loan and believes that its processes and controls make it unlikely that it has any material exposure in the future.

Other income for first quarter 2011 decreased $209,000 or 45.5 percent compared to the first quarter a year ago, and from fourth quarter 2010 was $688,000 or 73.3 percent lower. Fourth quarter 2010 s result included a $600,000 gain on the sale of the merchant portfolio. The margin earned on merchant business was thin, with income and associated costs for merchant processing nearly offsetting. While more competitive offerings for current and new customers are provided as a result of utilizing an outsourced vendor, Seacoast National will only receive fee income for new accounts opened prospectively. Of the $209,000 decline for 2011 compared to first quarter 2010, merchant income (net) was $75,000 lower and operating income from a Community Reinvestment Act (CRA) investment was $104,000 lower year over year (a result of fair market value adjustments on realty held). Other miscellaneous fees with smaller declines comprised the remainder of the overall decline.

NONINTEREST EXPENSES

The Company s overhead ratio has typically been in the low 60 s in years prior to the recession. Lower earnings in 2010, 2009, and 2008 resulted in this ratio increasing to 104.6 percent, 86.9 percent and 77.8 percent, respectively. For the first quarter of 2011, the overhead ratio was 94.1 percent. When compared to first quarter 2010, total noninterest expenses for first quarter 2011 decreased by $3,305,000 or 14.4 percent to $19,667,000, and when compared to fourth quarter 2010, expenses were lower by $8,071,000 or 29.1 percent. The primary cause for the decrease in 2011 over 2010 was lower net losses on OREO and repossessed assets and asset disposition costs (aggregated), by $2,538,000 versus first quarter a year ago and $8,350,000 versus the fourth quarter 2010.

Noninterest expenses for the first quarter of 2011 have been in line with our expectations. Salaries, wages and benefits combined totaled $6,551,000, lower by $89,000 or 1.0 percent than the same quarter in 2010. Executive cash incentive compensation has not been accrued in 2011, nor was any paid in 2010, 2009 or 2008. Cost reductions were also achieved in communication costs, legal and professional fees, and FDIC assessments, all of which declined when compared to first quarter 2010 s results.

Although salaries and wages for the first quarter of 2011 increased $89,000 or 1.4 percent to $6,551,000 when compared to the prior year s first quarter, employee benefit costs were $178,000 or 10.0 percent lower, totaling $1,600,000. Salary and wages were nominally higher compared to fourth quarter of 2010. Severance during the first quarter 2011 was $22,000 higher than in the first quarter a year ago. Commission and incentive payments on revenues generated from wealth management and lending production were also causes for the increase for 2011, compared to first quarter 2010. Base salaries for the first quarter 2011 were $35,000 or 0.6 percent lower year over year compared to first quarter 2010 when 428 full time equivalent employees (FTE s) were employed.

The Company recognized lower claims experience during the first quarter of 2011 for its self-funded health care plan compared to first quarter 2010, with a decrease of $227,000 in expenditures. In addition, 401K costs were $37,000 lower for first quarter 2011 versus a year ago. Partially offsetting, payroll taxes were $8,000 higher and unemployment compensation costs were $78,000 higher year over year for the first quarter of 2011, due primarily to the state of Florida increasing unemployment compensation rates to replenish funding pools for disbursements. The Company has met with its self-funded plan provider and discussed possible impacts of U.S. Health Care Reform and determined that no immediate or material financial statement impacts are apparent.

Outsourced data processing costs totaled $1,522,000 for the first quarter of 2011, an increase of $43,000 or 2.9 percent from first quarter a year ago, and in comparison to fourth quarter 2010, an increase of $26,000 or 1.7 percent. Seacoast National utilizes third parties for its core data processing systems. Outsourced data processing costs are directly related to the number of transactions processed. Core data processing and check card processing costs were $31,000 and $16,000 higher for first quarter 2011, versus a year ago for the first quarter. Outsourced data processing costs can be expected to increase as the Company s business volumes grow and new products such as bill pay, internet banking, etc. become more popular.

Telephone and data line expenditures, including electronic communications with customers and between branch locations and personnel, as well as third party data processors, decreased by $110,000 or 27.6 percent to $289,000 for first quarter of 2011 when compared to first quarter 2010, and were $32,000 or 10.0 percent lower than for the fourth quarter of 2010. Improved systems and monitoring of services utilized as well as reducing the number telephone lines has reduced our communication costs, and these costs should continue to be lower prospectively.

Total occupancy, furniture and equipment expenses for the first quarter of 2011 decreased $12,000 or 0.5 percent to $2,539,000, year over year, versus first quarter 2010, and these costs were $231,000 or 10.0 percent higher compared to the fourth quarter of 2010. Real estate taxes recorded for 2011 s first quarter (compared to the fourth quarter of 2010) were $202,000 higher, a result of year end adjustments in late 2010 when property tax assessments are paid.

For the first quarter of 2011, marketing expenses, including sales promotion costs, ad agency production and printing costs, newspaper and radio advertising, and other public relations costs associated with the Company s efforts to market products and services, increased by $96,000 or 14.6 percent to $752,000 when compared to the first quarter of 2010. Marketing expenses for 2011 and 2010 reflect a focused campaign in our markets targeting the customers of competing financial institutions and promoting our brand. Agency fees, as well as media costs (newspaper, television and radio advertising), sales promotions and donations (and sponsorships) have been ramped up the most during 2011 versus a year ago, by $120,000, $14,000, $25,000 and $47,000, respectively. Also increasing were business meals and entertainment expenditures and public relations costs (up $21,000 and $20,000, respectively), partially offset by printing related costs for brochures and other marketing materials (declining $21,000 on an aggregate basis) and direct mail activities (lower by $122,000).

Legal and professional fees decreased by $344,000 or 16.4 percent to $1,757,000 for the first quarter of 2011, compared to a year ago, and were $26,000 or 1.5 percent lower compared to the fourth quarter of 2010. Legal fees were $316,000 higher for the first quarter of 2011 year over year, but were $569,000 lower compared to the fourth quarter of 2010, primarily due to lower costs related to problem assets, principally OREO. Compared to the first quarter of 2010, regulatory examination fees and CPA fees on an aggregate basis were $27,000 lower for the first quarter of 2011. Professional fees were $633,000 lower for 2011 versus first quarter 2010 s expenditures, reflecting higher costs for strategic planning and risk management assistance in 2010. The Company also uses the consulting services of a former bank regulator who also serves as a director of Seacoast National to assist it with its compliance with the bank s formal agreement with the OCC and regulatory examinations. For first quarter of 2011, Seacoast National paid $75,000 for these services, compared to $121,000 in the first quarter of 2010.

The FDIC assessment for the first quarter of 2011 totaled $959,000, compared to first, second, third and fourth quarter 2010 s assessments of $1,006,000, $1,039,000, $966,000 and $947,000, respectively. The FDIC mandated the prepayment of assessments for three years plus fourth quarter 2009 s assessment on December 30, 2009. The amount of the prepayment totaled $14.8 million. The Company anticipates that FDIC insurance costs are likely to remain elevated, with assessments possibly increasing even more depending on the severity of bank failures and their impact on the FDIC s Deposit Insurance Fund.

Net losses on other real estate owned (OREO) and repossessed assets, and asset disposition expenses associated with the management of OREO and repossessed assets (aggregated) totaled $1,535,000 for the first quarter of 2011, compared to $4,073,000, $415,000, $1,436,000 and $9,885,000 for the first, second, third and fourth quarters of 2010, respectively. These costs were more moderate during the second and third quarters of 2010 as well. Of the $1,535,000 total for 2011, assets disposition costs summed to $1,086,000 and net losses on OREO and repossessed assets totaled $449,000.

Other noninterest expenses decreased $304,000 or 12.3 percent to $2,163,000 for the first quarter of 2011 when comparing the same period in 2010 to a year ago, and were lower compared to the fourth quarter of 2010 by $379,000 or 14.9 percent. One-time cash settlements for a branch lease and to a client of Seacoast National s brokerage subsidiary (each for $150,000) were recorded during the first quarter of 2010 and were the primary cause for the decrease from last year s first quarter. Also decreasing year over year from a year ago were stationery and supplies costs (down $94,000), amortization of intangible assets (down $103,000), property appraisals (down $36,000) and directors fees (down $30,000). Higher year over year were check printing costs (up $45,000, due to higher transaction account volumes), charge-offs related to robbery and customer fraud (up $141,000), employee placement costs (up $35,000, including headhunter fees) and education related costs (up $24,000).

INCOME TAXES

The provision for the income taxes (benefits) for the first quarter of 2011 totaled $0.2 million and the benefit for the net loss for the first, second, third and fourth quarters of 2010 totaled $(0.6) million, $(5.3) million, $(2.8) million and $(3.9) million, respectively. The deferred tax valuation allowance was decreased or increased by a like amount, and therefore there was no change in the carrying value of deferred tax assets which are supported by tax planning strategies (see Critical Accounting Estimates Deferred Tax Assets).

CAPITAL RESOURCES

The Company s equity capital at March 31, 2011 totaled $165.8 million and the ratio of shareholders equity to period end total assets was 7.97 percent, compared with 7.13 percent at March 31, 2010, and 8.25 percent at December 31, 2010. Seacoast s management uses certain non-GAAP financial measures in its analysis of the Company s performance. Seacoast s management uses this measure to assess the quality of capital and believes that investors may find it useful in their analysis of the Company. This capital measure is not necessarily comparable to similar capital measures that may be presented by other companies.

The Company s capital position remains strong, with a total risk-based capital ratio of 18.21 percent at March 31, 2011, higher than March 31, 2010 s ratio of 15.29 percent and higher than 17.84 percent at December 31, 2010.

The Company and Seacoast National are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal bank regulatory authority may prohibit the payment of dividends where it has determined that the payment of dividends would be an unsafe or unsound practice. The Company is a legal entity separate and distinct from Seacoast National and its other subsidiaries, and the Company s primary source of cash and liquidity, other than securities offerings and borrowings, is dividends from its bank subsidiary. Prior OCC approval presently is required for any payments of dividends from Seacoast National to the Company.

The OCC and the Federal Reserve have policies that encourage banks and bank holding companies to pay dividends from current earnings, and have the general authority to limit the dividends paid by national banks and bank holding companies, respectively, if such payment may be deemed to constitute an unsafe or unsound practice. If, in the particular circumstances, either of these federal regulators determined that the payment of dividends would constitute an unsafe or unsound banking practice, either the OCC or the Federal Reserve may, among other things, issue a cease and desist order prohibiting the payment of dividends by Seacoast National or us, respectively. Under a recently adopted Federal Reserve policy, the board of directors of a bank holding company must consider different factors to ensure that its dividend level is prudent relative to the organization s financial position and is not based on overly optimistic earnings scenarios such as any potential events that may occur before the payment date that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the

Federal Reserve has indicated that the board of directors of a bank holding company, such as Seacoast, should consult with the Federal Reserve and eliminate, defer, or significantly reduce the bank holding company s dividends if: (i) its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or (iii) it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

As a result of our participation in the TARP CPP program, additional restrictions have been imposed on our ability to declare or increase dividends on shares of our common stock, including a restriction on paying quarterly dividends above $0.01 per share. Specifically, we are unable to declare dividend payments on our common, junior preferred or *pari passu* preferred shares if we are in arrears on the dividends on the Series A Preferred Stock. Further, without the Treasury s approval, we are not permitted to increase dividends on our common stock above $0.01 per share until December 19, 2011 unless all of the Series A Preferred Stock has been redeemed or transferred by the Treasury. In addition, we cannot repurchase shares of common stock or use proceeds from the Series A Preferred Stock to repurchase trust preferred securities. The consent of the Treasury generally is required for us to make any stock repurchase until December 19, 2011 unless all of the Series A Preferred Stock has been redeemed or transferred by the Treasury to a third party. Further, our common, junior preferred or *pari passu* preferred shares may not be repurchased if we have not declared and paid all Series A Preferred Stock dividends.

Beginning in the third quarter of 2008, we reduced the dividend on our common stock to $0.01 per share and, as of May 19, 2009, we suspended the payment of dividends. On May 19, 2009, our board of directors decided to suspend regular quarterly cash dividends on our outstanding common stock and Series A Preferred Stock pursuant to a request from the Federal Reserve as a result of recently adopted Federal Reserve policies related to dividends and other distributions. The Company suspended the payment of dividends on its trust preferred securities as well. Dividends will be suspended until such time as dividends are allowed by the Federal Reserve.

As of March 31, 2011, our accumulated deferred dividend payments on Series A Preferred Stock was $5,579,000 and our accumulated deferred interest payment on trust preferred securities was $2,219,000.

At March 31, 2011, the capital ratios for the Company and its subsidiary, Seacoast National, were as follows:

	Seacoast (Consolidated)	Seacoast National	Minimum to be Well Capitalized*
March 31, 2011:			
Tier 1 capital ratio	16.9%	15.4%	6%
Total risk-based capital ratio	18.2%	16.7%	10%
Tier 1 leverage ratio	10.3%	9.4%	5%

* For subsidiary bank only

FINANCIAL CONDITION

Total assets decreased $38,647,000 or 1.8 percent from March 31, 2010 to $2,081,319,000 at March 31, 2011.

LOAN PORTFOLIO

Total loans (net of unearned income) were $1,225,383,000 at March 31, 2011, $147,895,000 or 10.8 percent less than at March 31, 2010, and $15,225,000 or 1.2 percent less than at December 31, 2010. The following table details loan portfolio composition at March 31, 2011, December 31, 2010 and March 31, 2010:

(In thousands)	March 31, 2011	December 31, 2010	March 31, 2010
Construction & land development	$ 75,718	$ 79,306	$ 151,257
Commercial real estate	527,220	543,603	571,023
Residential real estate	520,253	516,994	527,251
Commercial and financial	51,520	48,825	62,134
Consumer	50,364	51,602	61,422
Other loans	308	278	191
Total	$ 1,225,383	$ 1,240,608	$ 1,373,278

As shown in the loan table above, commercial real estate loans decreased $43.8 million or 7.7 percent from March 31, 2010 to $527.2 million at March 31, 2011 and residential real estate loans decreased $7.0 million or 1.3 percent to $520.3 million. Construction and land development loans declined $75.5 million or 49.9 percent to $75.7 million from March 31, 2010. The primary cause for the decrease in construction and land development loans was a reduction in construction and land development loans for residential and commercial properties of $27.9 million or 67.9 percent and $38.2 million or 52.6 percent, respectively. Total outstanding balances for these portfolios have been reduced to $13.2 million and $34.4 million, respectively, at March 31, 2011. Construction and land development loans to individuals for personal residences included in total construction and land development loans were lower as well, declining $9.5 million or 25.3 percent to $28.1 million at March 31, 2011.

Also declining were fixed rate residential real estate mortgages, home equity mortgages and home equity lines, declining $1.0 million or 1.1 percent, $21.4 million or 24.0 percent, and $2.7 million or 4.5 percent, respectively, and totaling $86.6 million, $67.7 million and $57.4 million at March 31, 2011. Adjustable rate residential real estate mortgages were higher year over year, by $18.1 million or 6.2 percent to $308.6 million at March 31, 2011.

At March 31, 2011, approximately $309 million or 59 percent of the Company s residential mortgage balances were adjustable, compared to $291 million or 55 percent at March 31, 2010. Loans secured by residential properties having fixed rates totaled approximately $87 million at March 31, 2011, of which 15- and 30-year mortgages totaled approximately $25 million and $62 million, respectively. The remaining fixed rate balances were comprised of home improvement loans, most with maturities of 10 years or less. In comparison, loans secured by residential properties having fixed rates totaled approximately $88 million at March 31, 2010, with 15- and 30-year fixed rate residential mortgages totaling approximately $30 million and $58 million, respectively. The Company also has a small home equity line portfolio totaling approximately $57 million at March 31, 2011, slightly lower than the $60 million that was outstanding at March 31, 2010.

Commercial and financial loans and consumer loans (principally installment loans to individuals) decreased $10.6 million or 17.1 percent and $11.0 million or 17.9 percent, respectively, from a year ago to $51.5 million and $50.4 million at March 31, 2011, reflecting the impact on lending of the economic downturn.

Commercial loans decreased and totaled $51.5 million at March 31, 2011, compared to $62.1 million a year ago. Commercial lending activities are directed principally towards businesses whose demand for funds are within the Company s lending limits, such as small- to medium-sized professional firms, retail and wholesale outlets, and light industrial and manufacturing concerns. Such businesses are smaller and subject to the risks of lending to small to medium sized businesses, including, but not limited to, the effects of a downturn in the local economy, possible business failure, and insufficient cash flows.

The consumer loan portfolio (including installment loans, loans for automobiles, boats, and other personal, family and household purposes, and indirect loans through dealers to finance automobiles) totaled $50.4 million (versus $61.4 million a year ago), real estate construction loans to individuals secured by residential properties which totaled $7.3 million (versus $8.7 million a year ago), and residential lot loans to individuals which totaled $20.8 million (versus $28.9 million a year ago).

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Construction and land development loans, including loans secured by commercial real estate, were comprised of the following types of loans at March 31, 2011 and 2010:

March 31	2011			2010		
(In millions)	Funded	Unfunded	Total	Funded	Unfunded	Total
Construction and land development*						
Residential:						
Condominiums	$ 0.5	$	$ 0.5	$ 0.9	$	$ 0.9
Town homes						
Single Family Residences				3.9	1.3	5.2
Single Family Land & Lots	6.6		6.6	21.6	0.1	21.7
Multifamily	6.1		6.1	14.7		14.7
	13.2		13.2	41.1	1.4	42.5
Commercial:						
Office buildings		0.4	0.4	13.7		13.7
Retail trade				3.9		3.9
Land	33.9	0.1	34.0	45.7	0.1	45.8
Industrial				2.5	0.1	2.6
Healthcare						
Churches & educational Facilities						
Lodging						
Convenience Stores	0.5		0.5			
Marina				6.8		6.8
Other						
	34.4	0.5	34.9	72.6	0.2	72.8
	47.6	0.5	48.1	113.7	1.6	115.3
Individuals:						
Lot loans	20.8		20.8	28.9		28.9
Construction	7.3	6.7	14.0	8.7	5.6	14.3
	28.1	6.7	34.8	37.6	5.6	43.2
Total	$ 75.7	$ 7.2	$ 82.9	$ 151.3	$ 7.2	$ 158.5

* *Reassessment of collateral assigned to a particular loan over time may result in amounts being reassigned to a more appropriate loan type representing the loan s intended purpose, and for comparison purposes prior period amounts have been restated to reflect the change.*

The Company s largest remaining commercial land loan of $24 million was placed under contract for sale with Florida Power and Light (*an investor-owned utility company providing* electric power throughout Florida*, and a national provider of electricity services)* late in the first quarter 2011. Management believes that should the sale close in the second or third quarter that no further loss will be recognized.

Commercial real estate mortgage loans, excluding construction and development loans, were comprised of the following loan types at March 31, 2011 and 2010:

March 31	2011			2010		
(In millions)	Funded	Unfunded	Total	Funded	Unfunded	Total
Office buildings	$ 121.3	$ 1.1	$ 122.4	$ 131.1	$ 1.2	$ 132.3
Retail trade	150.6		150.6	163.5		163.5
Industrial	76.3	0.1	76.4	81.7	1.2	82.9
Healthcare	26.6	0.6	27.2	29.1	0.1	29.2
Churches and educational facilities	28.6		28.6	29.1		29.1
Recreation	2.8		2.8	3.0	0.4	3.4
Multifamily	14.2		14.2	25.3		25.3
Mobile home parks	2.5		2.5	5.3		5.3
Lodging	21.7		21.7	23.5		23.5
Restaurant	4.2		4.2	4.7		4.7
Agriculture	9.2	1.3	10.5	11.4	0.5	11.9
Convenience Stores	20.1		20.1	22.3		22.3
Marina	21.7		21.7	15.7		15.7
Other	27.4	0.2	27.6	25.3	0.3	25.6
Total	$ 527.2	$ 3.3	$ 530.5	$ 571.0	$ 3.7	$ 574.7

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Fixed rate and adjustable rate loans secured by commercial real estate, excluding construction loans, totaled approximately $332 million and $195 million, respectively, at March 31, 2011, compared to $347 million and $224 million, respectively, a year ago.

The Company selectively adds residential mortgage loans to its portfolio, primarily loans with adjustable rates. The Company s asset mitigation employees handle all foreclosure actions together with outside legal counsel and has never had its foreclosure documentation or processes questioned by any party involved in the transaction.

Exposure to market interest rate volatility with respect to long-term fixed rate mortgage loans held for investment is managed by attempting to match maturities and re-pricing opportunities and through loan sales of most fixed rate product.

At March 31, 2011, the Company had commitments to make loans of $97 million, compared to $95 million at March 31, 2010.

Loan Concentrations

Over the past three years, the Company has been pursuing an aggressive program to reduce exposure to loan types that have been most impacted by stressed market conditions in order to achieve lower levels of credit loss volatility. The program included aggressive collection efforts, loan sales and early stage loss mitigation strategies focused on the Company s largest loans. Successful execution of this program has significantly reduced our exposure to larger balance loan relationships (including multiple loans to a single borrower or borrower group). Commercial loan relationships greater than $10 million were reduced by $437.4 million to $160.1 million at March 31, 2011 compared with year-end 2007.

Commercial Relationships Greater than $10 Million (*dollars in thousands*)

	March 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Performing	$ 111,059	$ 112,469	$ 145,797	$ 374,241	$ 592,408
Performing TDR*	28,174	28,286	31,152		
Nonaccrual	20,913	20,913	28,525	14,873	5,152
Total	$ 160,146	$ 161,668	$ 205,474	$ 389,114	$ 597,560
Top 10 Customer Loan Relationships	$ 149,936	$ 151,503	$ 173,162	$ 228,800	$ 266,702

* TDR = Troubled debt restructures

Commercial loan relationships greater than $10 million as a percent of tier 1 capital and the allowance for loan losses was reduced to 66.0 percent at March 31, 2011, compared with 66.5 percent at year-end 2010, 85.9 percent at year-end 2009, 162.1 percent at the end of 2008 and 258.1 percent at the end of 2007.

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Concentrations in total construction and development loans and total commercial real estate (CRE) loans have also been substantially reduced. As shown in the table below, under regulatory guidance for construction and land development and commercial real estate loan concentrations as a percentage of total risk based capital, Seacoast National s loan portfolio in these categories (as defined in the guidance) have improved.

	March 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Construction & Land Development Loans to Total Risk Based Capital	37%	39%	81%	206%	265%
CRE Loans to Total Risk Based Capital	206%	218%	274%	389%	390%

Below is the geographic location of the Company s construction and land development loans (excluding loans to individuals) as a percent of total construction and land development loans. The significant increase in Palm Beach County at March 31, 2011 was caused by the decline in construction and land development loans, which declined from $113.7 million at March 31, 2010 to $47.7 million at March 31, 2011.

	% of Total Construction and Land Development Loans	
Florida County	**2011**	**2010**
Palm Beach	49.5	23.2
St. Lucie	11.8	11.1
Brevard	8.0	10.8
Martin	7.4	7.0
Okeechobee	5.9	2.9
Indian River	4.8	15.7
Collier	3.6	2.2
Broward	3.1	0.0
Orange	1.9	3.3
Charlotte	1.1	1.0
Lake	1.1	0.7
Hendry	1.1	1.3
Marion	0.5	1.3
Highlands	0.0	0.2
Miami-Dade	0.0	8.2
Volusia	0.0	10.6
Pinellas	0.0	0.4
Other	0.2	0.1
Total	100.0	100.0

ALLOWANCE FOR LOAN LOSSES

Management continuously monitors the quality of the loan portfolio and maintains an allowance for loan losses it believes sufficient to absorb probable losses inherent in the loan portfolio. The allowance for loan losses totaled $34,353,000 or 2.80 percent of total loans at March 31, 2011, $9,366,000 lower than at March 31, 2010 and $3,391,000 less than at December 31, 2010. The allowance for loan losses framework has two basic elements: specific allowances for loans individually evaluated for impairment, and a formula-based component for pools of homogeneous loans within the portfolio that have similar risk characteristics, which are not individually evaluated.

The first element of the ALLL analysis involves the estimation of allowance specific to individually evaluated impaired loans, including accruing and nonaccruing restructured commercial and consumer loans. In this process, a specific allowance is established for impaired loans based on an analysis of the most probable sources of repayment, including discounted cash flows, liquidation of collateral, or the market value of the loan itself. It is the Company s policy to charge off any portion of the loan deemed a loss. Restructured consumer loans are also evaluated in this element of the estimate. As of March 31, 2011, the specific allowance related to impaired loans individually evaluated totaled $11.9 million, compared to $12.4 million as of March 31, 2010.

The second element of the ALLL, the general allowance for homogeneous loan pools not individually evaluated, is determined by applying allowance factors to pools of loans within the portfolio that have similar risk characteristics. The general allowance factors are determined using a baseline factor that is developed from an analysis of historical net charge-off experience and qualitative factors designed and intended to measure expected losses. These baseline factors are developed and applied to the various loan pools. Adjustments may be made to baseline reserves for some of the loan pools based on an assessment of internal and external influences on credit quality not fully reflected in the historical loss. These influences may include elements such as changes in concentration risk, macroeconomic conditions, and/or recent observable asset quality trends.

In addition, our analyses of the adequacy of the allowance for loan losses also takes into account qualitative factors such as credit quality, loan concentrations, internal controls, audit results, staff turnover, local market conditions and loan growth.

The Company s independent Credit Administration Department assigns all loss factors to the individual internal risk ratings based on an estimate of the risk using a variety of tools and information. Its estimate includes consideration of the level of unemployment which is incorporated into the overall allowance. In addition, the portfolio is segregated into a graded loan portfolio, residential, installment, home equity, and unsecured signature lines, and loss factors are calculated for each portfolio. The loss factors assigned to the graded loan portfolio are based on historical migration of actual losses by grade and a range of losses over various periods. Loss factors for the other portfolios are based on historical losses over the prior 12 months and prospective factors that consider loan type, delinquencies, loan to value, purpose of the loan, and type of collateral.

Our charge-off policy meets or exceeds regulatory minimums. Losses on unsecured consumer loans are recognized at 90 days past due compared to the regulatory loss criteria of 120 days. Secured consumer loans, including residential real estate, are typically charged-off or charged down between 120 and 180 days past due, depending on the collateral type, in compliance with Federal Financial Institution Examination Council guidelines. Commercial loans and real estate loans are typically placed on nonaccrual status when principal or interest is past due for 90 days or more, unless the loan is both secured by collateral having realizable value sufficient to discharge the debt in-full and the loan is in the legal process of collection. Secured loans may be charged-down to the estimated value of the collateral with previously accrued unpaid interest reversed. Subsequent charge-offs may be required as a result of changes in the market value of collateral or other repayment prospects. Initial charge-off amounts are based on valuation estimates derived from appraisals, broker price opinions, or other market information. Generally, new appraisals are not received until the foreclosure process is completed; however, collateral values are evaluated periodically based on market information and incremental charge-offs are recorded if it is determined that collateral values have declined from their initial estimates.

Management continually evaluates the allowance for loan losses methodology seeking to refine and enhance this process as appropriate, and it is likely that the methodology will continue to evolve over time.

In general, collateral values for residential real estate have declined since 2006, with values being more stable over the last 15 months to 27 months. Loans originated from 2005 through 2007 have seen property values decline approximately 50 percent from their original appraised values, more than the decline on loans originated in other years. Declining residential collateral value has affected our actual loan losses over the last three years, but values appear to be stabilizing over the last twelve months. Residential loans that become 90 days past due are placed on nonaccrual. A specific allowance is made for any loan that becomes 120 days past due. Residential loans are subsequently written down if they become 180 days past due and such write-downs are supported by a current appraisal, consistent with current banking regulations.

Our Loan Review unit is independent, and performs loan reviews and evaluates a representative sample of credit extensions after the fact for appropriate individual internal risk ratings. Loan Review has the authority to change internal risk ratings and is responsible for assessing the adequacy of credit underwriting. This unit reports directly to the Directors Loan Committee of Seacoast National s Board of Directors.

During the first quarter of 2011, net charge-offs totaled $4,031,000, compared to net charge-offs of during the first, second, third and fourth quarters of 2010 of $3,541,000, $20,209,000, $10,700,000 and $4,678,000, respectively. Some of the increase in charge-offs during 2010 was related to loan sales to reduce risk in the loan portfolio. Note F to the financial statements (titled Impaired Loans and Valuation Allowance for Loan Losses) summarizes the Company s allocation of the allowance for loan losses to construction and land development loans, commercial and residential estate loans, commercial and financial loans, and consumer loans, and provides more specific detail regarding charge-offs and recoveries for each loan component and the composition of the loan portfolio at March 31, 2011. Although there is no assurance that we will not have elevated charge-offs in the future, we believe that we have significantly reduced the risks in our loan portfolio and that with stabilizing market conditions, future charge-offs should decline.

The allowance as a percentage of loans outstanding was 2.80 percent at March 31, 2011, compared to 3.18 percent at March 31, 2010 and 3.04 percent at December 31, 2010. The allowance for loan losses represents management s estimate of an amount adequate in relation to the risk of losses inherent in the loan portfolio.

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Concentrations of credit risk, discussed under the caption Loan Portfolio of this discussion and analysis, can affect the level of the allowance and may involve loans to one borrower, an affiliated group of borrowers, borrowers engaged in or dependent upon the same industry, or a group of borrowers whose loans are predicated on the same type of collateral. The Company s most significant concentration of credit is a portfolio of loans secured by real estate. At March 31, 2011, the Company had $1.123 billion in loans secured by real estate, representing 91.7 percent of total loans, down from $1.250 billion, representing 91.0 percent at March 31, 2010. In addition, the Company is subject to a geographic concentration of credit because it only operates in central and southeastern Florida. The Company s exposure to construction and land development credits is secured by project assets and personal guarantees and totals $47.6 million at March 31, 2011, down from $113.7 million at March 31, 2010. The Company considers exposure to this industry group, together with an assessment of current trends and expected future financial performance in our evaluation of the adequacy of the allowance for loan losses. The significant decline in this concentration is one factor which supports the lower overall allowance for loan losses at March 31, 2011 compared to March 31, 2010.

While it is the Company s policy to charge off in the current period loans in which a loss is considered probable, there are additional risks of future losses that cannot be quantified precisely or attributed to particular loans or classes of loans. Because these risks include the state of the economy, borrower payment behaviors and local market conditions as well as conditions affecting individual borrowers, management s judgment of the allowance is necessarily approximate and imprecise. The allowance is also subject to regulatory examinations and determinations as to adequacy, which may take into account such factors as the methodology used to calculate the allowance for loan losses and the size of the allowance for loan losses in comparison to a group of peer companies identified by the regulatory agencies.

In assessing the adequacy of the allowance, management relies predominantly on its ongoing review of the loan portfolio, which is undertaken both to ascertain whether there are probable losses that must be charged off and to assess the risk characteristics of the portfolio in aggregate. This review considers the judgments of management, and also those of bank regulatory agencies that review the loan portfolio as part of their regular examination process. Our bank regulators have generally agreed with our credit assessment however the regulators could seek additional provisions to our allowance for loan losses, which will reduce our earnings.

Seacoast National entered into a formal agreement with the Office of the Comptroller of the Currency (the OCC) on December 16, 2008 to improve its asset quality. Under the formal agreement, Seacoast National s board of directors appointed a compliance committee to monitor and coordinate Seacoast National s performance under the formal agreement. The formal agreement provides for the development and implementation of written programs to reduce Seacoast National s credit risk, monitor and reduce the level of criticized assets, and manage commercial real estate loan (CRE) concentrations in light of current adverse CRE market conditions. The Company believes it has complied with this formal agreement.

NONPERFORMING ASSETS

Nonperforming assets (NPAs) at March 31, 2011 totaled $90,344,000 and are comprised of $66,233,000 of nonaccrual loans and $24,111,000 of other real estate owned (OREO), compared to $115,397,000 at March 31, 2010 (comprised of $96,321,000 in nonaccrual loans and $19,076,000 of OREO). At March 31, 2011, approximately 98.8 percent of nonaccrual loans were secured with real estate, the remainder principally by marine vessels. See the table below for details about nonaccrual loans. At March 31, 2011, nonaccrual loans have been written down by approximately $27.2 million or 31.8 percent of the original loan balance (including specific impairment reserves). OREO has increased since March 31, 2010, as problem loans migrated to foreclosure.

Prospectively, the Company anticipates OREO sales contracted late in the first quarter of 2011 of approximately $8 million will settle sometime in the second and third quarters of 2011. Write-downs and/or charge-offs related to these expected sales should be limited, if any. As previously disclosed the Company also has its largest land under contract for sale and will reduce NPAs by $21 million.

The table below shows the nonperforming inflows by quarter for 2011, 2010 and 2009:

New Nonperforming Loans	2011	2010	2009
First Quarter	$ 11,349	$ 11,895	$ 37,170
Second Quarter		22,560	46,303
Third Quarter		8,151	75,295
Fourth Quarter		9,990	36,196

No sales of loans occurred during the first quarter of 2011 For 2010, sales totaled $28 million at an average price of nearly 56 percent of the outstanding ledger balance.

The Company pursues loan restructurings in selected cases where it expects to realize better values than may be expected through traditional collection activities. The Company has worked with retail mortgage customers, when possible, to achieve lower payment structures in an effort to avoid foreclosure. Troubled debt restructurings (TDRs) are part of the Company s loss mitigation activities and can include rate reductions, payment extensions and principal deferrals. Company policy requires TDRs be classified as nonaccrual loans until (under certain circumstances) performance can be verified, which usually requires six months of performance under the restructured loan terms. Accruing restructured loans totaled $76.9 million at March 31, 2011 compared to 60.0 million at March 31, 2010.

March 31, 2011 (In thousands)	Nonaccrual Loans Non-Current	Nonaccrual Loans Per-forming	Nonaccrual Loans Total	Accruing Restructured Loans
Construction & land development				
Residential	$ 1,580	$ 25	$ 1,605	$ 2,551
Commercial	22,918	7	22,925	486
Individuals	1,162	200	1,362	949
	25,660	232	25,892	3,986
Residential real estate mortgages	9,346	5,071	14,417	21,994
Commercial real estate mortgages	14,493	10,657	25,150	50,338
Real estate loans	49,499	15,960	65,459	76,318
Commercial and financial	0	189	189	111
Consumer	563	22	585	506
	$ 50,062	$ 16,171	$ 66,233	$ 76,935

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At March 31, 2011 and 2010, total TDRs (performing and nonperforming) were comprised of the following loans by type of modification:

	2011		2010	
(Dollars in thousands)	Number	Amount	Number	Amount
Rate reduction	82	$ 23,297	59	$ 16,503
Maturity extended with change in terms	126	55,731	126	75,681
Forgiveness of principal	2	2,481	2	2,671
Payment structure changed to allow for interest only payments	3	1,268	1	423
Not elsewhere classified	19	13,420	1	270
	232	$ 96,197	189	$ 95,548

All impaired loans are reviewed quarterly to determine if valuation adjustments are necessary based on known changes in the market and/or the project assumptions. When necessary, the As Is appraised value may be adjusted based on more recent appraisal assumptions received by the Company on other similar properties, the tax assessed market value, comparative sales and/or an internal valuation. If an updated assessment is deemed necessary and an internal valuation cannot be made, an external As Is appraisal will be obtained. If the As Is appraisal does not appropriately reflect the current fair market value, in the Company s opinion, a specific reserve is established and/or the loan is written down to the current fair market value.

Collateral dependent, impaired loans are loans that are solely dependent on the liquidation of the collateral for repayment. All OREO/REPO loans are reviewed quarterly to determine if valuation adjustments are necessary based on known changes in the market and/or project assumptions. When necessary, the As Is appraisal is adjusted based on more recent appraisal assumptions received by the Company on other similar properties, the tax assessment market value, comparative sales and/or an internal valuation is performed. If an updated assessment is deemed necessary, and an internal valuation cannot be made, an external appraisal will be requested. Upon receipt of the As Is appraisal a charge-off is recognized for the difference between the loan amount and its current fair market value.

As Is values are used to measure fair market value on impaired loans, OREO and REPOs.

Any loan that is partially charged-off remains in nonperforming status until it is paid off regardless of current valuation of the loan.

In accordance with regulatory reporting requirements, loans are placed on non-accrual following the Retail Classification of Loan interagency guidance. Typically loans 90 days or more past due are reviewed for impairment, and if deemed impaired, are placed on non-accrual. Once impaired, the current fair market value of the collateral is assessed and a specific reserve and/or charge-off taken. Quarterly thereafter, the loan carrying value is analyzed and any changes are appropriately made as described above.

Upon receipt of an appraisal, an appraisal review is performed and a specific reserve or charge-off is processed, if warranted.

SECURITIES

At March 31, 2011, the Company had no trading securities, $514,150,000 in securities available for sale (representing 95.2 percent of total securities), and securities held for investment of $25,835,000 (4.8 percent of total securities). The Company s securities portfolio increased $163.8 million or 43.5 percent from March 31, 2010 and $78.0 million, or 16.9 percent from December 31, 2010.

As part of the Company s interest rate risk management process, an average duration for the securities portfolio is targeted. In addition, securities are acquired which return principal monthly that can be reinvested. Agency and private label mortgage backed securities and collateralized mortgage obligations comprise $522,906,000 of total securities, approximately 97 percent of the portfolio. Remaining securities are largely comprised of U.S. Treasury, U.S. Government agency securities and tax-exempt bonds issued by states, counties and municipalities.

The duration of the investment portfolio at March 31, 2011 was 34 months, compared to a year ago when the duration was 21 months.

Cash and due from banks and interest bearing deposits (aggregated) totaled $227,538,000 at March 31, 2011, compared to $274,703,000 at March 31, 2010, which reflects the decline in the loan portfolio and funds from the capital raised during 2010. The Company has maintained additional liquidity during the uncertain environment and may use these funds to increase loans and investments as the economy continues to improve.

Company management considers the overall quality of the securities portfolio to be high. The Company has no exposure to securities with subprime collateral and had no Fannie Mae or Freddie Mac preferred stock when these entities were placed in conservatorship. The Company holds no interests in trust preferred securities.

DEPOSITS AND BORROWINGS

The Company continues to utilize a focused retail deposit growth strategy that has successfully generated core deposit relationships and increased services per household since its implementation in the first quarter of 2008. During the first quarter of 2011, Seacoast National added 2,146 new core deposit households, up by 470 deposits or 28.0 percent from the prior year. Net core household growth increased by 3.3 percent over the last twelve months with new personal checking relationships up 37.3 percent and new commercial business checking relationships increasing 61.6 percent during the first quarter of 2011 compared to the same quarter in 2010. Average noninterest bearing demand deposit balances for the first quarter of 2011 increased 14.8 percent compared to first quarter 2010 and noninterest bearing demand deposits totaled 19.3 percent of total deposits at March 31, 2011, compared to 15.8 percent one year earlier.

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Total deposits decreased $73,223,000, or 4.2 percent, to $1,686,210,000 at March 31, 2011 compared to one year earlier, reflecting declining brokered deposits and single service time deposits. Since March 31, 2010, interest bearing deposits (NOW, savings and money markets deposits) decreased $37,779,000 or 4.4 percent to $828,130,000, noninterest bearing demand deposits increased $46,674,000 or 16.8 percent to $324,879,000, and CDs decreased $82,119,000 or 13.3 percent to $533,201,000. Included in CDs, brokered time deposits decreased $17,269,000 to $7,371,000 at March 31, 2011 from the prior year. Of the $7,371,000 balance at March 31, 2011, $6,473,000 is attributable to CDARs. Funds deposited under the CDARs program are required to be classified as brokered deposits. The Company has historically priced CDs conservatively and has continued to follow this strategy

FDIC deposit insurance has been permanently increased from $100,000 to $250,000 per depositor based on recent legislation passed by Congress. The increase had been temporarily in place since October 14, 2008 and was set to expire on December 31, 2013. In addition, until its expiration on December 31, 2010, the FDIC s Temporary Liquidity Guarantee (TLG) program guaranteed the entire amount in any eligible noninterest bearing transaction deposit account to the extent such balances were not covered by FDIC insurance. Seacoast National participated in the TLG program to offer the best possible FDIC coverage to its customers. While the TLG program expired December 31, 2010, provisions under the recent Dodd-Frank legislation will provide coverage for all noninterest bearing transaction account balances at all financial institutions through December 31, 2012.

Securities sold under repurchase agreements increased over the past twelve months by $19,477,000 or 20.4 percent to $115,185,000 at March 31, 2011. Repurchase agreements are offered by Seacoast National to select customers who wish to sweep excess balances on a daily basis for investment purposes. Public funds comprise a significant amount of the outstanding balance, with safety a major concern for these customers. At March 31, 2011, the number of sweep repurchase accounts was 170, compared to 186 a year ago.

At March 31, 2011, other borrowings were comprised of subordinated debt of $53.6 million related to trust preferred securities issued by trusts organized by the Company, and advances from the Federal Home Loan Bank (FHLB) of $50.0 million. The FHLB advances mature in 2017. For first quarter 2011 and 2010, the weighted average cost of our FHLB advances was 3.22 percent, unchanged.

The Company has two wholly owned trust subsidiaries, SBCF Capital Trust I and SBCF Statutory Trust II that were formed in 2005, and in 2007, the Company formed an additional wholly owned trust subsidiary, SBCF Statutory Trust III. The 2005 trusts each issued $20.0 million (totaling $40.0 million) of trust preferred securities and the 2007 trust issued an additional $12.0 million in trust preferred securities. All trust preferred securities are guaranteed by the Company on a junior subordinated basis. The Federal Reserve s rules permit qualified trust preferred securities and other restricted capital elements to be included as Tier 1 capital up to 25 percent of core capital, net of goodwill and intangibles. The Company believes that its trust preferred securities qualify under these revised regulatory capital rules and expects that it will be able to treat all $52.0 million of trust preferred securities as Tier 1 capital. For regulatory purposes, the trust preferred securities are added to the Company s tangible common shareholders equity to calculate Tier I capital. The weighted average interest rate of our outstanding subordinated debt related to trust preferred securities was 1.89 percent during the first quarter of 2011, compared to 1.81 percent for the same period during 2010.

OFF-BALANCE SHEET TRANSACTIONS

In the normal course of business, we engage in a variety of financial transactions that, under generally accepted accounting principles, either are not recorded on the balance sheet or are recorded on the balance sheet in amounts that differ from the full contract or notional amounts. These transactions involve varying elements of market, credit and liquidity risk.

The two primary off-balance sheet transactions the Company has engaged in are:

- derivatives, intended to manage exposure to interest rate risk; and
- commitments to extend credit and standby letters of credit, intended to facilitate customers funding needs or risk management objectives.

Derivative transactions are often measured in terms of a notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is not usually exchanged, but is used only as the basis upon which interest or other payments are calculated.

The derivatives the Company uses to manage exposure to interest rate risk are interest rate swaps. All interest rate swaps are recorded on the balance sheet at fair value with realized and unrealized gains and losses included either in the results of operations or in other comprehensive income, depending on the nature and purpose of the derivative transaction.

The credit risk of these transactions is managed by establishing a credit limit for counterparties and through collateral agreements. The fair value of interest rate swaps recorded in the balance sheet at March 31, 2011 included derivative product assets of $55,000. In comparison, at March 31, 2010 net derivative product assets of $47,000 were outstanding.

Lending commitments include unfunded loan commitments and standby and commercial letters of credit. A large majority of loan commitments and standby letters of credit expire without being funded, and accordingly, total contractual amounts are not representative of our actual future credit exposure or liquidity requirements. Loan commitments and letters of credit expose the Company to credit risk in the event that the customer draws on the commitment and subsequently fails to perform under the terms of the lending agreement.

Loan commitments to customers are made in the normal course of our commercial and retail lending businesses. For commercial customers, loan commitments generally take the form of revolving credit arrangements. For retail customers, loan commitments generally are lines of credit secured by residential property. These instruments are not recorded on the balance sheet until funds are advanced under the commitment. For loan commitments, the contractual amount of a commitment represents the maximum potential credit risk that could result if the entire commitment had been funded, the borrower had not performed according to the terms of the contract, and no collateral had been provided. Loan commitments were $97 million at March 31, 2011, and $95 million at March 31, 2010.

INTEREST RATE SENSITIVITY

Fluctuations in interest rates may result in changes in the fair value of the Company s financial instruments, cash flows and net interest income. This risk is managed using simulation modeling to calculate the most likely interest rate risk utilizing estimated loan and deposit growth. The objective is to optimize the Company s financial position, liquidity, and net interest income while limiting their volatility.

Senior management regularly reviews the overall interest rate risk position and evaluates strategies to manage the risk. The Company s most recent Asset and Liability Management Committee (ALCO) model simulation indicates net interest income would increase 8.2 percent if interest rates are shocked 200 basis points up over the next 12 months and 4.5 percent if interest rates are shocked up 100 basis points. Recent regulatory guidance has placed more emphasis on rate shocks.

The Company had a positive gap position based on contractual and prepayment assumptions for the next 12 months, with a positive cumulative interest rate sensitivity gap as a percentage of total earning assets of 6.6 percent, based on its most recent ALCO modeling. This result includes assumptions for core deposit re-pricing recently validated for the Company by an independent third party consulting group.

The computations of interest rate risk do not necessarily include certain actions management may undertake to manage this risk in response to changes in interest rates. Derivative financial instruments, such as interest rate swaps, options, caps, floors, futures and forward contracts may be utilized as components of the Company s risk management profile.

LIQUIDITY MANAGEMENT

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liability, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations cost effectively and to meet current and future potential obligations such as loan commitments and unexpected deposit outflows.

Funding sources primarily include customer-based core deposits, collateral-backed borrowings, cash flows from operations, and asset securitizations and sales.

Cash flows from operations are a significant component of liquidity risk management and we consider both deposit maturities and the scheduled cash flows from loan and investment maturities and payments. Deposits are also a primary source of liquidity. The stability of this funding source is affected by numerous factors, including returns available to customers on alternative investments, the quality of customer service levels, safety and competitive forces. We routinely use securities and loans as collateral for secured borrowings. In the event of severe market disruptions, we have access to secured borrowings through the FHLB and the Federal Reserve Bank of Atlanta.

Contractual maturities for assets and liabilities are reviewed to meet current and expected future liquidity requirements. Sources of liquidity, both anticipated and unanticipated, are maintained through a portfolio of high quality marketable assets, such as residential mortgage loans, securities held for sale and interest bearing deposits. The Company also has access to borrowed funds such as an FHLB line of credit and the Federal Reserve Bank of Atlanta under its borrower-in-custody program. The Company is also able to provide short term financing of its activities by selling, under an agreement to repurchase, United States Treasury and Government agency securities not pledged to secure public deposits or trust funds. At March 31, 2011, Seacoast National had available lines of credit under current lendable collateral value, which are subject to change, of $342 million. Seacoast National had $189 million of United States Treasury and Government agency securities and mortgage backed securities not pledged and available for use under repurchase agreements, and had an additional $219 million in residential and commercial real estate loans available as collateral. In comparison, at March 31, 2010, the Company had available lines of credit of $339 million, and had $56 million of Treasury and Government agency securities and mortgage backed securities not pledged and available for use under repurchase agreements, as well as an additional $225 million in residential and commercial real estate loans available as collateral.

Liquidity, as measured in the form of cash and cash equivalents (including interest bearing deposits), totaled $227,538,000 on a consolidated basis at March 31, 2011 as compared to $274,703,000 at March 31, 2010. The composition of cash and cash equivalents has changed from a year ago. Over the past twelve months, cash and due from banks decreased $28,575,000 to $29,578,000 and interest bearing deposits decreased to $197,960,000 from $216,550,000. The interest bearing deposits are maintained in Seacoast National s account at the Federal Reserve Bank of Atlanta. Cash and cash equivalents vary with seasonal deposit movements and are generally higher in the winter than in the summer, and vary with the level of principal repayments and investment activity occurring in Seacoast National s securities and loan portfolios.

The Company does not rely or is dependent on off-balance sheet financing or wholesale funding.

The Company is a legal entity separate and distinct from Seacoast National and its other subsidiaries. Various legal limitations, including Section 23A of the Federal Reserve Act and Federal Reserve Regulation W, restrict Seacoast National from lending or otherwise supplying funds to the Company or its non-bank subsidiaries. The Company has traditionally relied upon dividends from Seacoast National and securities offerings to provide funds to pay the Company s expenses, to service the Company s debt and to pay dividends upon Company common stock. In 2008 and 2007, Seacoast National paid dividends to the Company that exceeded its earnings in those years. Seacoast National cannot currently pay dividends to the Company without prior OCC approval. At March 31, 2011, the Company had cash and cash equivalents at the parent of approximately $21.5 million, comprised of remaining proceeds from our common stock offering which was consummated in the second quarter of 2010. In comparison, at March 31, 2010, the Company had cash and cash equivalents at the parent of approximately $10.0 million, comprised of remaining funds provided through a common stock offering consummated in August 2009. All of the TARP CPP funds derived in December 2008 have been contributed as additional capital to Seacoast National. The Company has suspended all dividends upon its Series A preferred stock issued through the TARP CPP and its common stock, and has deferred distributions on its subordinated debt related to trust preferred securities issued through affiliated trusts. Additional losses could prolong Seacoast National s inability to pay dividends to its parent without regulatory approval (see Capital Resources).

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EFFECTS OF INFLATION AND CHANGING PRICES

The condensed consolidated financial statements and related financial data presented herein have been prepared in accordance with U.S. GAAP, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money, over time, due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution s performance than the general level of inflation. However, inflation affects financial institutions by increasing their cost of goods and services purchased, as well as the cost of salaries and benefits, occupancy expense, and similar items. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings, and shareholders equity. Mortgage originations and re-financings tend to slow as interest rates increase, and higher interest rates likely will reduce the Company s earnings from such activities and the income from the sale of residential mortgage loans in the secondary market.

SPECIAL CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

Various of the statements made herein under the captions Management s Discussion and Analysis of Financial Condition and Results of Operations , Quantitative and Qualitative Disclosures about Market Risk , Risk Factors and elsewhere, are forward-looking statements within the meaning and protections of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance or achievements of Seacoast to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. You should not expect us to update any forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as may, will, anticipate, assume, sh support , indicate, would, believe, contemplate, expect, estimate, continue, further , point to, p other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- the effects of future economic and market conditions, including seasonality;
- governmental monetary and fiscal policies, as well as legislative, tax and regulatory changes;
- legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators, and changes in the scope and cost of FDIC insurance and other coverage;
- changes in accounting policies, rules and practices;

the risks of changes in interest rates on the level and composition of deposits, loan demand, liquidity and the values of loan collateral, securities, and interest sensitive assets and liabilities; interest rate risks, sensitivities and the shape of the yield curve;

the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market areas and elsewhere, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the Internet;

the failure of assumptions underlying the establishment of reserves for possible loan losses;

the risks of mergers and acquisitions, include, without limitation, unexpected transaction costs, including the costs of integrating operations; the risks that the businesses will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected;

the potential failure to fully or timely realize expected revenues and revenue synergies, including as the result of revenues following the merger being lower than expected;

the risk of deposit and customer attrition; any changes in deposit mix; unexpected operating and other costs, which may differ or change from expectations;

the risks of customer and employee loss and business disruption, including, without limitation, as the result of difficulties in maintaining relationships with employees; increased competitive pressures and solicitations of customers by competitors; as well as the difficulties and risks inherent with entering new markets; and

other risks and uncertainties described herein and in our annual report on Form 10-K for the year ended December 31, 2010 and otherwise in our Securities and Exchange Commission, or SEC , reports and filings.

All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management s discussion and analysis Interest Rate Sensitivity .

Market risk refers to potential losses arising from changes in interest rates, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and Economic Value of Equity, or EVE, to adverse movements in interest rates, is the Company s primary market risk, and mainly arises from the structure of the balance sheet (non-trading activities). The Company is also exposed to market risk in its investing activities. The Company s Asset/Liability Committee, or ALCO, meets regularly and is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to interest rate risk. The policies established by the ALCO are reviewed and approved by the Company s Board of Directors. The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board. These limits reflect the Company s tolerance for interest rate risk over short-term and long-term horizons.

The Company also performs valuation analyses, which are used for evaluating levels of risk present in the balance sheet that might not be taken into account in the net interest income simulation analyses. Whereas net interest income simulation highlights exposures over a relatively short time horizon, valuation analysis incorporates all cash flows over the estimated remaining life of all balance sheet positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset cash flows minus the discounted value of liability cash flows, the net result of which is the EVE. The sensitivity of EVE to changes in the level of interest rates is a measure of the longer-term re-pricing risks and options risks embedded in the balance sheet. In contrast to the net interest income simulation, which assumes interest rates will change over a period of time, EVE uses instantaneous changes in rates. EVE values only the current balance sheet, and does not incorporate the growth assumptions that are used in the net interest income simulation model. As with the net interest income simulation model, assumptions about the timing and variability of balance sheet cash flows are critical in the EVE analysis. Particularly important are the assumptions driving prepayments and the expected changes in balances and pricing of the indeterminate life deposit portfolios. Based on our most recent modeling, an instantaneous 100 basis point increase in rates is estimated to decrease the EVE 1.5 percent versus the EVE in a stable rate environment, while a 200 basis point increase in rates is estimated to decrease the EVE 5.3 percent.

While an instantaneous and severe shift in interest rates is used in this analysis to provide an estimate of exposure under an extremely adverse scenario, a gradual shift in interest rates would have a much more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon, i.e., the next fiscal year. Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, change in yield curve relationships, and changing product spreads that could mitigate the adverse impact of changes in interest rates.

Item 4. CONTROLS AND PROCEDURES

The Company s management, with the participation of its chief executive officer and chief financial officer has evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of March 31, 2011 and concluded that those disclosure controls and procedures are effective. There have been no changes to the Company s internal control over financial reporting that occurred since the beginning of the Company s first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

While the Company believes that its existing disclosure controls and procedures have been effective to accomplish these objectives, the Company intends to continue to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

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Part II OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are subject, in the ordinary course, to litigation incident to the business in which they are engaged. Management presently believes that none of the legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject are materially likely to have a material adverse effect on the Company s consolidated financial position, or operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

Item 1A. Risk Factors

Any of the following risks could harm our business, results of operations and financial condition and an investment in our stock. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to Our Business

Difficult market conditions have adversely affected and may continue to affect our industry.

We are exposed to downturns in the U.S. economy, and particularly the local markets in which we operate in Florida. Declines in the housing markets over the past three years, including falling home prices and sales volumes, and increasing foreclosures, have negatively affected the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks, as well as Seacoast National. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Many lenders and institutional investors have reduced or ceased providing funding to borrowers, including other financial institutions. This market turmoil and the tightening of credit have led to increased levels of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and reductions in business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. We do not expect that the difficult conditions in the financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and other financial institutions. In particular:

- We expect to face increased regulation of our industry, including as a result of recent regulatory reform initiatives by the U.S. government. Compliance with such regulations may increase our costs and limit our ability to pursue business opportunities.
- Market developments, government programs and the winding down of various government programs may continue to adversely affect consumer confidence levels and may cause adverse changes in borrower behaviors and payment rates, resulting in further increases in delinquencies and default rates, which could affect our loan charge-offs and our provisions for credit losses.

Our ability to assess the creditworthiness of our customers or to estimate the values of our assets and collateral for loans will be reduced if the models and approaches we use become less predictive of future behaviors, valuations, assumptions or estimates. We estimate losses inherent in our credit exposure, the adequacy of our allowance for loan losses and the values of certain assets by using estimates based on difficult, subjective, and complex judgments, including estimates as to the effects of economic conditions and how these economic conditions might affect the ability of our borrowers to repay their loans or the value of assets.

Our ability to borrow from other financial institutions on favorable terms or at all, or to raise capital, could be adversely affected by further disruptions in the capital markets or other events, including, among other things, deterioration in investor expectations and changes in the FDIC s resolution authority or practices.

Failures of other depository institutions in our markets and increasing consolidation of financial services companies as a result of current market conditions could increase our deposits and assets, necessitating additional capital, and may have unexpected adverse effects upon our ability to compete effectively.

We are not paying dividends on our preferred stock or common stock and are deferring distribution on our trust preferred securities, and we are restricted in otherwise paying cash dividends on our common stock. The failure to resume paying dividends on our preferred stock and trust preferred securities may adversely affect us.

We suspended dividend payments on our preferred and common stock and distributions on our trust preferred securities on May 19, 2009, pursuant to the request of the Federal Reserve, because of the Federal Reserve s policy that bank holding companies should not pay dividends or make distributions on trust preferred securities using funds from the TARP CPP. There is no assurance that we will receive approval to resume paying cash dividends. Even if we are allowed to resume paying dividends by the Federal Reserve, future payment of cash dividends on our common stock, if any, will be subject to the prior payment of all unpaid dividends and deferred distributions on our Series A Preferred Stock and trust preferred securities. Further, we need prior Treasury approval to increase our quarterly cash dividends above $0.01 per common share through the earliest of December 19, 2011, the date we redeem all shares of Series A Preferred Stock or the Treasury has transferred all shares of Series A Preferred Stock to third parties. All dividends are declared and paid at the discretion of our board of directors and are dependent upon our liquidity, financial condition, results of operations, capital requirements and such other factors as our board of directors may deem relevant.

Further, dividend payments on our Series A Preferred Stock and distributions on our trust preferred securities are cumulative and therefore unpaid dividends and distributions will accrue and compound on each subsequent dividend payment date. In the event of any liquidation, dissolution or winding up of the affairs of our Company, holders of the Series A Preferred Stock shall be entitled to receive for each share of Series A Preferred Stock the liquidation amount plus the amount of any accrued and unpaid dividends. We cannot pay dividends on our outstanding shares of Series A Preferred Stock or our common stock until we have paid in full all deferred distributions on our trust preferred securities, which will require prior approval of the Federal Reserve.

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The Treasury currently has the right to appoint two directors to the Company s board of directors.

Because we have missed more than six quarterly dividend payments, the Treasury has the right to appoint two directors to our board of directors until all accrued but unpaid dividends have been paid. In the event that the Treasury elects to exercise this right, we could face negative publicity and the decision making authority of current members of our board of directors could be significantly impacted.

***Nonperforming assets could result in an increase in our provision for loan losses, which could adversely affect our results of operations and financial condition*.**

At March 31, 2011 and 2010, our nonperforming loans (which consist of non-accrual loans) totaled $66.2 million and $96.3 million, or 5.4 percent and 7.0 percent of the loan portfolio, respectively. At March 31, 2011 and 2010, our nonperforming assets (which include foreclosed real estate) were $90.3 million and $115.4 million, or 4.3 percent and 5.4 percent of assets, respectively. In addition, we had approximately $5.3 million and $10.3 million in accruing loans that were 30 days or more delinquent at March 31, 2011 and 2010, respectively. Our nonperforming assets adversely affect our net income in various ways. Until economic and market conditions improve, we may incur additional losses relating to an increase in nonperforming loans. We do not record interest income on nonaccrual loans or other real estate owned, thereby adversely affecting our income, and increasing our loan administration costs. When we take collateral in foreclosures and similar proceedings, we are required to mark the related loan to the then fair market value of the collateral, which may result in a loss. These loans and other real estate owned also increase our risk profile and the capital our regulators believe is appropriate in light of such risks. If economic conditions and market factors negatively and/or disproportionately affect some of our larger loans, then we could see a sharp increase in our total net charge-offs and also be required to significantly increase our allowance for loan losses. Any further increase in our nonperforming assets and related increases in our provision for losses on loans could negatively affect our business and could have a material adverse effect on our capital, financial condition and results of operations.

Seacoast National has adopted and implemented a written program to ensure Bank adherence to a written program designed to eliminate the basis of criticism of criticized assets as required by the OCC pursuant to the formal agreement that Seacoast National entered into with the OCC. While we have reduced our problem assets significantly through loan sales, workouts, restructurings and otherwise, decreases in the value of these remaining assets, or the underlying collateral, or in these borrowers performance or financial conditions, whether or not due to economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and our directors, which can be detrimental to the performance of their other responsibilities. There can be no assurance that we will not experience further increases in nonperforming loans in the future, or that nonperforming assets will not result in further losses in the future.

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Liquidity risks could affect operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our funding sources include federal funds purchases, securities sold under repurchase agreements, non-core deposits, and short- and long-term debt. We are also members of the Federal Home Loan Bank of Atlanta (the FHLB) and the Federal Reserve Bank of Atlanta, where we can obtain advances collateralized with eligible assets. We maintain a portfolio of securities that can be used as a secondary source of liquidity. There are other sources of liquidity available to us or Seacoast National should they be needed, including our ability to acquire additional non-core deposits, the issuance and sale of debt securities, and the issuance and sale of preferred or common securities in public or private transactions.

Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a downturn in the markets in which our loans are concentrated or adverse regulatory action against us. In addition, our access to deposits may be affected by the liquidity and/or cash flow needs of depositors. Although we have historically been able to replace maturing deposits and FHLB advances as necessary, we might not be able to replace such funds in the future and can lose a relatively inexpensive source of funds and increase our funding costs if, among other things, customers move funds out of bank deposits and into alternative investments, such as the stock market, that are perceived as providing superior expected returns. We may be required to seek additional regulatory capital through capital raises at terms that may be very dilutive to existing stockholders. In addition, our liquidity, on a parent only basis, is adversely affected by our current inability to receive dividends from Seacoast National without prior regulatory approval.

Our ability to borrow could also be impaired by factors that are not specific to us, such as further disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of recent turmoil faced by banking organizations and the continued deterioration in credit markets.

Our allowance for loan losses may prove inadequate or we may be adversely affected by credit risk exposures.

Our business depends on the creditworthiness of our customers. We periodically review our allowance for loan losses for adequacy considering economic conditions and trends, collateral values and credit quality indicators, including past charge-off experience and levels of past due loans and nonperforming assets. The determination of the appropriate level of the allowance for loan losses involves a high degree of subjectivity and judgment and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. We cannot be certain that our allowance for loan losses will be adequate over time to cover credit losses in our portfolio because of unanticipated adverse changes in the economy, market conditions or events adversely affecting specific customers, industries or markets, or borrower behaviors towards repaying their loans. The credit quality of our borrowers has deteriorated as a result of the economic downturn in our markets. If the credit quality of our customer base or their debt service behavior materially decreases further, if the risk profile of a market, industry or group of customers declines further or weaknesses in the real estate markets and other economics persist or worsen, or if our allowance for loan losses is not adequate, our business, financial condition, including our liquidity and capital, and results of operations could be materially adversely affected. In addition, bank regulatory agencies periodically review our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of further loan charge-offs, based on judgments different than those of management. If charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses, which would result in a decrease in net income and capital, and could have a material adverse effect on our financial condition and results of operations.

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All of our loan portfolios have been affected by the sustained economic weakness of our markets and the effects of higher unemployment rates. Our commercial and residential real estate and real estate-related portfolios have been especially affected by adverse market conditions, including reduced real estate prices and sales levels.

Our commercial and residential real estate and real estate-related loans, especially construction and development loans, have been affected adversely by the on-going correction in real estate prices, reduced levels of sales during the recessions, and the economic weakness of our Florida markets and the effects of higher unemployment rates. We may have to increase our allowance for loan losses through additional provisions for loan losses because of continued adverse changes in the economy, market conditions, and events that adversely affect our customers or markets. Our business, financial condition, liquidity, capital (especially tangible common equity), and results of operations could be materially adversely affected by additional provisions for loan losses.

Current and further deterioration in the real estate markets, including the secondary market for residential mortgage loans, have adversely affected us and may continue to adversely affect us.

The effects of ongoing mortgage market challenges, combined with the correction in residential real estate market prices and reduced levels of home sales, could result in further price reductions in single family home values, further adversely affecting the liquidity and value of collateral securing commercial loans for residential land acquisition, construction and development, as well as residential mortgage loans and residential property collateral securing loans that we hold, mortgage loan originations and gains on sale of mortgage loans. Declining real estate prices have caused higher delinquencies and losses on certain mortgage loans, generally, particularly second lien mortgages and home equity lines of credit. Significant ongoing disruptions in the secondary market for residential mortgage loans have limited the market for and liquidity of most residential mortgage loans other than conforming Fannie Mae and Freddie Mac loans. These trends could continue, notwithstanding various government programs to boost the residential mortgage markets and stabilize the housing markets. Declines in real estate values, home sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on borrowers that result in higher delinquencies and greater charge-offs in future periods, which would adversely affect our financial condition, including capital and liquidity, or results of operations. In the event our allowance for loan losses is insufficient to cover such losses, our earnings, capital and liquidity could be adversely affected.

Our real estate portfolios are exposed to weakness in the Florida housing market and the overall state of the economy.

Florida has experienced a deeper recession and more dramatic slowdown in economic activity than other states and the decline in real estate values in Florida has been significantly higher than the national average. The declines in home prices and the volume of home sales in Florida, along with the reduced availability of certain types of mortgage credit, have resulted in increases in delinquencies and losses in our portfolios of home equity lines and loans, and commercial loans related to residential real estate acquisition, construction and development. Further declines in home prices coupled with the continued economic recession in our markets and continued high or increased unemployment levels could cause additional losses which could adversely affect our earnings and financial condition, including our capital and liquidity.

The Dodd-Frank Wall Street Reform and Consumer Protection Act could increase our regulatory compliance burden and associated costs or otherwise adversely affect our business.

On July 21, 2010, the Dodd-Frank Act was signed into law. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry.

The Dodd-Frank Act directs applicable regulatory authorities to promulgate regulations implementing its provisions, and its effect on the Company and on the financial services industry as a whole will be clarified as those regulations are issued. The Dodd-Frank Act addresses a number of issues including capital requirements, compliance and risk management, debit card overdraft fees, healthcare, incentive compensation, expanded disclosures and corporate governance. The Act establishes a new, independent CFPB, which will have broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans and credit cards. States will be permitted to adopt stricter consumer protection laws and can enforce consumer protection rules issued by the CFPB.

The Dodd-Frank Act will likely increase our regulatory compliance burden and may have a material adverse effect on us, including increasing the costs associated with our regulatory examinations and compliance measures. The changes resulting from the Dodd-Frank Act, as well as the resulting regulations promulgated by federal agencies, may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage ratio requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes to comply with new laws and regulations. For a more detailed description of the Dodd-Frank Act, see Item 1. Business Supervision and Regulation of our Form 10K for December 31, 2010.

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Our concentration in commercial real estate loans could result in further increased loan losses.

Commercial real estate (CRE) is cyclical and poses risks of loss to us due to our concentration levels and similar risks of the asset. As of March 31, 2011 and 2010, respectively, 46.9 percent and 49.9 percent of our loan portfolio were comprised of CRE loans. The banking regulators continue to give CRE lending greater scrutiny, and banks with higher levels of CRE loans are expected to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as higher levels of allowances for possible losses and capital levels as a result of CRE lending growth and exposures. During the first quarter of 2011, we recorded $0.6 million in provisioning for losses, compared to additions to provisioning for loan losses of $31.7 million in 2010, $124.8 million in 2009, and $88.6 million in 2008, in part reflecting collateral evaluations in response to recent changes in the market values of land collateralizing acquisition and development loans.

Pursuant to the formal agreement that Seacoast National entered into with the OCC, Seacoast National adopted and implemented a written commercial real estate concentration risk management program. However, there is no guarantee that the program will effectively reduce our concentration in commercial real estate.

Higher FDIC deposit insurance premiums and assessments could adversely affect our financial condition.

FDIC insurance premiums increased substantially in 2009 and we may pay significantly higher FDIC premiums in the future. Market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. The FDIC adopted a revised risk-based deposit insurance assessment schedule on February 27, 2009, which raised deposit insurance premiums. On May 22, 2009, the FDIC implemented a five basis point special assessment of each insured depository institution s assets minus Tier 1 capital as of June 30, 2009, but no more than 10 basis points times the institution s assessment base for the second quarter of 2009, collected on September 30, 2009. The FDIC also required all FDIC-insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012, which was paid on December 30, 2009.

We participated in the FDIC s TLG for noninterest-bearing transaction deposit accounts that was extended and expired December 31, 2010. Institutions that participated in the program were required to pay an annualized fee of 15 to 25 basis points in accordance with their risk category rating assigned by the FDIC.

Increased premiums and TLG assessments charged by the FDIC increased our noninterest expenses in the first quarter of 2011, and all of 2010 and 2009.

Under the Dodd-Frank legislation recently passed, unlimited deposit insurance coverage on noninterest bearing transaction accounts to all FDIC insured institutions was approved through December 31, 2012. Unlike the TLG program, the Dodd-Frank provisions apply at all FDIC insured institutions and will cover only traditional checking accounts that do not pay interest. As of April 1, 2011, the FDIC implemented its new calculation methodology for insurance assessments, applying revised risk category ratings for calculating assessments to total assets less Tier 1 risk-based capital. Deposits will no longer be utilized as the primary base. Based upon preliminary modeling, we are not anticipating any negative impact to our consolidated financial statements as a result of the new method.

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Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than three years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial condition or performance. If current levels of market disruption and volatility continue or worsen, we may experience adverse effects, which may be material, on our ability to maintain or access capital and on our business, financial condition and results of operations.

We could encounter difficulties as a result of our growth.

Our loans, deposits, fee businesses and employees have increased as a result of our organic growth and acquisitions. Our failure to successfully manage and support this growth with sufficient human resources, training and operational, financial and technology resources in challenging markets and economic conditions could have a material adverse effect on our operating results and financial condition.

We are required to maintain capital to meet regulatory requirements, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our compliance with regulatory requirements, would be adversely affected.

Both we and Seacoast National must meet regulatory capital requirements and maintain sufficient liquidity and our regulators may modify and adjust such requirements in the future. Seacoast National agreed to an informal letter agreement with the OCC to maintain a Tier 1 leverage capital ratio of 8.50 percent and a total risk-based capital ratio of 12.00 percent, which are higher than the regulatory minimum capital ratios. We also face significant regulatory and other governmental risk as a financial institution and a participant in the TARP CPP.

Our ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, general economic conditions and a number of other factors, including investor perceptions regarding the banking industry and the market, governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, we cannot assure you that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected.

Although we currently comply with all capital requirements, we may be subject to more stringent regulatory capital ratio requirements in the future and we may need additional capital in order to meet those requirements. Our failure to remain well capitalized for bank regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common and preferred stock, make distributions on our trust preferred securities, our ability to make acquisitions, and our business, results of operation and financial conditions, generally. Under FDIC rules, if Seacoast National ceases to be a well capitalized institution for bank regulatory purposes, its ability to accept brokered deposits may be restricted and the interest rates that it pays may be restricted.

Our ability to realize our deferred tax assets may be further reduced in the future if our estimates of future taxable income from our operations and tax planning strategies do not support our deferred tax amount, and the amount of net operating loss carry-forwards and certain other tax attributes realizable for income tax purposes may be reduced under Section 382 of the Internal Revenue Code by sales of our capital securities.

As of March 31, 2011, we had deferred tax assets of $19.5 million after we recorded $47.7 million of valuation allowance based on management s estimation of the likelihood of those deferred tax assets being realized. These and future deferred tax assets may be further reduced in the future if our estimates of future taxable income from our operations and tax planning strategies do not support the amount of the deferred tax asset.

The amount of net operating loss carry-forwards and certain other tax attributes realizable annually for income tax purposes may be reduced by an offering and/or other sales of our capital securities, including transactions in the open market by 5% or greater shareholders, if an ownership change is deemed to occur under Section 382 of the Internal Revenue Code. The determination of whether an ownership change has occurred under Section 382 is highly fact specific and can occur through one or more acquisitions of capital stock (including open market trading) if the result of such acquisitions is that the percentage of our outstanding common stock held by shareholders or groups of shareholders owning at least 5% of our common stock at the time of such acquisition, as determined under Section 382, is more than 50 percentage points higher than the lowest percentage of our outstanding common stock owned by such shareholders or groups of shareholders within the prior three-year period. Our sales of common stock in April 2010 increased the risk of a possible future change in control under Section 382.

Our cost of funds may increase as a result of general economic conditions, FDIC insurance assessments, interest rates and competitive pressures.

Our cost of funds may increase as a result of general economic conditions, FDIC insurance assessments, interest rates and competitive pressures. We have traditionally obtained funds principally through local deposits and we have a base of lower cost transaction deposits. Generally, we believe local deposits are a cheaper and more stable source of funds than other borrowings because interest rates paid for local deposits are typically lower than interest rates charged for borrowings from other institutional lenders and reflect a mix of transaction and time deposits, whereas brokered deposits typically are higher cost time deposits. Our costs of funds and our profitability and liquidity are likely to be adversely affected if, and to the extent, we have to rely upon higher cost borrowings from other institutional lenders or brokers to fund loan demand or liquidity needs, and changes in our deposit mix and growth could adversely affect our profitability and the ability to expand our loan portfolio.

Our profitability and liquidity may be affected by changes in interest rates and economic conditions.

Our profitability depends upon net interest income, which is the difference between interest earned on assets, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Net interest income will be adversely affected if market interest rates change such that the interest we pay on deposits and borrowings and our FDIC deposit insurance assessments increase faster than the interest earned on loans and investments. Interest rates, and consequently our results of operations, are affected by general economic conditions (domestic and foreign) and fiscal and monetary policies may materially affect the level and direction of interest rates. From June 2004 to mid-2006, the Federal Reserve raised the federal funds rate from 1.0 percent to 5.25 percent. Since then, beginning

in September 2007, the Federal Reserve decreased the federal funds rates by 100 basis points to 4.25 percent over the remainder of 2007, and has since reduced the target federal funds rate by an additional 400 basis points to a range between zero and 25 basis points beginning in December 2008. Decreases in interest rates generally increase the market values of fixed-rate, interest-bearing investments and loans held, and increase the values of loan sales and mortgage loan activities. However, the production of mortgages and other loans and the value of collateral securing our loans, are dependent on demand within the markets we serve, as well as interest rates. The levels of sales, as well as the values of real estate in our markets, have declined. Declining rates reflect efforts by the Federal Reserve to stimulate the economy, but may not be effective, and thus may negatively affect our results of operations and financial condition, liquidity and earnings.

On February 18, 2010, the Federal Reserve raised the discount rate from 0.5 percent to 0.75%. Increases in interest rates generally decrease the market values of fixed-rate, interest-bearing investments and loans held and the production of mortgage and other loans and the value of collateral securing our loans, and therefore might adversely affect our liquidity and earnings.

The TARP CPP and the ARRA impose, and other proposed rules may impose additional, executive compensation and corporate governance requirements that may adversely affect us and our business, including our ability to recruit and retain qualified employees.

The purchase agreement we entered into in connection with our participation in the TARP CPP required us to adopt the Treasury s standards for executive compensation and corporate governance while the Treasury holds the equity issued pursuant to the TARP CPP, including the common stock which may be issued pursuant to the warrant to purchase 589,625 shares of common stock (or the Warrant) which we refer to as the TARP Assistance Period. These standards generally apply to our chief executive officer, chief financial officer and the three next most highly compensated senior executive officers. The standards include:

- ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution;
- required clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate;
- prohibition on making golden parachute payments to senior executives; and
- agreement not to deduct for tax purposes executive compensation in excess of $500,000 for each senior executive.

In particular, the change to the deductibility limit on executive compensation may increase the overall cost of our compensation programs in future periods.

The ARRA imposed further limitations on compensation during the TARP Assistance Period including:

- a prohibition on making any golden parachute payment to a senior executive officer or any of our next five most highly compensated employees;
- a prohibition on any compensation plan that would encourage manipulation of the reported earnings to enhance the compensation of any of its employees; and
- a prohibition of the five highest paid executives from receiving or accruing any bonus, retention award or incentive compensation, or bonus except for long-term restricted stock with a value not greater than one-third of the total amount of annual compensation of the employee receiving the stock.

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The Treasury released an interim final rule on TARP standards for compensation and corporate governance on June 10, 2009, which implemented and further expanded the limitations and restrictions imposed on executive compensation and corporate governance by the TARP CPP and ARRA. The new Treasury interim final rules also prohibit any tax gross-up payments to senior executive officers and the next 20 highest paid executives; require a say on pay vote in annual shareholders meetings; and restrict stock or units that may vest or become transferable granted to executives.

The Federal Reserve has proposed guidelines on executive compensation. The FDIC also has proposed a rule to incorporate employee compensation factors into the risk assessment system which would adjust risk-based deposit insurance assessment rates if the design of certain compensation programs does not satisfy certain FDIC goals to prevent executive compensation from encouraging undue risk-taking.

These provisions and any future rules issued by the Treasury, the Federal Reserve and the FDIC or any other regulatory agencies could adversely affect our ability to attract and retain management capable and motivated sufficiently to manage and operate our business through difficult economic and market conditions. If we are unable to attract and retain qualified employees to manage and operate our business, we may not be able to successfully execute our business strategy.

The short-term and long-term impact of the new Basel III capital standards and the forthcoming new capital rules for non-Basel U.S. banks is uncertain.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced an agreement to a strengthened set of capital requirements for internationally active banking organizations in the United States and around the world, known as Basel III. When implemented by U.S. banking authorities, which have expressed support for the new capital standards. For a more detailed description of Basel III, see Item 1. Business Supervision and Regulation of our Form 10K for December 31, 2010.

Changes in accounting and tax rules applicable to banks could adversely affect our financial conditions and results of operations.

From time to time, the Financial Accounting Standards Board (the FASB) and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

***TARP lending goals may not be attainable*.**

Congress and the bank regulators have encouraged recipients of TARP capital to use such capital to make loans and it may not be possible to safely, soundly and profitably make sufficient loans to creditworthy persons in the current economy to satisfy such goals. Congressional demands for additional lending by recipients of TARP capital, and regulatory demands for demonstrating and reporting such lending, are increasing. On November 12, 2008, the bank regulatory agencies issued a statement encouraging banks to, among other things, lend prudently and responsibly to creditworthy borrowers and to work with borrowers to preserve homeownership and avoid preventable foreclosures. We continue to lend and have expanded our mortgage loan originations, and to report our lending to the Treasury. The future demands for additional lending are unclear and uncertain, and we could be forced to make loans that involve risks or terms that we would not otherwise find acceptable or in our shareholders best interest. Such loans could adversely affect our results of operation and financial condition, and may be in conflict with bank regulations and requirements as to liquidity and capital. The profitability of funding such loans using deposits may be adversely affected by increased FDIC insurance premiums.

Changes of TARP program and future rules applicable to banks generally or to TARP recipients could adversely affect our operations, financial condition, and results of operations.

The rules and policies applicable to recipients of capital under the TARP CPP continue to evolve and their scope, timing and effect cannot be predicted. Any redemption of the securities sold to the Treasury to avoid these restrictions would require prior Federal Reserve and Treasury approval. Based on recently issued Federal Reserve guidelines, institutions seeking to redeem TARP CPP preferred stock must demonstrate an ability to access the long-term debt markets without reliance on the FDIC s TLG, successfully demonstrate access to public equity markets and meet a number of additional requirements and considerations before we can redeem any securities sold to the Treasury. Therefore, it is uncertain if we will be able to redeem such securities even if we have sufficient financial resources to do so.

In addition, the government is contemplating potential new programs under TARP, including programs to promote small business lending, among other initiatives. It is uncertain whether we will qualify for those new programs and whether those new programs may impose additional restrictions on our operation and affect our financial condition in the future.

Our continued participation in the TARP Capital Purchase Program may adversely affect our ability to retain customers, attract investors, compete for new business opportunities and retain high performing employees.

Several financial institutions which participated in the TARP CPP received approval from the Treasury to exit the program during the second half of 2009 and in 2010. These institutions have, or are in the process of, repurchasing the preferred stock and repurchasing or auctioning the warrant issued to the Treasury as part of the TARP CPP. We have not yet requested approval to repurchase the preferred stock and warrant from the Treasury. In order to repurchase one or both securities, in whole or in part, we must establish that we have satisfied all of the conditions to repurchase, and there can be no assurance that we will be able to repurchase these securities from the Treasury.

Our customers, employees, counterparties in our current and future business relationships, and the media may draw negative implications regarding the strength of Seacoast as a financial institution based on our continued participation in the TARP CPP following the exit of one or more of our competitors or other financial institutions. Any such negative perceptions may impair our ability to effectively compete with other financial institutions for business. In addition, because we have not yet repurchased the Treasury s TARP CPP investment, we remain subject to the restrictions on incentive compensation contained in the ARRA. Financial institutions which have repurchased the Treasury s CPP investment are relieved of the restrictions imposed by the ARRA and its implementing regulations. Due to these restrictions, we may not be able to successfully compete with financial institutions that have repurchased the Treasury s investment to retain and attract high performing employees. If this were to occur, our business, financial condition and results of operations may be adversely affected, perhaps materially.

Our future success is dependent on our ability to compete effectively in highly competitive markets.

We operate in the highly competitive markets of Martin, St. Lucie, Brevard, Indian River and Palm Beach Counties in southeastern Florida, the Orlando, Florida metropolitan statistical area, as well as in more rural competitive counties in the Lake Okeechobee, Florida region. Our future growth and success will depend on our ability to compete effectively in these markets. We compete for loans, deposits and other financial services in geographic markets with other local, regional and national commercial banks, thrifts, credit unions, mortgage lenders, and securities and insurance brokerage firms. Many of our competitors offer products and services different from us, and have substantially greater resources, name recognition and market presence than we do, which benefits them in attracting business. Larger competitors may be able to price loans and deposits more aggressively than we can, and have broader customer and geographic bases to draw upon.

We are dependent on key personnel and the loss of one or more of those key personnel could harm our business.

Our future success significantly depends on the continued services and performance of our key management personnel. We believe our management team s depth and breadth of experience in the banking industry is integral to executing our business plan. We also will need to continue to attract, motivate and retain other key personnel. The loss of the services of members of our senior management team or other key employees or the inability to attract additional qualified personnel as needed could have a material adverse effect on our business, financial position, results of operations and cash flows.

We are subject to losses due to fraudulent and negligent acts on the part of loan applicants, mortgage brokers, other vendors and our employees.

When we originate mortgage loans, we rely heavily upon information supplied by loan applicants and third parties, including the information contained in the loan application, property appraisal, title information and employment and income documentation provided by third parties. If any of this information is misrepresented and such misrepresentation is not detected prior to loan funding, we generally bear the risk of loss associated with the misrepresentation.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems, losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. We could experience increases in deposits and assets as a result of other banks difficulties or failure, which would increase the capital we need to support such growth.

We operate in a heavily regulated environment.

We and our subsidiaries are regulated by several regulators, including the Federal Reserve, the OCC, the SEC, the FDIC and FINRA, and since December 2008, the Treasury. Our success is affected by state and federal regulations affecting banks and bank holding companies, and the securities markets and securities and insurance regulators. Banking regulations are primarily intended to protect depositors, not shareholders. The financial services industry also is subject to frequent legislative and regulatory changes and proposed changes, the effects of which cannot be predicted. Federal bank regulatory agencies and the Treasury, as well as the Congress and the President, are evaluating and have proposed numerous significant changes in the regulation of banks, other financial services providers and the financial markets. These changes, if adopted, could require us to maintain more capital, liquidity and risk controls which could adversely affect our growth, profitability and financial condition.

Federal banking agencies periodically conduct examinations of our business, including for compliance with laws and regulations, and our failure to comply with any supervisory actions to which we are or become subject as a result of such examinations may adversely affect us.

The Federal Reserve and the OCC periodically conduct examinations of our business and Seacoast National s business, including for compliance with laws and regulations. If, as a result of an examination, the Federal Reserve and/or the OCC were to determine that the financial condition, capital resources, asset quality, asset concentrations, earnings prospects, management, liquidity, sensitivity to market risk, or other aspects of any of our or Seacoast National s operations had become unsatisfactory, or that we or our management were in violation of any law, regulation or guideline in effect from time to time, the regulators may take a number of different remedial actions as they deem appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the composition of our concentrations in portfolio or balance sheet assets, to assess civil monetary penalties against our officers or directors or to remove officers and directors.

We are subject to internal control reporting requirements that increase compliance costs and failure to comply with such requirements could adversely affect our reputation and the value of our securities.

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board and Nasdaq. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our annual report on Form 10-K pursuant to Section 404 of the Sarbanes-Oxley Act. We are also subject to a number of disclosure and reporting requirements as a result of our participation in TARP CPP. The SEC also has proposed a number of new rules or regulations requiring additional disclosure, such as lower-level employee compensation. We expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to track and comply with the various rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the value of our securities.

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Technological changes affect our business, and we may have fewer resources than many competitors to invest in technological improvements.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to serving clients better, the effective use of technology may increase efficiency and may enable financial institutions to reduce costs. Our future success will depend, in part, upon our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in operations. We may need to make significant additional capital investments in technology in the future, and we may not be able to effectively implement new technology-driven products and services. Many competitors have substantially greater resources to invest in technological improvements.

The anti-takeover provisions in our Articles of Incorporation and under Florida law may make it more difficult for takeover attempts that have not been approved by our board of directors.

Florida law and our Articles of Incorporation include anti-takeover provisions, such as provisions that encourage persons seeking to acquire control of us to consult with our board, and which enable the board to negotiate and give consideration on behalf of us and our shareholders and other constituencies to the merits of any offer made. Such provisions, as well as supermajority voting and quorum requirements and a staggered board of directors, may make any takeover attempts and other acquisitions of interests in us, by means of a tender offer, open market purchase, a proxy fight or otherwise, that have not been approved by our board of directors more difficult and more expensive. These provisions may discourage possible business combinations that a majority of our shareholders may believe to be desirable and beneficial. As a result, our board of directors may decide not to pursue transactions that would otherwise be in the best interests of holders of our common stock.

Hurricanes or other adverse weather events would negatively affect our local economies or disrupt our operations, which would have an adverse effect on our business or results of operations.

Our market areas in Florida are susceptible to hurricanes and tropical storms and related flooding and wind damage. Such weather events can disrupt operations, result in damage to properties and negatively affect the local economies in the markets where we operate. We cannot predict whether or to what extent damage that may be caused by future hurricanes will affect our operations or the economies in our current or future market areas, but such weather events could result in a decline in loan originations, a decline in the value or destruction of properties securing our loans and an increase in the delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of future hurricanes or tropical storms, including flooding and wind damage. Many of our customers have incurred significantly higher property and casualty insurance premiums on their properties located in our markets, which may adversely affect real estate sales and values in our markets.

We may engage in FDIC-assisted transactions, which could present additional risks to our business.

We may have opportunities to acquire the assets and liabilities of failed banks in FDIC-assisted transactions, which present general acquisition risks, as well as risks specific to these transactions. Although FDIC-assisted transactions typically provide for FDIC assistance to an acquirer to mitigate certain risks, which may include loss-sharing, where the FDIC absorbs most losses on covered assets and provides some indemnity, we would be subject to many of the same risks we would face in acquiring another bank in a negotiated transaction, without FDIC assistance, including risks associated with pricing such transactions, the risks of loss of deposits and maintaining customer relationships and the failure to realize the anticipated acquisition benefits in the amounts and within the timeframes we expect. In addition, because these acquisitions provide for limited diligence and negotiation of terms, these transactions may require additional resources and time, servicing acquired problem loans and costs related to integration of personnel and operating systems, the establishment of processes to service acquired assets, and require us to raise additional capital, which may be dilutive to our existing shareholders. If we are unable to manage these risks, FDIC-assisted acquisitions could have a material adverse effect on our business, financial condition and results of operations.

Attractive acquisition opportunities may not be available to us in the future.

While we seek continued organic growth, as our earnings and capital position improve, we may consider the acquisition of other businesses. We expect that other banking and financial companies, many of which have significantly greater resources, will compete with us to acquire financial services businesses. This competition could increase prices for potential acquisitions that we believe are attractive. Also, acquisitions are subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals, we will not be able to consummate an acquisition that we believe is in our best interests. Among other things, our regulators consider our capital, liquidity, profitability, regulatory compliance and levels of goodwill and intangibles when considering acquisition and expansion proposals. Any acquisition could be dilutive to our earnings and shareholders equity per share of our common stock.

Risks Related to our Common Stock

We may issue additional shares of common or preferred stock securities, which may dilute the interests of our shareholders and may adversely affect the market price of our common stock.

We are currently authorized to issue up to 300 million shares of common stock, of which 93,514,212 shares were outstanding as of March 31, 2011, and up to 4 million shares of preferred stock, of which 2,000 shares are outstanding. During the second quarter of 2010, the Company issued Series B convertible preferred stock raising $47.1 million in capital, with additional common stock of 34,465,348 shares issued at conversion five days after approval by shareholders at the annual shareholders meeting on June 22, 2010. Our board of directors has authority, without action or vote of the shareholders, to issue all or part of the remaining authorized but unissued shares and to establish the terms of any series of preferred stock. These authorized but unissued shares could be issued on terms or in circumstances that could dilute the interests of other shareholders.

The Series A Preferred Stock diminishes the net income available to our common shareholders and earnings per common share, and the Warrant we issued to Treasury may be dilutive to holders of our common stock.

The dividends accrued and the accretion on discount on the Series A Preferred Stock reduce the net income available to common shareholders and our earnings per common share. The Series A Preferred Stock is cumulative, which means that any dividends not declared or paid will accumulate and will be payable when we resume paying dividends. Shares of Series A Preferred Stock will also receive preferential treatment in the event of liquidation, dissolution or winding up of Seacoast. Additionally, the ownership interest of the existing holders of our common stock will be diluted to the extent the Warrant is exercised. The shares of common stock underlying the Warrant represent approximately 0.6 percent of the shares of our common stock outstanding as of March 31, 2011 (including the shares issuable upon exercise of the Warrant in our total outstanding shares). Although Treasury has agreed not to vote any of the shares of common stock it receives upon exercise of the Warrant, a transferee of any portion of the Warrant or of any shares of common stock acquired upon exercise of the Warrant is not bound by this restriction.

Holders of the Series A Preferred Stock have certain voting rights that may adversely affect our common shareholders, and the holders of shares of our Series A Preferred Stock may have different interests from, and vote their shares in a manner deemed adverse to, our common shareholders.

In the event that we fail to pay dividends on the Series A Preferred Stock for an aggregate of at least six quarterly dividend periods (whether or not consecutive) the Treasury will have the right to appoint two directors to our board of directors until all accrued but unpaid dividends have been paid; otherwise, except as required by law, holders of the Series A Preferred Stock have limited voting rights. We currently have failed to pay dividends on the Series A Preferred Stock for seven consecutive quarterly dividend periods. So long as shares of the Series A Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required by law or our amended and restated charter, the vote or consent of holders owning at least 66 2/3 percent of the shares of Series A Preferred Stock outstanding is required for:

- any authorization or issuance of shares ranking senior to the Series A Preferred Stock;
- any amendment to the rights of the Series A Preferred Stock so as to adversely affect the rights, preferences, privileges or voting power of the Series A Preferred Stock; or
- consummation of any merger, share exchange or similar transaction unless the 2,000 shares of Series A Preferred Stock remain outstanding, or if we are not the surviving entity in such transaction, are converted into or exchanged for preference securities of the surviving entity and the shares of Series A Preferred Stock remaining outstanding or such preference securities have such rights, preferences, privileges and voting power as are not materially less favorable to the holders than the rights, preferences, privileges and voting power of the shares of Series A Preferred Stock. Holders of Series A Preferred Stock could block the foregoing transitions, even where considered desirable by, or in the best interests of, holders of our common stock.

The holders of Series A Preferred Stock, including the Treasury, may have different interests from the holders of our common stock, and could vote to disapprove transactions that are favored by, or are in the best interests of, our common shareholders.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer purchases of equity securities during the first quarter of 2011 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Public Announced Plan*	Maximum Number of Shares that May yet be Purchased Under the Plan
1/1/11 to 1/31/11	0	$ 0	668,657	156,343
2/1/11 to 2/28/11	0	0	668,657	156,343
3/1/11 to 3/31/11	0	0	668,657	156,343
Total 1st Quarter	0	0	668,657	156,343

* The plan to purchase equity securities totaling 825,000 was approved on September 18, 2001, with no expiration date.

Item 3. Defaults upon Senior Securities

On May 19, 2009, the Company s Board of Directors voted to suspend quarterly dividends on the Company s common and preferred stock and interest payments on subordinated debt associated with trust preferred securities. Therefore, the Company is currently in arrears with the dividend payments on Series A Preferred Stock and interest payments on subordinated debt. As of the date of filing this Report, the amount of the arrearage on the dividend payments of Series A Preferred Stock is $5,579,000 and the amount of the arrearage on the payments on the subordinated debt associated with trust preferred securities is $2,219,000. The total arrearage on both securities is $7,798,000 as of March 31, 2011.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

During the period covered by this report, there was no information required to be disclosed by us in a Current Report on Form 8-K that was not so reported, nor were there any material changes to the procedures by which our security holders may recommend nominees to our Board of Directors.

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Item 6. Exhibits

Exhibit 31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	SEACOAST BANKING CORPORATION OF FLORIDA
May 10, 2011	/s/ Dennis S. Hudson, III DENNIS S. HUDSON, III Chairman & Chief Executive Officer
May 10, 2011	/s/ William R. Hahl WILLIAM R. HAHL Executive Vice President & Chief Financial Officer