Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES 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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SBCF	Nasdaq Global Select Market

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 ☒ No☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Common Stock, $0.10 Par Value – 55,168,617 shares as of September 30, 2020

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SEACOAST BANKING CORPORATION OF FLORIDA

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	**2020**	**2019**	**2020**	**2019**
Interest and fees on loans	$ 60,487	$ 63,092	$ 188,771	$ 187,667
Interest and dividends on securities	7,097	8,933	23,609	27,279
Interest on interest bearing deposits and other investments	556	800	1,974	2,591
Total Interest Income	68,140	72,825	214,354	217,537
Interest on deposits	1,299	4,334	5,692	13,032
Interest on time certificates	2,673	6,009	11,261	16,692
Interest on borrowed money	665	1,534	3,449	5,955
Total Interest Expense	4,637	11,877	20,402	35,679
Net Interest Income	63,503	60,948	193,952	181,858
Provision for credit losses	(845)	2,251	36,279	6,199
Net Interest Income after Provision for Credit Losses	64,348	58,697	157,673	175,659
Noninterest income				
Other income	16,942	14,790	45,387	41,678
Securities gains (losses), net	4	(847)	1,253	(1,322)
Total Noninterest Income (Note H)	16,946	13,943	46,640	40,356
Total Noninterest Expenses (Note H)	51,674	38,583	141,871	122,682
Income Before Income Taxes	29,620	34,057	62,442	93,333
Provision for income taxes	6,992	8,452	14,025	21,770
Net Income	$ 22,628	$ 25,605	$ 48,417	$ 71,563
Share Data				
Net income per share of common stock				
Diluted	$ 0.42	$ 0.49	$ 0.91	$ 1.38
Basic	0.42	0.50	0.91	1.39
Average common shares outstanding				
Diluted	54,301	51,935	53,325	51,996
Basic	53,978	51,473	52,926	51,426

See notes to unaudited condensed consolidated financial statements.

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2020**	**2019**	**2020**	**2019**
Net Income	$ 22,628	$ 25,605	$ 48,417	$ 71,563
Other comprehensive income:				
Unrealized gains on securities available-for-sale	2,301	5,555	19,986	29,864
Reclassification of unrealized losses on securities transferred to available-for-sale upon adoption of new accounting pronouncement	—	—	—	(730)
Amortization of unrealized losses on securities transferred to held-to-maturity, net	55	59	173	202
Reclassification adjustment for (gains) losses included in net income	(4)	895	(1,097)	1,538
Provision for income taxes	(423)	(1,468)	(4,304)	(7,503)
Total other comprehensive income	1,929	5,041	14,758	23,371
Comprehensive Income	$ 24,557	$ 30,646	$ 63,175	$ 94,934

See notes to unaudited condensed consolidated financial statements.

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except share data)	September 30, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 81,692	$ 89,843
Interest bearing deposits with other banks	227,876	34,688
Total cash and cash equivalents	309,568	124,531
Time deposits with other banks	2,247	3,742
Debt securities:		
Securities available-for-sale (at fair value)	1,286,858	946,855
Securities held-to-maturity (fair value $216,000 at September 30, 2020 and $262,213 at December 31, 2019)	207,376	261,369
Total debt securities	1,494,234	1,208,224
Loans held for sale (at fair value)	73,046	20,029
Loans	5,858,029	5,198,404
Less: Allowance for credit losses	(94,013)	(35,154)
Loans, net of allowance for credit losses	5,764,016	5,163,250
Bank premises and equipment, net	76,393	66,615
Other real estate owned	15,890	12,390
Goodwill	221,176	205,286
Other intangible assets, net	18,163	20,066
Bank owned life insurance	130,887	126,181
Net deferred tax assets	25,503	16,457
Other assets	156,717	141,740
Total Assets	$ 8,287,840	$ 7,108,511
Liabilities		
Deposits	$ 6,914,843	$ 5,584,753
Securities sold under agreements to repurchase, maturing within 30 days	89,508	86,121
Federal Home Loan Bank (FHLB) borrowings	35,000	315,000
Subordinated debt	71,295	71,085
Other liabilities	78,853	65,913
Total Liabilities	7,189,499	6,122,872
Shareholders' Equity		
Common stock, par value $0.10 per share, authorized 120,000,000 shares, issued 55,499,401 and outstanding 55,168,617 at September 30, 2020, and authorized 120,000,000, issued 51,760,617 and outstanding 51,513,733 shares at December 31, 2019	5,517	5,151
Other shareholders' equity	1,092,824	980,488
Total Shareholders' Equity	1,098,341	985,639
Total Liabilities and Shareholders' Equity	$ 8,287,840	$ 7,108,511

See notes to unaudited condensed consolidated financial statements.

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Nine Months Ended September 30, 2020	2019
Cash Flows from Operating Activities		
Net income	$ 48,417	$ 71,563
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,531	4,899
Amortization of premiums and discounts on securities, net	2,890	1,876
Amortization of operating lease right-of-use assets	3,274	3,068
Other amortization and accretion, net	(4,402)	(1,914)
Stock based compensation	5,471	5,773
Origination of loans designated for sale	(378,069)	(234,130)
Sale of loans designated for sale	335,882	227,711
Provision for credit losses	36,279	6,199
Deferred income taxes	(6,257)	4,442
(Gains) losses on sale of securities	(1,102)	1,538
Gains on sale of loans	(10,585)	(6,683)
Gains on sale and write-downs of other real estate owned	(278)	(279)
Losses on disposition of fixed assets	790	506
Bank owned life insurance death benefits	—	(956)
Changes in operating assets and liabilities, net of effects from acquired companies:		
Net increase in other assets	(27,735)	(1,585)
Net increase (decrease) in other liabilities	9,174	(6,721)
Net cash provided by operating activities	18,280	75,307
Cash Flows from Investing Activities		
Maturities and repayments of debt securities available-for-sale	211,798	67,951
Maturities and repayments of debt securities held-to-maturity	53,409	30,382
Proceeds from sale of debt securities available-for-sale	96,733	122,906
Purchases of debt securities available-for-sale	(626,731)	(164,451)
Maturities of time deposits with other banks	1,495	3,664
Net new loans and principal repayments	(204,282)	(48,600)
Purchases of loans held for investment	—	(117,853)
Proceeds from sale of other real estate owned	6,174	5,153
Additions to other real estate owned	(2,004)	—
Proceeds from sale of FHLB and Federal Reserve Bank Stock	37,697	46,283
Purchase of FHLB and Federal Reserve Bank Stock	(26,976)	(36,093)
Net cash from bank acquisitions	71,965	—
Proceeds from bank owned life insurance	—	14,218
Additions to bank premises and equipment	(1,373)	(2,254)
Net cash used in investing activities	(382,095)	(78,694)

See notes to unaudited condensed consolidated financial statements.

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)	Nine Months Ended September 30, 2020	2019
Cash Flows from Financing Activities		
Net increase in deposits	$ 826,686	$ 495,901
Net increase (decrease) in federal funds purchased and repurchase agreements	3,387	(143,909)
Net decrease in FHLB borrowings with original maturities of three months or less	(235,000)	(267,000)
Repayments of FHLB borrowings with original maturities of more than three months	(80,000)	(63,000)
Proceeds from FHLB borrowings with original maturities of more than three months	35,000	—
Stock based employee benefit plans	(1,221)	(2,296)
Dividends paid	—	—
Net cash provided by financing activities	548,852	19,696
Net increase in cash and cash equivalents	185,037	16,309
Cash and cash equivalents at beginning of period	124,531	115,951
Cash and cash equivalents at end of period	$ 309,568	$ 132,260
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 19,834	$ 35,255
Cash paid during the period for taxes	21,712	13,500
Recognition of operating lease right-of-use assets	1,887	29,430
Recognition of operating lease liabilities	1,887	33,756
Supplemental disclosure of non-cash investing activities:		
Transfer of debt securities from held-to-maturity to available-for-sale	$ —	$ 52,796
Transfers from loans to other real estate owned	5,552	5,665
Transfers from bank premises to other real estate owned	1,289	—

See notes to unaudited condensed consolidated financial statements.

SEACOAST BANKING CORPORATION OF FLORIDA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Unaudited)

(In thousands)	Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Stock	Income (Loss)	Total
Balance at June 30, 2020	52,991	$ 5,299	$ 811,321	$ 204,726	$ (8,037)	$ 17,294	$ 1,030,603
Comprehensive income	—	—	—	22,628	—	1,929	24,557
Stock based compensation expense	39	—	1,948	—	—	—	1,948
Common stock transactions related to stock based employee benefit plans	18	6	(6)	—	96	—	96
Common stock issued for stock options	1	—	16	—	—	—	16
Issuance of common stock, pursuant to acquisition	2,120	212	40,909	—	—	—	41,121
Three months ended September 30, 2020	2,178	218	42,867	22,628	96	1,929	67,738
Balance at September 30, 2020	55,169	$ 5,517	$ 854,188	$ 227,354	$ (7,941)	$ 19,223	$ 1,098,341

(In thousands)	Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Stock	Income (Loss)	Total
Balance at June 30, 2019	51,461	$ 5,146	$ 782,928	$ 143,032	$ (6,137)	$ 5,270	$ 930,239
Comprehensive income	—	—	—	25,605	—	5,041	30,646
Stock based compensation expense	30	—	1,745	—	—	—	1,745
Common stock transactions related to stock based employee benefit plans	(9)	2	(12)	—	58	—	48
Three months ended September 30, 2019	21	2	1,733	25,605	58	5,041	32,439
Balance at September 30, 2019	51,482	$ 5,148	$ 784,661	$ 168,637	$ (6,079)	$ 10,311	$ 962,678

(In thousands)	Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Stock	Income (Loss)	Total
Balance at December 31, 2019	51,514	$ 5,151	$ 786,242	$ 195,813	$ (6,032)	$ 4,465	$ 985,639
Comprehensive income	—	—	—	48,417	—	14,758	63,175
Stock based compensation expense	39	—	5,471	—	—	—	5,471
Common stock transactions related to stock based employee benefit plans	395	44	(53)	—	(1,909)	—	(1,918)
Common stock issued for stock options	58	6	692	—	—	—	698
Cumulative change in accounting principle upon adoption of new accounting pronouncement (See Note A - Basis of Presentation)	—	—	—	(16,876)	—	—	(16,876)
Issuance of common stock, pursuant to acquisition	3,163	316	61,836	—	—	—	62,152
Nine months ended September 30, 2020	3,655	366	67,946	31,541	(1,909)	14,758	112,702
Balance at September 30, 2020	55,169	$ 5,517	$ 854,188	$ 227,354	$ (7,941)	$ 19,223	$ 1,098,341

(In thousands)	Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Stock	Income (Loss)	Total
Balance at December 31, 2018	51,361	$ 5,136	$ 778,501	$ 97,074	$ (3,384)	$ (13,060)	$ 864,267
Comprehensive income	—	—	—	71,563	—	23,371	94,934
Stock based compensation expense	30	—	5,773	—	—	—	5,773
Common stock transactions related to stock based employee benefit plans	62	9	(38)	—	(2,695)	—	(2,724)
Common stock issued for stock options	29	3	425	—	—	—	428
Nine months ended September 30, 2019	121	12	6,160	71,563	(2,695)	23,371	98,411
Balance at September 30, 2019	51,482	$ 5,148	$ 784,661	$ 168,637	$ (6,079)	$ 10,311	$ 962,678

See notes to unaudited condensed consolidated financial statements.

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

Note A – Basis of Presentation

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements of Seacoast Banking Corporation of Florida and its subsidiaries (the "Company") have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") 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. GAAP 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. Certain prior period amounts have been reclassified to conform to the current period presentation.

Operating results for the nine months ended September 30, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020 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, 2019.

Use of Estimates: The preparation of these condensed consolidated financial statements requires management to make judgments in the application of certain of its accounting policies that involve significant estimates and assumptions. The Company has established policies and control procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, revenues and expenses, are based on information available as of the date of the financial statements, and changes in this information over time and the use of revised estimates and assumptions could materially affect amounts reported in subsequent financial statements. Specific areas, among others, requiring the application of management's estimates include determination of the allowance for credit losses, acquisition accounting and purchased loans, intangible assets and impairment testing, other fair value adjustments, income taxes and realization of deferred tax assets and contingent liabilities.

Adoption of new accounting pronouncements:

On January 1, 2020, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 326 *Financial Instruments - Credit Losses* ("ASC Topic 326") which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity ("HTM") debt securities. It also applies to off-balance sheet credit exposure such as loan commitments, standby letters of credit, financial guarantees and other similar instruments. In addition, ASC Topic 326 changed the accounting for impairment of available-for-sale ("AFS") debt securities.

The Company adopted ASC Topic 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for the reporting period beginning after January 1, 2020 are presented under ASC Topic 326, while prior period amounts continue to be reported in accordance with previously applicable GAAP. The following table reflects the cumulative effect of adoption:

(in thousands)	December 31, 2019	CECL adoption impact	January 1, 2020
Loans	$ 5,198,404	$ (706)	$ 5,197,698
Allowance for credit losses	35,154	21,226	56,380
Reserve for unfunded commitments	140	1,837	1,977
Deferred tax assets	16,457	(5,481)	10,976
Retained earnings	195,813	(16,876)	178,937

ASC Topic 326 introduced new definitions and criteria for categorizing purchased loans. Loans that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination are classified as purchased credit deteriorated ("PCD"). Acquired loans which do not meet the definition of PCD are classified by the Company as acquired Non-PCD. At the date of adoption, the Company reclassified all loans previously classified as purchased credit impaired ("PCI") to PCD, and increased the allowance by $0.7 million with a corresponding adjustment to these loans' amortized cost basis. The remaining noncredit discount on loans previously classified as PCI was $0.9 million, which will be accreted into interest income over the remaining life of the loans.

Under CECL, the Company estimates the allowance using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit losses provide the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, loan to value ratios, borrower credit characteristics, loan seasoning or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, occupancy rates, and other macroeconomic metrics.

For loans analyzed on a collective basis, the Company has developed an allowance model based on an analysis of the probability of default ("PD") and loss given default ("LGD") to determine an expected loss by loan segment. PDs and LGDs are developed by analyzing the average historical loss migration of loans to default. The Company excludes accrued interest on loans from its determination of allowance.

The allowance estimation process also applies an economic forecast scenario over a three year forecast period. The forecast may utilize one scenario or a composite of scenarios based on management's judgment and expectations around the current and future macroeconomic outlook. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modification unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring ("TDR") will be executed with an individual borrower, or the extension or renewal options are explicitly stated in the contract and are not unconditionally under the control of the Company. For portfolio segments with a weighted average life longer than three years, the Company reverts to longer-term historical loss experience, adjusted for prepayments, to estimate losses over the remaining life of the loans within each segment.

Adjustments may be made to baseline reserves based on an assessment of internal and external influences on credit quality not fully reflected in the quantitative components of the allowance model. These influences may include elements such as changes in concentration, macroeconomic conditions, recent observable asset quality trends, staff turnover, regional market conditions, employment levels and loan growth. Based on management's assessments of these factors, the Company may apply qualitative adjustments to the allowance.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. Loans evaluated individually are collateral dependent and primarily secured by real estate. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

In response to the COVID-19 pandemic beginning in early 2020, rules defined in the Coronavirus Aid, Relief and Economic Security ("CARES") Act and a joint statement issued by federal regulators in consultation with FASB provide financial institutions with the option not to apply troubled debt restructure ("TDR") accounting to eligible loan modifications provided to borrowers affected by the economic impact of the COVID-19 pandemic. See Note E - Loans for information on loan modifications offered by the Company under this guidance. Outside of this guidance, a loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulty, is considered to be a TDR. The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment, except when the value of a concession cannot be measured using a method other than the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit losses is determined by discounting the expected future cash flows at the original interest rate of the loan.

The Company estimates a reserve for unfunded commitments, which is reported separately from the allowance for credit losses within other liabilities. The reserve is based upon the same quantitative and qualitative factors applied to the collectively evaluated loan portfolio.

All HTM debt securities are issued by government-sponsored entities, which are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. In addition, the credit rating on all the Company's HTM debt securities as of the date of adoption is AA+. There is no history of the government withholding or limiting support to these agencies, nor is there any indication of a change to that historical support. While the potential for default on these securities may be something greater than zero, the long history with no credit losses, the implied government guarantee of principal and interest payments and the high credit rating of the HTM portfolio provide sufficient basis for the current expectation that there is zero risk of loss if default were to occur. As a result, the Company recorded no allowance for HTM debt securities with fair value less than amortized cost basis at the date of adoption.

ASC Topic 326 amended the existing other-than-temporary-impairment guidance for AFS securities, requiring credit losses to be recorded as an allowance rather than through a permanent write-down. When evaluating AFS debt securities under ASC Topic 326, the Company has evaluated whether the decline in fair value is attributed to credit losses or other factors using both

quantitative and qualitative analyses, including cash flow analysis, review of credit ratings, remaining payment terms, prepayment speeds and analysis of macro-economic conditions. At the date of adoption, collateralized loan obligations had unrealized losses of $1.2 million. The collateral for these securities is first lien senior secured corporate debt, and the Company holds senior tranches rated A or higher. Based on this analysis, the Company believes that the unrealized loss position for AFS debt securities at the time of adoption was the result of both broad investment type spreads and the current rate environment. Each investment is expected to recover its price depreciation over its holding period as it moves to maturity and the Company has the intent and ability to hold these securities to maturity if necessary. As a result of this evaluation, the Company concluded that no allowance was appropriate.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. The guidance provides accounting relief to contract modifications that replace an interest rate impacted by reference rate reform (e.g. London Inter-Bank Offered Rate ("LIBOR")) with a new alternative reference rate. The guidance is applicable to investment securities, receivables, loans, debt, leases, derivatives and hedge accounting elections, and other contractual arrangements. The Company applied the guidance prospectively beginning April 1, 2020, with no material impact on its financial position, results of operations or cash flows.

Note B – Recently Issued Accounting Standards, Not Yet Adopted

None this period.

Note C – Earnings per Share

Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period.

For the three and nine months ended September 30, 2020, options to purchase 508,000 shares of the Company's common stock were anti-dilutive and, accordingly, were excluded in the computation of diluted earnings per share, compared to 492,000 shares for the three and nine months ended September 30, 2019.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share data)	**2020**	**2019**	**2020**	**2019**
Basic earnings per share				
Net income	$ 22,628	$ 25,605	$ 48,417	$ 71,563
Average common shares outstanding	53,978	51,473	52,926	51,426
Net income per share	$ 0.42	$ 0.50	$ 0.91	$ 1.39
Diluted earnings per share				
Net income	$ 22,628	$ 25,605	$ 48,417	$ 71,563
Average common shares outstanding	53,978	51,473	52,926	51,426
Add: Dilutive effect of employee restricted stock and stock options	323	462	399	570
Average diluted shares outstanding	54,301	51,935	53,325	51,996
Net income per share	$ 0.42	$ 0.49	$ 0.91	$ 1.38

Note D – Securities

The amortized cost, gross unrealized gains and losses and fair value of securities available-for-sale and held-to-maturity at September 30, 2020 and December 31, 2019 are summarized as follows:

	September 30, 2020			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale				
U.S. Treasury securities and obligations of U.S. government agencies	$ 8,518	$ 534	$ (1)	$ 9,051
Mortgage-backed securities and collateralized mortgage obligations of U.S. government-sponsored entities	916,231	23,676	(646)	939,261
Private mortgage-backed securities and collateralized mortgage obligations	98,984	2,099	(298)	100,785
Collateralized loan obligations	203,834	157	(2,613)	201,378
Obligations of state and political subdivisions	34,312	2,168	(97)	36,383
Totals	$ 1,261,879	$ 28,634	$ (3,655)	$ 1,286,858
Debt securities held-to-maturity				
Mortgage-backed securities of U.S. government-sponsored entities	$ 207,376	$ 8,642	$ (18)	$ 216,000
Totals	$ 207,376	$ 8,642	$ (18)	$ 216,000

	December 31, 2019			
(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale				
U.S. Treasury securities and obligations of U.S. government agencies	$ 9,914	$ 204	$ (4)	$ 10,114
Mortgage-backed securities and collateralized mortgage obligations of U.S. government-sponsored entities	604,934	5,784	(1,511)	609,207
Private mortgage-backed securities and collateralized mortgage obligations	56,005	1,561	(5)	57,561
Collateralized loan obligations	239,364	7	(1,153)	238,218
Obligations of state and political subdivisions	30,548	1,208	(1)	31,755
Totals	$ 940,765	$ 8,764	$ (2,674)	$ 946,855
Debt securities held-to-maturity				
Mortgage-backed securities of U.S. government-sponsored entities	261,369	2,717	(1,873)	262,213
Totals	$ 261,369	$ 2,717	$ (1,873)	$ 262,213

Proceeds from sales of securities during the three months ended September 30, 2020 were $4.4 million. During this period, the Company recorded nominal gross gains and no gross losses. For the three months ended September 30, 2019, proceeds from sales of securities were $49.6 million, which resulted in gross losses of $0.9 million on available-for-sale debt securities and an increase of $0.1 million in the value of an investment in shares of a mutual fund that invests primarily in CRA-qualified debt securities are included in "Securities gains (losses), net".

Proceeds from sales of securities during the nine months ended September 30, 2020 and 2019 were $96.7 million and $122.9 million, respectively. Included in "Securities gains (losses), net" are gross gains of $2.4 million and gross losses of $1.3 million for the nine months ended September 30, 2020, and gross gains of $0.3 million and gross losses of $1.8 million for the nine months ended September 30, 2019. "Securities gains (losses), net" also includes an increase of $0.2 million for each of the nine

months ended September 30, 2020 and 2019, in the value of an investment in shares of a mutual fund that invests primarily in CRA-qualified debt securities.

At September 30, 2020, debt securities with a fair value of $335.9 million were pledged primarily as collateral for public deposits and secured borrowings.

The amortized cost and fair value of debt securities held-to-maturity and available-for-sale at September 30, 2020, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because prepayments of the underlying collateral for these securities may occur, due to the right to call or repay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Held to Maturity		Available-for-Sale	
(In thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in less than one year	$ —	$ —	$ 2,096	$ 2,107
Due after one year through five years	—	—	10,986	11,612
Due after five years through ten years	—	—	10,118	10,871
Due after ten years	—	—	19,630	20,844
	—	—	42,830	45,434
Mortgage-backed securities and collateralized mortgage obligations of U.S. government-sponsored entities	207,376	216,000	916,231	939,261
Private mortgage-backed securities and collateralized mortgage obligations	—	—	98,984	100,785
Collateralized loan obligations	—	—	203,834	201,378
Totals	$ 207,376	$ 216,000	$ 1,261,879	$ 1,286,858

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, or using observable market data. The tables below indicate, at September 30, 2020, the fair value of available-for-sale debt securities with unrealized losses for which no allowance for credit losses has been recorded, and at December 31, 2019, the fair value of available-for-sale and held-to-maturity debt securities with unrealized losses for which no allowance has been recorded.

	September 30, 2020					
	Less Than 12 Months		12 Months or Longer		Total	
(In thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
U.S. Treasury securities and obligations of U.S. government agencies	$ —	—	$ 258	$ (1)	$ 258	$ (1)
Mortgage-backed securities and collateralized mortgage obligations of U.S. government-sponsored entities	248,463	(628)	351	(18)	248,814	(646)
Private mortgage-backed securities and collateralized mortgage obligations	28,276	(298)	—	—	28,276	(298)
Collateralized loan obligations	66,037	(699)	110,500	(1,914)	176,537	(2,613)
Obligations of state and political subdivisions	6,782	(97)	—	—	6,782	(97)
Totals	$ 349,558	$ (1,722)	$ 111,109	$ (1,933)	$ 460,667	$ (3,655)

(In thousands)	December 31, 2019 Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
U.S. Treasury securities and obligations of U.S. government agencies	$ 758	$ (4)	$ —	$ —	$ 758	$ (4)
Mortgage-backed securities and collateralized mortgage obligations of U.S. government-sponsored entities	220,057	(1,461)	104,184	(1,923)	324,241	(3,384)
Private mortgage-backed securities and collateralized mortgage obligations	2,978	(5)	—	—	2,978	(5)
Collateralized loan obligations	88,680	(570)	110,767	(583)	199,447	(1,153)
Obligations of state and political subdivisions	515	(1)	—	—	515	(1)
Totals	$ 312,988	$ (2,041)	$ 214,951	$ (2,506)	$ 527,939	$ (4,547)

At September 30, 2020, the Company had $2.6 million in unrealized losses in uncapped 3-month LIBOR floating rate collateralized loan obligations ("CLOs") having a fair value of $176.5 million. CLOs are special purpose vehicles and those in which the Company has invested acquire nearly all first-lien, broadly syndicated corporate loans across a diversified band of industries while providing support to senior tranche investors. As of September 30, 2020, all positions held by the Company are in AAA and AA tranches, with average credit support of 36% and 26%, respectively. The Company evaluates the securities for potential credit losses by modeling expected loan-level defaults, recoveries, and prepayments for each CLO security. Based on the assessment of all relevant factors, the Company believes that the unrealized loss positions on these debt securities are a function of changes in investment spreads and interest rate movements and not changes in credit quality, and expects to recover the entire amortized cost basis of these securities. Therefore, at September 30, 2020, no allowance for credit losses has been recorded.

At September 30, 2020, the Company had $0.6 million of unrealized losses on mortgage-backed securities and collateralized mortgage obligations issued by government-sponsored entities having a fair value of $248.8 million. These securities are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. The implied government guarantee of principal and interest payments and the high credit rating of the portfolio provide sufficient basis for the current expectation that there is no risk of loss if default were to occur. Based on the assessment of all relevant factors, the Company believes that the unrealized loss positions on these debt securities are a function of changes in investment spreads and interest rate movements and not changes in credit quality, and expects to recover the entire amortized cost basis of these securities. Therefore, at September 30, 2020, no allowance for credit losses has been recorded.

At September 30, 2020, the Company had $0.3 million of unrealized losses on private label residential and commercial mortgage-backed securities and collateralized mortgage obligations having a fair value of $28.3 million. The collateral underlying these mortgage investments is primarily residential real estate. The securities have average credit support of 23%. Based on the assessment of all relevant factors, the Company believes that the unrealized loss positions on these debt securities are a function of changes in investment spreads and interest rate movements and not changes in credit quality, and expects to recover the entire amortized cost basis of these securities. Therefore, at September 30, 2020, no allowance for credit losses has been recorded.

All HTM debt securities are issued by government-sponsored entities, which are either explicitly or implicitly guaranteed by the U.S. government and have a long history of no credit losses. While the potential for default on these securities may be something greater than zero, the long history with no credit losses, the implied government guarantee of principal and interest payments and the high credit rating of the HTM portfolio provide sufficient basis for the current expectation that there is no risk of loss if default were to occur. Despite the emergence of significant market changes and increasing degrees of uncertainty in the U.S. economy in 2020, there has to date been no specific impact on the agencies or changes in the nature or quality of the guarantee they provide. As a result, as of September 30, 2020, no allowance for credit losses has been recorded.

Included in other assets at September 30, 2020 is $34.0 million of Federal Home Loan Bank and Federal Reserve Bank stock stated at par value. The Company has not identified events or changes in circumstances that may have a significant adverse effect on the fair value of these cost method investment securities. Also included in other assets is a $6.5 million investment in a CRA-qualified mutual fund carried at fair value. Accrued interest receivable on AFS and HTM debt securities of $3.2 million and $0.5 million at September 30, 2020, respectively, and $3.8 million and $0.6 million at December 31, 2019, respectively, is also included in other assets.

The Company holds 11,330 shares of Visa Class B stock, which, following resolution of Visa litigation, will be converted to Visa Class A shares. Under the current conversion ratio that became effective September 27, 2019, the Company would receive 1.6228 shares of Class A stock for each share of Class B stock for a total of 18,386 shares of Visa Class A stock. The ownership of Visa stock is related to prior ownership in Visa's network while Visa operated as a cooperative, and is recorded on the Company's financial records at a zero basis.

Note E – Loans

Loans held for investment are categorized into the following segments:

- Construction and land development: Loans are extended to both commercial and consumer customers which are collateralized by and for the purpose of funding land development and construction projects, including 1-4 family residential construction, multi-family property and non-farm residential property where the primary source of repayment is from proceeds of the sale, refinancing or permanent financing of the property.
- Commercial real estate - owner-occupied: Loans are extended to commercial customers for the purpose of acquiring real estate to be occupied by the borrower's business. These loans are collateralized by the subject property and the repayment of these loans is largely dependent on the performance of the company occupying the property.
- Commercial real estate - non owner-occupied: Loans are extended to commercial customers for the purpose of acquiring commercial property where occupancy by the borrower is not their primary intent. These loans are viewed primarily as cash flow loans, collateralized by the subject property, and the repayment of these loans is largely dependent on rental income from the successful operation of the property.
- Residential real estate: Loans are extended to consumer customers and collateralized primarily by 1-4 family residential properties and include fixed and variable rate mortgages, home equity mortgages, and home equity lines of credit. Loans are primarily written based on conventional loan agency guidelines, including loans that exceed agency value limitations. Sources of repayment may be from the occupant of the residential property or from cash flows on rental income from the successful operation of the property.
- Commercial and financial: Loans are extended to commercial customers. The purpose of the loans can be working capital, physical asset expansion, asset acquisition or other business purposes. Loans may be collateralized by assets owned by the borrower or the borrower's business. Commercial loans are based primarily on the historical and projected cash flow of the borrower's business and secondarily on the capacity of credit enhancements, guarantees and underlying collateral provided by the borrower.
- Consumer: Loans are extended to consumer customers. The segment includes both installment loans and lines of credit which may be collateralized or non-collateralized.
- Paycheck Protection Program ("PPP"): Loans originated under a temporary program established by the CARES Act. Under the terms of the program, balances may be forgiven if the borrower uses the funds in a manner consistent with the program guidelines, and repayment is guaranteed by the U.S. government.

The following tables present net loan balances by segment as of:

	September 30, 2020			
(In thousands)	**Portfolio Loans**	**Acquired Non-PCD Loans**	**PCD Loans**	**Total**
Construction and land development	$ 246,312	$ 30,720	$ 3,578	$ 280,610
Commercial real estate - owner-occupied	817,547	267,223	40,690	1,125,460
Commercial real estate - non owner-occupied	1,014,993	348,085	31,386	1,394,464
Residential real estate	1,182,558	201,221	9,617	1,393,396
Commercial and financial	711,358	105,327	16,398	833,083
Consumer	184,608	7,306	302	192,216
Paycheck Protection Program	584,577	54,223	—	638,800
Totals	$ 4,741,953	$ 1,014,105	$ 101,971	$ 5,858,029

(In thousands)	December 31, 2019 Portfolio Loans	PULs	PCI Loans	Total
Construction and land development	$ 281,335	$ 43,618	$ 160	$ 325,113
Commercial real estate[1]	1,834,811	533,943	10,217	2,378,971
Residential real estate	1,304,305	201,848	1,710	1,507,863
Commercial and financial	697,301	80,372	579	778,252
Consumer	200,166	8,039	—	208,205
Totals	$ 4,317,918	$ 867,820	$ 12,666	$ 5,198,404

[1]*Commercial real estate includes owner-occupied balances of $1.0 billion for December 31, 2019.*

The amortized cost basis of loans at September 30, 2020 included net deferred costs of $21.8 million on non-PPP portfolio loans and net deferred fees of $13.1 million on PPP loans. At December 31, 2019, the amortized cost basis included net deferred costs of $19.9 million. In the first quarter of 2020, the Company completed the acquisition of First Bank of the Palm Beaches, adding PCD loans of $43.0 million and Non-PCD loans of $103.8 million. In the third quarter of 2020, the Company completed the acquisition of Fourth Street Banking Company and its wholly-owned subsidiary, Freedom Bank, adding PCD loans of $49.4 million and Non-PCD loans of $254.1 million. See additional discussion in Note L - Business Combinations. At September 30, 2020, the remaining fair value adjustments on acquired loans was $34.6 million, or 3.0% of the outstanding acquired loan balances. At December 31, 2019, the remaining fair value adjustments for acquired loans was $34.9 million, or 3.8% of the acquired loan balances. These amounts are accreted into interest income over the remaining lives of the related loans on a level yield basis.

Accrued interest receivable is included within Other Assets and was $31.3 million and $14.9 million at September 30, 2020 and December 31, 2019, respectively. The balance at September 30, 2020 includes $15.4 million associated with loans on short-term payment deferral, against which the Company has established a valuation allowance of $0.4 million.

The following tables present the status of net loan balances as of September 30, 2020 and December 31, 2019. Loans on short-term payment deferral at the reporting date are reflected as current.

	September 30, 2020					
(In thousands)	**Current**	**Accruing 30-59 Days Past Due**	**Accruing 60-89 Days Past Due**	**Accruing Greater Than 90 Days**	**Nonaccrual**	**Total**
Portfolio Loans						
Construction and land development	$ 246,255	$ —	$ 37	$ —	$ 20	$ 246,312
Commercial real estate - owner-occupied	813,825	850	450	—	2,422	817,547
Commercial real estate - non owner-occupied	1,012,815	—	—	—	2,178	1,014,993
Residential real estate	1,169,466	2,388	250	—	10,454	1,182,558
Commercial and financial	704,308	995	148	10	5,897	711,358
Consumer	183,944	294	9	—	361	184,608
Paycheck Protection Program	584,577	—	—	—	—	584,577
Total Portfolio Loans	4,715,190	4,527	894	10	21,332	4,741,953
Acquired Non-PCD Loans						
Construction and land development	30,146	—	—	—	574	30,720
Commercial real estate - owner-occupied	266,656	—	—	—	567	267,223
Commercial real estate - non owner-occupied	346,769	278	—	—	1,038	348,085
Residential real estate	193,421	1,156	1,057	—	5,587	201,221
Commercial and financial	104,263	—	221	—	843	105,327
Consumer	7,306	—	—	—	—	7,306
Paycheck Protection Program	54,223	—	—	—	—	54,223
Total Acquired Non-PCD Loans	1,002,784	1,434	1,278	—	8,609	1,014,105
PCD Loans						
Construction and land development	3,568	—	—	—	10	3,578
Commercial real estate - owner-occupied	39,064	—	1,113	—	513	40,690
Commercial real estate - non owner-occupied	26,380	—	—	—	5,006	31,386
Residential real estate	8,495	—	—	—	1,122	9,617
Commercial and financial	15,774	327	—	—	297	16,398
Consumer	261	33	—	—	8	302
Total PCD Loans	93,542	360	1,113	—	6,956	101,971
Total Loans	$ 5,811,516	$ 6,321	$ 3,285	$ 10	$ 36,897	$ 5,858,029

(In thousands)	December 31, 2019 Current	Accruing 30-59 Days Past Due	Accruing 60-89 Days Past Due	Accruing Greater Than 90 Days	Nonaccrual	Total
Portfolio Loans						
Construction and land development	$ 276,984	$ —	$ —	$ —	$ 4,351	$ 281,335
Commercial real estate	1,828,629	1,606	220	—	4,356	1,834,811
Residential real estate	1,294,778	1,564	18	—	7,945	1,304,305
Commercial and financial	690,412	2,553	—	108	4,228	697,301
Consumer	199,424	317	315	—	110	200,166
Total Portfolio Loans	4,290,227	6,040	553	108	20,990	4,317,918
Purchased Unimpaired Loans						
Construction and land development	43,044	—	—	—	574	43,618
Commercial real estate	531,325	942	431	—	1,245	533,943
Residential real estate	201,159	277	—	—	412	201,848
Commercial and financial	78,705	—	—	—	1,667	80,372
Consumer	8,039	—	—	—	—	8,039
Total PULs	862,272	1,219	431	—	3,898	867,820
Purchased Credit Impaired Loans						
Construction and land development	148	—	—	—	12	160
Commercial real estate	9,298	—	—	—	919	10,217
Residential real estate	587	—	—	—	1,123	1,710
Commercial and financial	566	—	—	—	13	579
Consumer	—	—	—	—	—	—
Total PCI Loans	10,599	—	—	—	2,067	12,666
Total Loans	$ 5,163,098	$ 7,259	$ 984	$ 108	$ 26,955	$ 5,198,404

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cost-recovery method. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, and future payments are reasonably assured. The Company recognized $0.1 million in interest income on nonaccrual loans during each of the three months ended September 30, 2020 and 2019, respectively. The Company recognized $0.5 million and $1.2 million in interest income on nonaccrual loans during the nine months ended September 30, 2020 and 2019, respectively. The following tables present net balances of loans on nonaccrual status and the related allowance for credit losses, if any, as of:

(In thousands)	September 30, 2020 Nonaccrual Loans With No Related Allowance	Nonaccrual Loans With an Allowance	Total Nonaccrual Loans	Allowance for Credit Losses
Construction and land development	$ 585	$ 19	$ 604	$ 9
Commercial real estate - owner-occupied	2,669	833	3,502	672
Commercial real estate - non owner-occupied	4,821	3,401	8,222	1,829
Residential real estate	14,963	2,200	17,163	1,456
Commercial and financial	2,989	4,048	7,037	2,816
Consumer	29	340	369	55
Totals	$ 26,056	$ 10,841	$ 36,897	$ 6,837

(In thousands)	December 31, 2019			
	Nonaccrual Loans With No Related Allowance	Nonaccrual Loans With an Allowance	Total Nonaccrual Loans	Allowance for Credit Losses
Construction and land development	$ 4,913	$ 23	$ 4,936	$ 12
Commercial real estate	6,200	320	6,520	149
Residential real estate	8,700	780	9,480	564
Commercial and financial	3,449	2,460	5,909	1,622
Consumer	39	71	110	37
Totals	$ 23,301	$ 3,654	$ 26,955	$ 2,384

Collateral Dependent Loans

Loans are considered collateral dependent when the repayment, based on the Company's assessment as of the reporting date, is expected to be provided substantially through the operation or sale of the underlying collateral and there are no other available and reliable sources of repayment. The following table presents collateral dependent loans as of:

(In thousands)	September 30, 2020	December 31, 2019
Construction and land development	$ 630	$ 4,926
Commercial real estate - owner-occupied	7,379	2,571
Commercial real estate - non owner-occupied	7,626	3,152
Residential real estate	22,352	11,550
Commercial and financial	11,563	4,338
Consumer	416	141
Totals	$ 49,966	$ 26,678

Loans by Risk Rating

The Company utilizes an internal asset classification system as a means of identifying problem and potential problem loans. The following classifications are used to categorize loans under the internal classification system:

- Pass: Loans that are not problem loans or potential problem loans are considered to be pass-rated.
- Special Mention: Loans that do not currently expose the Company to sufficient risk to warrant classification in the Substandard or Doubtful categories, but possess weaknesses that deserve management's close attention are deemed to be Special Mention.
- Substandard: Loans with the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
- Substandard Impaired: Loans typically placed on nonaccrual and considered to be collateral dependent or accruing TDRs.
- Doubtful: Loans that have all the weaknesses inherent in those classified Substandard with the added characteristic that the weakness present makes collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The principal balance of loans classified as doubtful are likely to be charged off.

The following tables present the risk rating of loans by year of origination:

	September 30, 2020							
(In thousands)	**2020**	**2019**	**2018**	**2017**	**2016**	**Prior**	**Revolving**	**Total**
Construction and Land Development								
Risk Ratings:								
Pass	$ 48,020	$ 78,737	$ 59,752	$ 17,830	$ 9,586	$ 18,206	$ 31,633	$ 263,764
Special Mention	398	503	1,378	12,311	—	1,478	—	16,068
Substandard	—	—	—	—	—	55	—	55
Substandard Impaired	—	—	—	—	574	149	—	723
Doubtful	—	—	—	—	—	—	—	—
Total	48,418	79,240	61,130	30,141	10,160	19,888	31,633	280,610
Commercial real estate - owner-occupied								
Risk Ratings:								
Pass	93,407	202,179	164,622	151,893	156,433	313,205	14,792	1,096,531
Special Mention	196	1,596	389	1,010	4,471	3,338	—	11,000
Substandard	—	—	204	4,742	1,970	5,531	—	12,447
Substandard Impaired	—	337	878	1,056	—	2,890	—	5,161
Doubtful[1]	—	—	—	—	321	—	—	321
Total	93,603	204,112	166,093	158,701	163,195	324,964	14,792	1,125,460
Commercial real estate - non owner-occupied								
Risk Ratings:								
Pass	98,658	322,048	200,813	131,590	186,063	372,215	5,317	1,316,704
Special Mention	—	103	28,710	1,674	14,266	114	—	44,867
Substandard	—	—	9,694	—	8,319	5,072	1,350	24,435
Substandard Impaired	—	2,418	—	—	126	5,914	—	8,458
Doubtful	—	—	—	—	—	—	—	—
Total	98,658	324,569	239,217	133,264	208,774	383,315	6,667	1,394,464
Residential real estate								
Risk Ratings:								
Pass	53,171	151,107	233,660	235,119	178,988	180,156	334,622	1,366,823
Special Mention	—	—	98	—	—	562	391	1,051
Substandard	—	—	—	—	—	1,677	1,443	3,120
Substandard Impaired	112	681	1,334	4,162	2,528	10,790	2,768	22,375
Doubtful[1]	—	—	—	—	—	27	—	27
Total	53,283	151,788	235,092	239,281	181,516	193,212	339,224	1,393,396
Commercial and financial								
Risk Ratings:								
Pass	162,696	158,468	111,812	70,868	44,846	59,387	194,344	802,421
Special Mention	—	234	14	5,732	81	1,773	304	8,138
Substandard	153	145	3,306	198	407	2,270	2,261	8,740
Substandard Impaired	319	4,440	2,742	1,667	2,340	1,079	1,197	13,784
Doubtful	—	—	—	—	—	—	—	—
Total	163,168	163,287	117,874	78,465	47,674	64,509	198,106	833,083

(In thousands)	2020	2019	2018	2017	2016	Prior	Revolving	Total
	September 30, 2020							
Consumer								
Risk Ratings:								
Pass	36,295	48,610	34,541	21,993	24,259	10,996	12,381	189,075
Special Mention	—	70	30	72	65	7	1,856	2,100
Substandard	—	—	—	27	22	38	339	426
Substandard Impaired	48	51	10	—	316	190	—	615
Doubtful	—	—	—	—	—	—	—	—
Total	36,343	48,731	34,581	22,092	24,662	11,231	14,576	192,216
Paycheck Protection Program								
Risk Ratings:								
Pass	638,800	—	—	—	—	—	—	638,800
Total	638,800	—	—	—	—	—	—	638,800
Consolidated								
Risk Ratings:								
Pass	1,131,047	961,149	805,200	629,293	600,175	954,165	593,089	5,674,118
Special Mention	594	2,506	30,619	20,799	18,883	7,272	2,551	83,224
Substandard	153	145	13,204	4,967	10,718	14,643	5,393	49,223
Substandard Impaired	479	7,927	4,964	6,885	5,884	21,012	3,965	51,116
Doubtful[1]	—	—	—	—	321	27	—	348
Total	$ 1,132,273	$ 971,727	$ 853,987	$ 661,944	$ 635,981	$ 997,119	$ 604,998	$ 5,858,029

[1]*Loans classified as doubtful are fully reserved as of September 30, 2020.*

The following table presents the risk rating of loans as of:

(In thousands)	Pass	Special Mention	Substandard	Doubtful[1]	Total
	December 31, 2019				
Construction and land development	$ 317,765	$ 2,235	$ 5,113	$ —	$ 325,113
Commercial real estate	2,331,725	26,827	20,098	321	2,378,971
Residential real estate	1,482,278	7,364	18,221	—	1,507,863
Commercial and financial	755,957	11,925	9,496	874	778,252
Consumer	203,966	3,209	1,030	—	208,205
Totals	$ 5,091,691	$ 51,560	$ 53,958	$ 1,195	$ 5,198,404

[1]*Loans classified as doubtful are fully reserved as of December 31, 2019.*

Troubled Debt Restructured Loans

The Company’s TDR concessions granted to certain borrowers generally do not include forgiveness of principal balances, but may include interest rate reductions, an extension of the amortization period and/or converting the loan to interest only for a limited period of time. Loan modifications are not reported in calendar years after modification if the loans were modified at an interest rate equal to the yields of new loan originations with

comparable risk and the loans are performing based on the terms of the restructuring agreements.

Loans Modified in Connection with COVID-19 Pandemic

The CARES Act, which was signed into law on March 27, 2020, encourages financial institutions to practice prudent efforts to work with borrowers financially impacted by the COVID-19 pandemic by providing an option to exclude from TDR consideration certain loan modifications that might otherwise be categorized as TDRs under ASC 310-40. This option is available for modifications that are deemed to be COVID-related, where the borrower was not more than 30 days past due on

December 31, 2019, and the modification is executed between March 1, 2020 and the earlier of (i) December 31, 2020 or (ii) 60 days after the end of the COVID-19 national emergency. Federal banking regulators issued similar guidance that also allows lenders to conclude that short-term modifications for borrowers affected by the pandemic should not be considered TDRs if the borrower was current at the time of modification. Seacoast began offering short-term payment deferrals of up to six months to eligible borrowers in March 2020 and, at September 30, 2020, had $702.7 million of loans on payment deferral, none of which have been classified as TDRs.

The following table presents loans on payment deferral, excluding PPP loans, as of September 30, 2020:

(In thousands)	Loans Outstanding	% on Payment Deferral
Construction and land development	$ 9,359	3%
Commercial real estate - owner-occupied	204,710	18
Commercial real estate - non owner-occupied	344,573	25
Residential real estate	75,885	5
Commercial and financial	61,308	7
Consumer	6,815	4
Totals	$ 702,650	13%

The following table presents loans that were modified in a troubled debt restructuring during the three and nine months ended:

	Three Months Ended September 30,					
	2020			2019		
(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Construction and land development	—	$ —	$ —	—	$ —	$ —
Commercial real estate - owner-occupied	—	—	—	—	—	—
Commercial real estate - non owner-occupied	—	—	—	—	—	—
Residential real estate	—	—	—	2	519	519
Commercial and financial	—	—	—	1	1,120	1,120
Consumer	1	41	41	—	—	—
Totals	1	$ 41	$ 41	3	$ 1,639	$ 1,639

	Nine Months Ended September 30,					
	2020			2019		
(In thousands)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Construction and land development	—	$ —	$ —	—	$ —	$ —
Commercial real estate - owner-occupied	—	—	—	2	2,166	2,166
Commercial real estate - non owner-occupied	—	—	—	—	—	—
Residential real estate	1	45	45	2	519	519
Commercial and financial	4	437	437	2	1,299	1,299
Consumer	3	88	88	1	19	19
Totals	8	$ 570	$ 570	7	$ 4,003	$ 4,003

The TDRs described above resulted in a specific allowance for credit losses of $0.2 million as of September 30, 2020, and no specific allowance for credit losses as of September 30, 2019. During the nine months ended September 30, 2020, there were four defaults totaling $1.4 million on loans that had been modified in TDRs within the preceding twelve months. During the nine months ended September 30, 2019, there were three defaults totaling $2.1 million of loans to a single borrower that had been modified to a TDR within the preceding twelve months. The Company considers a loan to have defaulted when it becomes 90 days or more delinquent under the modified terms, has been transferred to nonaccrual status, is charged off or has been transferred to other real estate owned. For loans measured based on the present value of expected future cash flows, $19,000 and $40,000 for the three months ended September 30, 2020, and 2019, respectively, and $65,000 and $102,000 for the nine months ended September 30, 2020, and 2019, respectively, was included in interest income and represents the change in present value attributable to the passage of time.

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Note F – Allowance for Credit Losses

Activity in the allowance for credit losses is summarized as follows:

	Three Months Ended September 30, 2020						
(In thousands)	Beginning Balance	Initial Allowance on PCD Loans Acquired During the Period	Provision for Credit Losses[1]	Charge-Offs	Recoveries	TDR Allowance Adjustments	Ending Balance
Construction and land development	$ 7,161	$ 39	$ 475	$ —	$ 26	$ —	$ 7,701
Commercial real estate - owner-occupied	5,562	954	689	—	26	(12)	7,219
Commercial real estate - non owner-occupied	38,992	2,096	(7,050)	(25)	5	—	34,018
Residential real estate	20,453	27	(3,196)	(19)	65	(5)	17,325
Commercial and financial	15,514	2,632	8,081	(1,776)	203	—	24,654
Consumer	3,568	15	(244)	(355)	114	(2)	3,096
Paycheck Protection Program	—	—	—	—	—	—	—
Totals	$ 91,250	$ 5,763	$ (1,245)	$ (2,175)	$ 439	$ (19)	$ 94,013

[1]In addition to a reversal of provision for credit losses on loans of $1.2 million in the third quarter of 2020, the Company also recorded a $0.4 million provision to establish a valuation allowance on accrued interest receivable.

	Three Months Ended September 30, 2019					
(In thousands)	Beginning Balance	Provision for Loan Losses	Charge-Offs	Recoveries	TDR Allowance Adjustments	Ending Balance
Construction and land development	$ 2,243	$ (395)	$ —	$ 6	$ —	$ 1,854
Commercial real estate	11,870	1,368	(232)	10	(19)	12,997
Residential real estate	7,508	87	(38)	52	(20)	7,589
Commercial and financial	8,912	769	(1,625)	295	—	8,351
Consumer	2,972	422	(697)	118	(1)	2,814
Totals	$ 33,505	$ 2,251	$ (2,592)	$ 481	$ (40)	$ 33,605

	Nine Months Ended September 30, 2020							
(In thousands)	Beginning Balance	Impact of Adoption of ASC 326	Initial Allowance on PCD Loans Acquired During the Period	Provision for Credit Losses[1]	Charge-Offs	Recoveries	TDR Allowance Adjustments	Ending Balance
Construction and land development	$ 1,842	$ 1,479	$ 87	$ 4,202	$ —	$ 92	$ (1)	$ 7,701
Commercial real estate - owner-occupied	5,361	80	1,161	655	(45)	44	(37)	7,219
Commercial real estate - non owner-occupied	7,863	9,341	2,236	14,578	(37)	37	—	34,018
Residential real estate	7,667	5,787	124	3,638	(150)	283	(24)	17,325
Commercial and financial	9,716	3,677	2,643	12,144	(4,642)	1,116	—	24,654
Consumer	2,705	862	28	662	(1,442)	284	(3)	3,096
Paycheck Protection Program	—	—	—	—	—	—	—	—
Totals	$ 35,154	$ 21,226	$ 6,279	$ 35,879	$ (6,316)	$ 1,856	$ (65)	$ 94,013

[1]In addition to a reversal of provision for credit losses on loans of $1.2 million in the third quarter of 2020, the Company also recorded a $0.4 million provision to establish a valuation allowance on accrued interest receivable.

(In thousands)	Nine Months Ended September 30, 2019 Beginning Balance	Provision for Loan Losses	Charge- Offs	Recoveries	TDR Allowance Adjustments	Ending Balance
Construction and land development	$ 2,233	$ (391)	$ —	$ 13	$ (1)	$ 1,854
Commercial real estate	11,112	1,560	(248)	622	(49)	12,997
Residential real estate	7,775	(276)	(102)	242	(50)	7,589
Commercial and financial	8,585	3,736	(4,450)	480	—	8,351
Consumer	2,718	1,570	(1,915)	443	(2)	2,814
Totals	$ 32,423	$ 6,199	$ (6,715)	$ 1,800	$ (102)	$ 33,605

Management establishes the allowance using relevant available information from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts to project losses over a three-year forecast period. Forecast data is sourced primarily from Moody's Analytics, a firm widely recognized for its research, analysis, and economic forecasts. For portfolio segments with a weighted average life longer than three years, the Company reverts to longer-term historical loss experience to estimate losses over the remaining life of the loans within each segment.

Historical credit losses provide the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, loan to value ratios, borrower credit characteristics, loan seasoning or term as well as for changes in current and forecasted environmental conditions, such as changes in unemployment rates, property values, occupancy rates, and other macroeconomic metrics.

As of September 30, 2020, the Company utilized Moody's most recent "U.S. Macroeconomic Outlook Baseline" scenario and considered the significant uncertainty associated with the assumptions in the Baseline scenario, including, the potential resurgence of virus infections in Florida and other states, and the resulting potential decline in consumer spending and financial implications for businesses. The Company also considered the amount and availability of fiscal stimulus, including programs offered under the CARES Act and other potential future government programs and actions. Outcomes in any or all of these factors could differ from the Baseline scenario, and the Company incorporated qualitative considerations reflecting the risk of uncertain, and possibly further deteriorating, economic conditions, and for additional dimensions of risk not captured in the quantitative model.

In the Construction and Land Development segment, the increase in reserves during the quarter was affected by both the outlook for commercial real estate valuations, and qualitative adjustments relating to the uncertainty of economic conditions. In this segment, the primary source of repayment is typically from proceeds of the sale, refinancing, or permanent financing of the underlying property; therefore, industry and collateral type and estimated collateral values are among the relevant factors in assessing expected losses.

In the Commercial Real Estate - Owner-Occupied segment, the increase in reserves reflects both the impact of higher loan balances and an improved outlook for unemployment, partially offset by lower forecasted commercial real estate valuations. Risk characteristics include but are not limited to, collateral type, loan seasoning, and lien position.
In the Commercial Real Estate - Non Owner-Occupied segment, the decrease in reserves reflects lower estimated unemployment and an improved outlook for corporate profits over the forecast period. Repayment is often dependent upon rental income from the successful operation of the underlying property. Loan performance may be adversely affected by general economic conditions or conditions specific to the real estate market, including property types. Collateral type, loan seasoning, and lien position are among the risk characteristics analyzed for this segment.

The Residential Real Estate segment includes first mortgages secured by residential property, and home equity lines of credit. The decrease in reserves reflects an improved outlook for unemployment, and continued strength in the Florida housing market. Risk characteristics considered for this segment include, but are not limited to, collateral type, lien position, loan to value ratios, and loan seasoning.

In the Commercial and Financial segment, borrowers are primarily small to medium sized professional firms and other businesses, and loans are generally supported by projected cash flows of the business, collateralized by business assets, and/or guaranteed by the business owners. The increase in reserves reflects an increased proportion of working capital lines compared to loans secured by business assets. Industry, collateral type, estimated collateral values and loan seasoning are among the relevant factors in assessing expected losses.

Consumer loans include installment and revolving lines, loans for automobiles, boats, and other personal or family purposes. Risk characteristics considered for this segment include, but are not limited to, collateral type, loan to value ratios, loan seasoning and FICO score. A decrease in the reserve is attributed to lower loan balances and an improved outlook for unemployment.

Balances outstanding under the Paycheck Protection Program are guaranteed by the U.S. government and have not been assigned a reserve.

The allowance for credit losses is composed of specific allowances for loans individually evaluated and general allowances for loans grouped into loan pools based on similar characteristics, which are collectively evaluated. The Company's loan portfolio and related allowance at September 30, 2020 and December 31, 2019 is shown in the following tables:

	September 30, 2020					
	Individually Evaluated		Collectively Evaluated		Total	
(In thousands)	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance
Construction and land development	$ 723	$ 13	$ 279,887	$ 7,688	$ 280,610	$ 7,701
Commercial real estate - owner-occupied	5,590	788	1,119,870	6,431	1,125,460	7,219
Commercial real estate - non owner-occupied	12,902	1,863	1,381,562	32,155	1,394,464	34,018
Residential real estate	22,966	2,019	1,370,430	15,306	1,393,396	17,325
Commercial and financial	13,824	3,488	819,259	21,166	833,083	24,654
Consumer	615	116	191,601	2,980	192,216	3,096
Paycheck Protection Program	—	—	638,800	—	638,800	—
Totals	$ 56,620	$ 8,287	$ 5,801,409	$ 85,726	$ 5,858,029	$ 94,013

	December 31, 2019					
	Individually Evaluated		Collectively Evaluated		Total	
(In thousands)	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance	Recorded Investment	Associated Allowance
Construction and land development	$ 5,217	$ 14	$ 319,896	$ 1,828	$ 325,113	$ 1,842
Commercial real estate	20,484	220	2,358,487	13,004	2,378,971	13,224
Residential real estate	16,093	834	1,491,770	6,833	1,507,863	7,667
Commercial and financial	6,631	1,731	771,621	7,985	778,252	9,716
Consumer	337	59	207,868	2,646	208,205	2,705
Totals	$ 48,762	$ 2,858	$ 5,149,642	$ 32,296	$ 5,198,404	$ 35,154

Note G – Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are accounted for as secured borrowings. For securities sold under agreements to repurchase, the Company is required to pledge collateral with value sufficient to fully collateralized borrowings. Company securities pledged were as follows by collateral type and maturity as of:

(In thousands)	September 30, 2020	December 31, 2019
Fair value of pledged securities - overnight and continuous:		
Mortgage-backed securities and collateralized mortgage obligations of U.S. government sponsored entities	$ 99,887	$ 94,354

Note H – Noninterest Income and Expense

Details of noninterest income and expenses for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2020**	**2019**	**2020**	**2019**
Noninterest income				
Service charges on deposit accounts	$ 2,242	$ 2,978	$ 7,006	$ 8,569
Interchange income	3,682	3,206	10,115	10,012
Wealth management income	1,972	1,632	5,558	4,773
Mortgage banking fees	5,283	2,127	11,050	4,976
Marine finance fees	242	152	545	715
SBA gains	252	569	572	1,896
BOLI income	899	928	2,672	2,770
Other income	2,370	3,198	7,869	7,967
	16,942	14,790	45,387	41,678
Securities gains (losses), net	4	(847)	1,253	(1,322)
Total	$ 16,946	$ 13,943	$ 46,640	$ 40,356
Noninterest expense				
Salaries and wages	$ 23,125	$ 18,640	$ 67,049	$ 56,566
Employee benefits	3,995	2,973	11,629	10,374
Outsourced data processing costs	6,128	3,711	14,820	11,432
Telephone/data lines	705	603	2,210	2,307
Occupancy	3,858	3,368	10,596	10,916
Furniture and equipment	1,576	1,528	4,557	4,829
Marketing	1,513	933	3,788	3,276
Legal and professional fees	3,018	1,648	8,658	6,528
FDIC assessments	474	56	740	881
Amortization of intangibles	1,497	1,456	4,436	4,370
Foreclosed property expense and net loss on sale	512	262	442	48
Provision for credit losses on unfunded commitments	756	—	980	—
Other	4,517	3,405	11,966	11,155
Total	$ 51,674	$ 38,583	$ 141,871	$ 122,682

Note I – Equity Capital

The Company is well capitalized and at September 30, 2020, the Company and the Company's principal banking subsidiary, Seacoast Bank, exceeded the common equity Tier 1 (CET1) capital ratio regulatory threshold of 6.5% for well-capitalized institutions under the Basel III standardized transition approach, as well as risk-based and leverage ratio requirements for well capitalized banks under the regulatory framework for prompt corrective action.

Note J – Contingent Liabilities

The Company and its subsidiaries, because of the nature of their business, 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.

Note K – Fair Value

Under ASC Topic 820, fair value measurements for items measured at fair value on a recurring and nonrecurring basis at September 30, 2020 and December 31, 2019 included:

(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)
September 30, 2020				
Available for sale debt securities[1]	$ 1,286,858	$ 101	$ 1,286,757	$ —
Loans held for sale[2]	73,046	—	73,046	—
Loans[3]	11,235	—	1,261	9,974
Other real estate owned[4]	15,890	—	875	15,015
Equity securities[5]	6,548	6,548	—	—
December 31, 2019				
Available for sale debt securities[1]	$ 946,855	$ 100	$ 946,755	$ —
Loans held for sale[2]	20,029	—	20,029	—
Loans[3]	5,123	—	1,419	3,704
Other real estate owned[4]	12,390	—	241	12,149
Equity securities[5]	6,392	6,392	—	—

[1]*See Note D for further detail of fair value of individual investment categories.*

[2]*Recurring fair value basis determined using observable market data.*

[3]*See Note E. 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 Topic 310.*

[4]*Fair value is measured on a nonrecurring basis in accordance with ASC Topic 360.*

[5]*An investment in shares of a mutual fund that invests primarily in CRA-qualified debt securities, reported at fair value in Other Assets. Recurring fair value basis is determined using market quotations.*

Available for sale debt securities: U.S. Treasury securities are reported at fair value utilizing Level 1 inputs. Other securities are reported at fair value utilizing Level 2 inputs. 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 flow analyses, using observable market data where available.

The Company reviews the prices supplied by independent pricing services, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The fair value of collateralized loan obligations is determined from broker quotes. From time to time, the Company will validate, on a sample basis, prices supplied by the independent pricing service by comparison to prices obtained from other brokers and third-party sources or derived using internal models.

Loans held for sale: Fair values are based upon estimated values to be received from independent third party purchasers. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on loans held for investment. None of the loans were 90 days or more past due or on non accrual as of September 30, 2020 and December 31, 2019. The aggregate fair value and contractual balance of loans held for sale as of September 30, 2020 and December 31, 2019 is as follows:

(In thousands)	September 30, 2020	December 31, 2019
Aggregate fair value	$ 73,046	$ 20,029
Contractual balance	71,102	19,445
Excess	1,944	584

Loans: Level 2 loans consist of impaired real estate loans which are collateral dependent. Fair value is based on recent real estate appraisals less estimated costs of sale. For residential real estate impaired loans, appraised values or internal evaluations are based on the comparative sales approach. Level 3 loans consist of commercial and commercial real estate impaired loans. For these loans evaluations may use either a single valuation approach or a combination of approaches, such as comparative sales, cost and/or income approach. A significant unobservable input in the income approach is the estimated capitalization rate for a given piece of collateral. At September 30, 2020, the capitalization rates utilized to determine fair value of the underlying collateral averaged approximately 7.3%. Adjustments to comparable sales may be made by an appraiser to reflect local market conditions or other economic factors and may result in changes in the fair value of an asset over time. As such, the fair value of these impaired loans is considered Level 3 in the fair value hierarchy. Impaired loans measured at fair value totaled $11.2 million with a specific reserve of $8.3 million at September 30, 2020, compared to $5.1 million with a specific reserve of $2.9 million at December 31, 2019.

For loans classified as Level 3, changes included loan additions of $10.4 million offset by paydowns and charge-offs of $4.2 million for the nine months ended September 30, 2020.

Other real estate owned: When appraisals are used to determine fair value and the appraisals are based on a market approach, the fair value of other real estate owned (“OREO”) is classified as a Level 2 input. When the fair value of OREO is based on appraisals which require significant adjustments to market-based valuation inputs or apply an income approach based on unobservable cash flows, the fair value of OREO is classified as Level 3.

For OREO classified as Level 3 during the nine months ended September 30, 2020, changes included additions of one multifamily construction property for $6.5 million offset by sales of $3.9 million.

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-end valuation process. There were no such transfers for loans and OREO classified as Level 3 during the nine months ended September 30, 2020 and 2019.

The carrying amount and fair value of the Company’s other financial instruments that were not disclosed previously in the balance sheet and for which carrying amount is not fair value as of September 30, 2020 and December 31, 2019 is as follows:

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(In thousands)	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020				
Financial Assets				
Debt securities held-to-maturity[1]	$ 207,376	$ —	$ 216,000	$ —
Time deposits with other banks	2,247	—	—	2,274
Loans, net	5,752,781	—	—	5,882,185
Financial Liabilities				
Deposit liabilities	6,914,843	—	—	6,920,231
Federal Home Loan Bank (FHLB) borrowings	35,000	—	—	34,897
Subordinated debt	71,295	—	64,206	—
December 31, 2019				
Financial Assets				
Debt securities held-to-maturity[1]	$ 261,369	$ —	$ 262,213	$ —
Time deposits with other banks	3,742	—	—	3,744
Loans, net	5,158,127	—	—	5,139,491
Financial Liabilities				
Deposit liabilities	5,584,753	—	—	5,584,621
Federal Home Loan Bank (FHLB) borrowings	315,000	—	—	314,995
Subordinated debt	71,085	—	64,017	—

[1] *See Note D for further detail of individual investment categories.*

The short maturity of Seacoast's assets and liabilities results in having a significant number of financial instruments whose fair value equals or closely approximates carrying value. Such financial instruments are reported in the following balance sheet captions: cash and due from banks, interest bearing deposits with other banks, and securities sold under agreements to repurchase, maturing within 30 days.

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 September 30, 2020 and December 31, 2019:

Held to maturity debt securities: These debt securities are reported at fair value utilizing level 2 inputs. 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 flow analyses, using observable market data where available.

The Company reviews the prices supplied by independent pricing services, as well as their underlying pricing methodologies, for reasonableness and to ensure such prices are aligned with traditional pricing matrices. From time to time, the Company will validate, on a sample basis, prices supplied by the independent pricing service by comparison to prices obtained from other brokers and third-party sources or derived using internal models.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type, such as commercial or mortgage. Each loan category is further segmented into fixed and adjustable-rate interest terms as well as performing and nonperforming categories. The fair value of loans is calculated by discounting scheduled cash flows through the estimated life including prepayment considerations, using estimated market discount rates that reflect the risks inherent in the loan. The fair value approach considers market-driven variables including credit related factors and reflects an "exit price" as defined in ASC Topic 820.

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.

Note L – Business Combinations

Acquisition of First Bank of the Palm Beaches

On March 13, 2020, the Company completed its acquisition of First Bank of the Palm Beaches (“FBPB”). FBPB was merged with and into Seacoast Bank. FBPB operated two branches in the Palm Beach market.

As a result of this acquisition, the Company expects to enhance its presence in the Palm Beach market, expand its customer base and leverage operating cost through economies of scale, and positively affect the Company’s operating results.

The Company acquired 100% of the outstanding common stock of FBPB. Under the terms of the definitive agreement, each share of FBPB common stock was converted into the right to receive 0.2000 share of Seacoast common stock.

(In thousands, except per share data)	March 13, 2020
Number of FBPB common shares outstanding	5,213
Per share exchange ratio	0.2000
Number of shares of common stock issued	1,043
Multiplied by common stock price per share on March 13, 2020	$ 20.17
Value of common stock issued	21,031
Cash paid for FBPB vested stock options	866
Total purchase price	$ 21,897

The acquisition of FBPB was accounted for under the acquisition method in accordance with ASC Topic 805, *Business Combinations*. The Company recognized goodwill of $6.9 million for this acquisition that is nondeductible for tax purposes. Determining fair values of assets and liabilities, especially the loan portfolio, core deposit intangibles, and deferred taxes, is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values. The fair values initially assigned to assets acquired and liabilities assumed are preliminary and could change for up to one year after the closing date of the acquisition as new information and circumstances relative to closing date fair values becomes known.

(In thousands)	Initially Measured March 13, 2020	Measurement Period Adjustments	As Adjusted March 13, 2020
Assets:			
Cash	$ 34,749	$ —	$ 34,749
Investment securities	447	—	447
Loans	146,839	(62)	146,777
Bank premises and equipment	6,086	—	6,086
Core deposit intangibles	819	—	819
Goodwill	6,799	62	6,861
Other assets	1,285	20	1,305
Total assets	$ 197,024	$ 20	$ 197,044
Liabilities:			
Deposits	$ 173,741	$ —	$ 173,741
Other liabilities	1,386	20	1,406
Total liabilities	$ 175,127	$ 20	$ 175,147

The table below presents information with respect to the fair value and unpaid principal balance of acquired loans at the acquisition date.

(In thousands)	March 13, 2020 Book Balance	March 13, 2020 Fair Value
Loans:		
Construction and land development	$ 9,493	$ 9,012
Commercial real estate - owner-occupied	46,221	45,171
Commercial real estate - non owner-occupied	36,268	35,079
Residential real estate	47,569	47,043
Commercial and financial	9,659	9,388
Consumer	1,132	1,084
Total acquired loans	$ 150,342	$ 146,777

The table below presents the carrying amount of loans for which, at the date of acquisition, there was evidence of more than insignificant deterioration of credit quality since origination:

(In thousands)	March 13, 2020
Book balance of loans at acquisition	$ 43,682
Allowance for credit losses at acquisition	(516)
Non-credit related discount	(128)
Total PCD loans acquired	$ 43,038

The Company believes the deposits assumed in the acquisition have an intangible value. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates and age of deposit relationships.

Acquisition of Fourth Street Banking Company

On August 21, 2020, the Company completed its acquisition of Fourth Street Banking Company ("Fourth Street"). Simultaneously, upon completion of the merger of Fourth Street and the Company, Fourth Street's wholly owned subsidiary bank, Freedom Bank, was merged with and into Seacoast Bank. Prior to the acquisition, Freedom Bank operated two branches in St. Petersburg, Florida.

As a result of this acquisition, the Company expects to enhance its presence in St. Petersburg, expand its customer base and leverage operating cost through economies of scale, and positively affect the Company's operating results.

The Company acquired 100% of the outstanding common stock of Fourth Street. Under the terms of the definitive agreement, each share of Fourth Street common stock was converted into the right to receive 0.1275 share of Seacoast common stock.

(In thousands, except per share data)	August 21, 2020
Number of Fourth Street common shares outstanding	11,220
Shares issued upon conversion of convertible debt	5,405
Per share exchange ratio	0.1275
Number of shares of common stock issued	2,120
Multiplied by common stock price per share on August 21, 2020	$ 19.40
Value of common stock issued	41,121
Cash paid for Fourth Street vested stock options	596
Total purchase price	$ 41,717

The acquisition of Fourth Street was accounted for under the acquisition method in accordance with ASC Topic 805, *Business Combinations*. The Company recognized goodwill of $9.0 million for this acquisition that is nondeductible for tax purposes. Determining fair values of assets and liabilities, especially the loan portfolio, core deposit intangibles, and deferred taxes, is a complicated process involving significant judgment regarding methods and assumptions used to calculate estimated fair values.

The fair values initially assigned to assets acquired and liabilities assumed are preliminary and could change for up to one year after the closing date of the acquisition as new information and circumstances relative to closing date fair values becomes known.

(In thousands)		Initially Measured August 21, 2020
Assets:		
Cash	$	38,082
Investment securities		3,498
Loans		303,434
Bank premises and equipment		9,480
Core deposit intangibles		1,310
Goodwill		9,030
Other assets		7,088
Total assets	$	371,922
Liabilities:		
Deposits	$	329,662
Other liabilities		543
Total liabilities	$	330,205

The table below presents information with respect to the fair value and unpaid principal balance of acquired loans at the acquisition date.

	August 21, 2020			
(In thousands)		Book Balance		Fair Value
Loans:				
Construction and land development	$	9,197	$	8,851
Commercial real estate - owner-occupied		77,936		75,215
Commercial real estate - non owner-occupied		76,014		71,171
Residential real estate		23,548		23,227
Commercial and financial		72,745		68,096
Consumer		2,748		2,694
PPP loans		55,005		54,180
Total acquired loans	$	317,193	$	303,434

The table below presents the carrying amount of loans for which, at the date of acquisition, there was evidence of more than insignificant deterioration of credit quality since origination:

(In thousands)		August 21, 2020
Book balance of loans at acquisition	$	59,455
Allowance for credit losses at acquisition		(5,763)
Non-credit related discount		(4,319)
Total PCD loans acquired	$	49,373

The Company believes the deposits assumed in the acquisition have an intangible value. In determining the valuation amount, deposits were analyzed based on factors such as type of deposit, deposit retention, interest rates and age of deposit relationships.

Pro-Forma Information

Pro-forma data for the three and nine months ended September 30, 2020 presents information as if the acquisition of FBPB and Fourth Street occurred at the beginning of 2019, as follows:

(In thousands, except per share amounts)	Three Months Ended September 30, 2020		Nine Months Ended September 30, 2020	
	2020	2019	2020	2019
Net interest income[1]	$ 65,825	$ 67,090	$ 205,641	$ 198,748
Net income	28,238	27,557	58,824	73,238
EPS - basic	$ 0.51	$ 0.50	$ 1.08	$ 1.34
EPS - diluted	0.51	0.50	1.07	1.33

[1]The provision for credit losses of $1.8 million recorded under CECL at the time of the FBPB acquisition and the $4.6 million recorded under CECL at the time of the Freedom Bank acquisition have been excluded from the pro forma information above, which presents information as if the acquisition had occurred on January 1, 2019, prior to the Company's adoption of CECL.

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

The purpose of this discussion and analysis is to aid in understanding significant changes in the financial condition of Seacoast Banking Corporation of Florida and its subsidiaries ("Seacoast" or the "Company") and their results of operations. Nearly all of the Company's operations are contained in its banking subsidiary, Seacoast National Bank ("Seacoast Bank" or the "Bank"). 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.

The emphasis of this discussion will be on the three and nine months ended September 30, 2020 compared to the three and nine months ended September 30, 2019 for the consolidated statements of income. For the consolidated balance sheets, the emphasis of this discussion will be the balances as of September 30, 2020 compared to December 31, 2019.

This discussion and analysis contains statements that may be considered "forward-looking statements" as defined in, and subject to the protections of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See the following section for additional information regarding forward-looking statements.

For purposes of the following discussion, the words "Seacoast" or the "Company" refer to the combined entities of Seacoast Banking Corporation of Florida and its direct and indirect wholly owned subsidiaries.

Special Cautionary Notice Regarding Forward-Looking Statements

Certain statements made or incorporated by reference herein which are not statements of historical fact, including those under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere herein, are "forward-looking statements" within the meaning, and protections, of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, and intentions about future performance, and involve known and unknown risks, uncertainties and other factors, any of which may be impacted by the COVID-19 pandemic and related effects on the U.S. economy, which may be beyond the Company's control, and which may cause the actual results, performance or achievements of Seacoast or its wholly-owned banking subsidiary, Seacoast Bank, to be materially different from those set forth in the forward-looking statements.

All statements other than statements of historical fact could be forward-looking statements. You can identify these forward-looking statements through the use of words such as "may," "will," "anticipate," "assume," "should," "support," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "further," "plan," "point to," "project," "could," "intend," "target" or 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;
- adverse effects (economic and otherwise) due to the COVID-19 pandemic on the Company and its customers, counterparties, employees, and third-party service providers, and the adverse impacts to our business, financial position, results of operations, and prospects;
- government or regulatory responses to the COVID-19 pandemic;
- governmental monetary and fiscal policies, including interest rate policies of the Board of Governors of the Federal Reserve ("Federal Reserve"), as well as legislative, tax and regulatory changes;
- changes in accounting policies, rules and practices, including the impact of the adoption of CECL;
- 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 rate sensitive assets and liabilities;
- interest rate risks, sensitivities and the shape of the yield curve; uncertainty related to the impact of LIBOR calculations on securities, loans and debt;
- changes in borrower credit risks and payment behaviors, including the ability for borrowers under deferred payment programs to return to making full payments; changes in the availability and cost of credit and capital in the financial markets;
- changes in the prices, values and sales volumes of residential and commercial real estate; the Company's ability to comply with any regulatory requirements;

- the effects of problems encountered by other financial institutions that adversely affect Seacoast or the banking industry;
- Seacoast's concentration in commercial real estate loans;
- the failure of assumptions and estimates, as well as differences in, and changes to, economic, market and credit conditions;
- the impact on the valuation of Seacoast's investments due to market volatility or counterparty payment risk;
- statutory and regulatory dividend restrictions;
- increases in regulatory capital requirements for banking organizations generally;
- the risks of mergers, acquisitions and divestitures, including Seacoast's ability to continue to identify acquisition targets and successfully acquire desirable financial institutions;
- changes in technology or products that may be more difficult, costly, or less effective than anticipated;
- the Company's ability to identify and address increased cybersecurity risks, including data security breaches, credential stuffing, malware, “denial-of-service” attacks, “hacking” and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation, including heightened cyber risk as a result of increased remote working by our associates;
- inability of Seacoast's risk management framework to manage risks associated with the business;
- dependence on key suppliers or vendors to obtain equipment or services for the business on acceptable terms;
- reduction in or the termination of Seacoast's ability to use the mobile-based platform that is critical to the Company's business growth strategy;
- the effects of war or other conflicts, acts of terrorism, natural disasters, health emergencies, epidemics or pandemics, or other catastrophic events that may affect general economic conditions;
- unexpected outcomes of, and the costs associated with, existing or new litigation involving the Company, including as a result of its participation in the PPP program;
- Seacoast's ability to maintain adequate internal controls over financial reporting; potential claims, damages, penalties, fines and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions;
- the risks that deferred tax assets could be reduced if estimates of future taxable income from operations and tax planning strategies are less than currently estimated and sales of capital stock could trigger a reduction in the amount of net operating loss carryforwards that the Company may be able to utilize for income tax purposes;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, non-bank financial technology providers, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in the Company's 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 credit losses;
- the risks relating to the recently completed mergers including, 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 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 disruptions, including, without limitation, the results of difficulties in maintaining relationships with employees;
- the inability to grow the customer and employee base;
- increased competitive pressures and solicitations of customers by competitors;
- the difficulties and risks inherent with entering new markets; and

- other factors and risks described under "Risk Factors" herein and in any of the Company's subsequent reports filed with the SEC and available on its website at www.sec.gov.

All written or oral forward-looking statements that are made or are attributable to Seacoast are expressly qualified in their entirety by this cautionary notice. The Company assumes no obligation to update, revise or correct any forward-looking statements that are made from time to time, either as a result of future developments, new information or otherwise, except as may be required by law.

Third Quarter 2020

Acquisition of Fourth Street Banking Company

In August 2020, Seacoast completed the acquisition of Fourth Street Banking Company ("Fourth Street") and its wholly-owned subsidiary Freedom Bank, which added $303 million in loans and $330 million in deposits. The acquisition supports Seacoast's growing presence in the attractive St. Petersburg, Florida market. Freedom Bank operated two branches in St. Petersburg, which have been converted to Seacoast branches. Consolidation activities and related expenses are mostly complete.

Impact of Paycheck Protection Program Loans on Comparability Amongst Periods

Fees earned by Seacoast to originate Paycheck Protection Program ("PPP") loans, net of loan-specific costs, totaled $17.2 million, and are deferred and recognized as an adjustment to yield over time. At the end of the second quarter of 2020, Seacoast expected that the PPP forgiveness process would begin quickly, with a significant proportion of loans forgiven within nine months of origination. By the end of the third quarter of 2020, the U.S. Small Business Administration ("SBA") had not processed any forgiveness applications, changes to various procedures and forms continued, and additional changes to the program are still being considered by Congress. As a result of the SBA loan forgiveness delays and increased uncertainty of the timing of the loan forgiveness, the Company changed from the accelerated fee recognition schedule used in the second quarter of 2020, and began recognizing fees on a schedule aligned with the full contractual maturity of the loans in the third quarter of 2020. This resulted in only $0.2 million in PPP fees recognized in the third quarter of 2020 compared to $4.0 million in the second quarter of 2020. The uncertainty in the SBA's forgiveness process may result in significant variability of fee recognition in future periods. This is solely a timing issue and does not affect the $17.2 million total fee income Seacoast will recognize as these loans are forgiven or mature. If the contractual term, rather than an accelerated term, had been used to recognize fees since the inception of the PPP program, PPP fee income in each of the second and third quarters of 2020 would have been $2.1 million. The Company expects to recognize approximately $2.1 million in each of the next six quarters if no early forgiveness occurs, although actual early forgiveness events may create variability in timing.

Third Quarter 2020 Results

For the third quarter of 2020, the Company reported net income of $22.6 million, or $0.42 per average diluted share, compared to $25.1 million, or $0.47, for the second quarter of 2020 and $25.6 million, or $0.49, for the third quarter of 2019. For the nine months ended September 30, 2020, net income totaled $48.4 million, or $0.91 per average diluted share, compared to $71.6 million, or $1.38 for the nine months ended September 30, 2019. Adjusted net income[1] for the third quarter of 2020 totaled $27.3 million, or $0.50 per average diluted share, compared to $25.5 million, or $0.48, for the second quarter of 2020 and $27.7 million, or $0.53, for the third quarter of 2019. For the nine months ended September 30, 2020, adjusted net income[1] totaled $58.3 million, or $1.09 per average diluted share, compared to $77.8 million, or $1.50, for the nine months ended September 30, 2019.

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[1] *Non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.*

	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30,	
				2020	2019
Return on average tangible assets	1.20 %	1.37 %	1.61 %	0.93 %	1.53 %
Return on average tangible shareholders' equity	11.35	13.47	14.73	8.71	14.63
Efficiency ratio	61.65	50.11	48.62	57.15	52.85
Adjusted return on average tangible assets[1]	1.38 %	1.33 %	1.67 %	1.04 %	1.59 %
Adjusted return on average tangible shareholders' equity[1]	13.06	13.09	15.30	9.80	15.20
Adjusted efficiency ratio[1]	54.82	49.60	48.96	52.64	52.05

[1]Non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.

For the three months ended September 30, 2020, the Company's results reflect the impact of $4.3 million in merger-related expenses primarily related to the acquisition of Freedom Bank, and $0.5 million in costs relating to the simultaneous consolidation of a legacy branch in St. Petersburg. Results for the three months ended September 30, 2020 were also affected by the change in the timing of recognition of PPP loan fees. The second quarter of 2020 benefited from higher loan production driven by the PPP program, which resulted in higher deferrals of related salary expenses. During the nine months ended September 30, 2020, merger related charges totaled $9.1 million, including costs to acquire both First Bank of the Palm Beaches ("FBPB") in March 2020 and Freedom Bank in August 2020.

Net Interest Income and Margin

Net interest income (on a fully taxable equivalent basis)[2] for the third quarter of 2020 totaled $63.6 million, decreasing $3.8 million, or 6%, compared to the second quarter of 2020, and increasing $2.6 million, or 4%, compared to the third quarter of 2019. For the nine months ended September 30, 2020, net interest income (on a fully tax equivalent basis)[1] totaled $194.3 million, an increase of $12.2 million, or 7%, compared to the nine months ended September 30, 2019. Net interest margin was 3.40% in the third quarter 2020, compared to 3.70% in the second quarter 2020 and 3.89% in the third quarter of 2019. The decrease in the third quarter of 2020 was the result of the decrease in fees recognized on PPP loans. Excluding the impact of PPP loans and accretion of purchase discount on acquired loans, net interest margin decreased four basis points in the third quarter of 2020. Contributing to the four basis point decline, the yield on loans declined nine basis points, reflecting higher paydowns and refinancings, and the yield on securities declined 56 basis points, affected by rate resets and faster prepayments, as well as additional investments of excess liquidity into securities. These declines were partially offset by lower cost of deposits, which decreased seven basis points to 24 basis points during the quarter, compared to 31 basis points in the second quarter of 2020 and 73 basis points in the third quarter of 2019. Lower cost of deposits reflects lower market rates, and a favorable shift in product mix to include a higher proportion of noninterest bearing demand deposits to total deposits. We expect the cost of deposits to further decline in the fourth quarter of 2020.

For the nine months ended September 30, 2020, net interest margin was 3.67%, a decrease of 28 basis points compared to the nine months ended September 30, 2019. For the nine months ended September 30, 2020, the cost of deposits was 36 basis points, compared to 72 basis points for the nine months ended September 30, 2019. Decreases in net interest margin and the cost of deposits reflect the impact of the 150 basis point decrease in the fed funds rate in March 2020, which has since driven contractions in both the yields on interest-bearing assets and the cost of interest-bearing liabilities. In addition, PPP loan balances have yielded an average 2.60% during the nine months ended September 30, 2020, which has negatively affected the total loan yield.

[2]Non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.

The following table details the trend for net interest income and margin results (on a tax equivalent basis)[1], the yield on earning assets and the rate paid on interest bearing liabilities for the periods specified:

(In thousands, except ratios)	Net Interest Income[1]	Net Interest Margin[1]	Yield on Earning Assets[1]	Rate on Interest Bearing Liabilities
Third quarter 2020	$ 63,621	3.40 %	3.65 %	0.40 %
Second quarter 2020	67,388	3.70 %	4.03 %	0.51 %
Third quarter 2019	61,027	3.89 %	4.65 %	1.13 %
Nine Months Ended September 30, 2020	194,300	3.67 %	4.05 %	0.59 %
Nine Months Ended September 30, 2019	182,107	3.95 %	4.72 %	1.14 %

[1]*On tax equivalent basis, a non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.*

Total average loans increased $132.3 million, or 2%, for the third quarter of 2020 compared to the second quarter of 2020, and increased $914.9 million, or 18%, from the third quarter of 2019. The increase from the prior quarter includes the impact of $303.4 million in loans acquired from Freedom Bank in the third quarter of 2020. The increase from prior year reflects the Company's participation in the PPP program and the impact of the acquisitions of FBPB and Freedom Bank.

Average loans as a percentage of average earning assets totaled 79% for the third quarter of 2020, 78% for the second quarter of 2020 and 79% for the third quarter of 2019.

Loan production is detailed in the following table for the periods specified:

(In thousands)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Commercial pipeline at period end	$ 256,191	$ 117,042	$ 396,422	$ 256,191	$ 396,422
Commercial loan originations	88,245	106,857	325,407	378,432	749,467
Residential pipeline - saleable at period end	149,896	94,666	35,136	149,896	35,136
Residential loans-sold	162,468	122,459	80,758	347,792	174,707
Residential pipeline - portfolio at period end	33,374	13,199	43,378	33,374	43,378
Residential loans-retained	25,404	23,539	22,365	74,719	123,765
Consumer pipeline at period end	17,094	30,647	29,635	17,094	29,635
Consumer originations	62,293	57,956	59,933	171,765	156,889
PPP originations	8,276	590,718	—	598,994	—

Commercial originations during the third quarter of 2020 were $88.2 million, a decrease of $18.6 million, or 17%, compared to the second quarter of 2020 and a decrease of $237.2 million, or 73%, compared to the third quarter of 2019. Commercial loan origination activity in the third quarter of 2020 reflects the continued adherence to underwriting guidelines in the current economic environment, lesser pipeline-building activities during the periods of government imposed shutdowns earlier in 2020, and lower demand for credit facilities from business customers.

The commercial pipeline increased $139.1 million, or 119%, to $256.2 million at September 30, 2020 compared to June 30, 2020. The Company has continued to maintain its disciplined credit culture, focusing only on relationships with strong balance sheets that can support significant stress.

The Company originates residential mortgage loans identified for sale to investors in the secondary market. The Company uses rate locks with investors at the time of application, thereby eliminating interest rate risk. Saleable loan production has continued to increase, reflecting a robust residential refinance market and strength in the Florida housing market. Residential loans

originated for sale in the secondary market were $162.5 million in the third quarter of 2020, compared to $122.5 million in the second quarter of 2020 and $80.8 million in the third quarter of 2019, an increase of 33% and 101%, respectively. The residential lending team has adapted quickly to heightened demand and has increased service levels to homebuyers, refinance customers, and local real estate professionals to generate substantial growth. Residential saleable pipelines were $149.9 million as of September 30, 2020, compared to $94.7 million as of June 30, 2020, an increase of 58%.

Residential loan production retained in the portfolio for the third quarter of 2020 was $25.4 million compared to $23.5 million in the second quarter of 2020 and $22.4 million in the third quarter of 2019, an increase of 8% and 13%, respectively. The pipeline of residential loans intended to be retained in the portfolio was $33.4 million as of September 30, 2020, compared to $13.2 million as of June 30, 2020, an increase of 153%.

Consumer originations totaled $62.3 million during the third quarter of 2020, an increase of $4.3 million, or 7%, from the second quarter of 2020 and an increase of $2.4 million, or 4%, from the third quarter of 2019. The consumer pipeline was $17.1 million as of September 30, 2020, compared to $30.6 million as of June 30, 2020, a decrease of 44%. The decrease was primarily the result of lower demand for home equity lines of credit, as customers are using first mortgage refinancing as an economically beneficial alternative.

Seacoast has assisted borrowers with more than 5,500 loans originated through the PPP program and, when combined with PPP loans acquired from Freedom Bank, outstanding balances totaled $638.8 million at September 30, 2020. Under the terms of the SBA's program, principal and interest on PPP loans may be forgiven provided the borrower uses the funds in a manner consistent with the program's guidelines. As of September 30, 2020, the SBA had not processed any forgiveness applications. Significant uncertainty remains about when and if borrowers will seek and qualify for forgiveness, and therefore uncertainty remains about the life of these loans.

Average debt securities increased $190.7 million, or 16.5%, for the third quarter 2020 compared to the second quarter 2020, and were $153.1 million, or 13%, higher compared to the third quarter of 2019. Increases from the second quarter of 2020 reflect the impact of purchases of $387.6 million, partially offset by maturities of $96.7 million. Purchases in the third quarter 2020 were primarily government-sponsored mortgage-backed securities, with an average yield of 1.31%.

The cost of average interest-bearing liabilities contracted 11 basis points in the three months ended September 30, 2020 to 40 basis points from 51 basis points, reflecting the impact of higher deposit balances and decreases in underlying market rates. The Company continues to benefit from a low-cost deposit franchise. During the third quarter of 2020, the Company acquired $330 million in deposits from Freedom Bank, including $141.3 million in noninterest bearing demand deposits. Noninterest bearing demand deposits at September 30, 2020 represented 35% of total deposits compared to 34% at June 30, 2020. The cost of average total deposits (including noninterest bearing demand deposits) in the third quarter of 2020 was 0.24% compared to 0.31% in the second quarter of 2020 and 0.73% in the third quarter of 2019.

Customer relationship funding is detailed in the following table for the periods specified:

Customer Relationship Funding

(In thousands, except ratios)	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019	September 30, 2019
Noninterest demand	$ 2,400,744	$ 2,267,435	$ 1,703,628	$ 1,590,493	$ 1,652,927
Interest-bearing demand	1,385,445	1,368,146	1,234,193	1,181,732	1,115,455
Money market	1,457,078	1,232,892	1,124,378	1,108,363	1,158,862
Savings	655,072	619,251	554,836	519,152	528,214
Time certificates of deposit	1,016,504	1,179,059	1,270,464	1,185,013	1,217,683
Total deposits	$ 6,914,843	$ 6,666,783	$ 5,887,499	$ 5,584,753	$ 5,673,141
Customer sweep accounts	$ 89,508	$ 92,125	$ 64,723	$ 86,121	$ 70,414
Noninterest demand deposits as % of total deposits	35 %	34 %	29 %	28 %	29 %

The Company's focus on convenience, with high-quality customer service, expanded digital offerings and distribution channels provides stable, low-cost core deposit funding. Over the past several years, the Company has strengthened its retail deposit franchise using new strategies and product offerings, while maintaining a focus on growing customer relationships. Seacoast believes that digital product offerings are central to core deposit growth and have proved to be of meaningful value to its customers in this environment. Seacoast's call center and retail associates continue to lead the market in availability and customer service standards, with the call center far out-performing large bank call center wait times and service level standards. The impacts of PPP and individual stimulus payments, as well as the acquisition of FBPB in the first quarter of 2020 and Freedom Bank in the third quarter of 2020, have all contributed to higher deposit balances. The Company has also seen a continued shift toward mobile engagement as customers recognize the ease of access and security features of mobile engagement. At September 30, 2020, registered mobile devices had increased 14% compared to September 30, 2019, while online users increased 13% in the same time period. Growth is coming from both consumer and business customers utilizing the convenience of mobile and online channels. During the third quarter of 2020, average transaction deposits (noninterest and interest bearing demand) increased $248.9 million, or 7%, compared to the second quarter of 2020 and increased $901.8 million, or 33%, compared to the third quarter of 2019. Along with new and acquired relationships, deposit programs and digital sales have improved the Company's market share and deepened relationships with existing customers.

The Company's deposit mix remains favorable, with 84% of average deposit balances comprised of savings, money market, and demand deposits for the nine months ended September 30, 2020. Seacoast's average cost of deposits, including noninterest bearing demand deposits, decreased to 0.36% for the nine months ended September 30, 2020 compared to 0.72% for the nine months ended September 30, 2019, reflecting the lower rates after the Federal Reserve actions beginning in the third quarter of 2019 and shifts in deposit mix with a higher proportion of low cost deposits. Brokered CDs totaled $381.0 million at September 30, 2020, with an average rate of 1.09%. CD maturities are laddered, with $147.2 million maturing in the fourth quarter of 2020.

Short-term borrowings, principally comprised of sweep repurchase agreements with customers, decreased $38.3 million, or 33%, to an average balance of $78.8 million for the nine months ended September 30, 2020 compared to an average balance of $117.1 million for the nine months ended September 30, 2019. The decrease reflects a shift into interest-bearing deposits attributed to an expansion of deposit product offerings with similar characteristics to sweep repurchase products. The average rate on customer sweep repurchase accounts was 0.41% for the nine months ended September 30, 2020, compared to 1.38% for the same period during 2019. No federal funds purchased were utilized at September 30, 2020 or September 30, 2019.

FHLB borrowings averaged $180.9 million for the nine months ended September 30, 2020, increasing $65.6 million, or 57%, compared to the same period in 2019. The average rate on FHLB borrowings for the nine months ended September 30, 2020 was 1.08% compared to 2.51% for the nine months ended September 30, 2019. FHLB borrowings outstanding were $35.0 million at September 30, 2020, with an average rate of 0.72%, maturing in 2023.

For the nine months ended September 30, 2020, subordinated debt averaged $71.2 million, an increase of $0.3 million compared to the same period during 2019. The average rate on subordinated debt for the nine months ended September 30, 2020 was 3.28%, compared to 4.87% for the nine months ended September 30, 2019. The subordinated debt relates to trust preferred securities issued by subsidiary trusts of the Company.

The following tables detail average balances, net interest income and margin results (on a tax equivalent basis) for the periods presented:

Average Balances, Interest Income and Expenses, Yields and Rates[1]

	2020						2019		
	Third Quarter			Second Quarter			Third Quarter		
(In thousands, except ratios)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets									
Earning assets:									
Securities:									
Taxable	$ 1,322,160	$ 6,972	2.11 %	$ 1,135,698	$ 7,573	2.67 %	$ 1,171,393	$ 8,802	3.01 %
Nontaxable	23,570	157	2.67	19,347	152	3.14	21,194	164	3.09
Total Securities	1,345,730	7,129	2.12	1,155,045	7,725	2.68	1,192,587	8,966	3.01
Federal funds sold and other investments	239,511	556	0.92	433,626	684	0.63	84,705	800	3.75
Loans excluding PPP loans	5,242,776	58,854	4.47	5,304,381	59,861	4.54	4,945,953	63,138	5.06
PPP Loans	618,088	1,719	1.11	424,171	5,068	4.81	—	—	—
Total Loans	5,860,864	60,573	4.11	5,728,552	64,929	4.56	4,945,953	63,138	5.06
Total Earning Assets	7,446,105	68,258	3.65	7,317,223	73,338	4.03	6,223,245	72,904	4.65
Allowance for loan losses	(92,151)			(84,965)			(33,997)		
Cash and due from banks	138,749			103,919			88,539		
Premises and equipment	72,572			71,173			68,301		
Intangible assets	228,801			230,871			227,389		
Bank owned life insurance	129,156			127,386			125,249		
Other assets	163,658			147,395			121,850		
Total Assets	$ 8,086,890			$ 7,913,002			$ 6,820,576		
Liabilities and Shareholders' Equity									
Interest-bearing liabilities:									
Interest-bearing demand	$ 1,364,947	$ 330	0.10 %	$ 1,298,639	$ 297	0.09 %	$ 1,116,434	$ 1,053	0.37 %
Savings	648,319	170	0.10	591,040	165	0.11	522,831	531	0.40
Money market	1,328,931	799	0.24	1,193,969	741	0.25	1,173,042	2,750	0.93
Time deposits	1,051,316	2,673	1.01	1,293,766	3,820	1.19	1,159,272	6,009	2.06
Short term borrowings	90,357	40	0.18	74,717	34	0.18	75,785	300	1.57
Federal funds purchased and Federal Home Loan Bank borrowings	93,913	181	0.77	199,698	312	0.63	68,804	414	2.39
Other borrowings	71,258	444	2.48	71,185	581	3.28	70,969	820	4.58
Total Interest-Bearing Liabilities	4,649,041	4,637	0.40	4,723,014	5,950	0.51	4,187,137	11,877	1.13
Noninterest demand	2,279,584			2,097,038			1,626,269		
Other liabilities	96,457			79,855			60,500		
Total Liabilities	7,025,082			6,899,907			5,873,906		
Shareholders' equity	1,061,807			1,013,095			946,670		
Total Liabilities & Equity	$ 8,086,890			$ 7,913,002			$ 6,820,576		
Cost of deposits			0.24 %			0.31 %			0.73 %
Interest expense as a % of earning assets			0.25 %			0.33 %			0.76 %
Net interest income as a % of earning assets		$ 63,621	3.40 %		$ 67,388	3.70 %		$ 61,027	3.89 %

[1]On a fully taxable equivalent basis, a non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP. All yields and rates have been computed on an annual basis using amortized cost. Fees on loans have been included in interest on loans. Nonaccrual loans are included in loan balances.

Average Balances, Interest Income and Expenses, Yields and Rates[1]

	2020			2019		
	Year to Date			Year to Date		
(In thousands, except ratios)	**Average Balance**	**Interest**	**Yield/ Rate**	**Average Balance**	**Interest**	**Yield/ Rate**
Assets						
Earning assets:						
Securities:						
Taxable	$ 1,203,877	$ 23,241	2.57 %	$ 1,175,831	$ 26,854	3.05 %
Nontaxable	20,895	461	2.94	23,935	533	2.97
Total Securities	1,224,772	23,702	2.58	1,199,766	27,387	3.04
Federal funds sold and other investments	253,635	1,974	1.04	89,084	2,591	3.89
Loans excluding PPP loans	5,254,089	182,239	4.63	4,875,975	187,808	5.15
PPP Loans	348,407	6,787	2.60	—	—	—
Total Loans	5,602,496	189,026	4.51	4,875,975	187,808	5.15
Total Earning Assets	7,080,903	214,702	4.05	6,164,825	217,786	4.72
Allowance for loan losses	(78,067)			(33,260)		
Cash and due from banks	111,019			93,171		
Premises and equipment	70,451			69,700		
Intangible assets	228,795			228,710		
Bank owned life insurance	127,683			124,535		
Other assets	145,827			128,016		
Total Assets	$ 7,686,611			$ 6,775,697		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	$ 1,279,485	$ 1,461	0.15 %	$ 1,088,605	$ 3,042	0.37 %
Savings	588,913	683	0.15	512,399	1,593	0.42
Money market	1,217,627	3,548	0.39	1,170,494	8,397	0.96
Time deposits	1,165,194	11,261	1.29	1,097,308	16,692	2.03
Short term borrowings	78,755	241	0.41	117,077	1,206	1.38
Federal funds purchased and Federal Home Loan Bank borrowings	180,893	1,460	1.08	115,337	2,164	2.51
Other borrowings	71,186	1,748	3.28	70,903	2,585	4.87
Total Interest-Bearing Liabilities	4,582,053	20,402	0.59	4,172,123	35,679	1.14
Noninterest demand	2,001,630			1,628,634		
Other liabilities	79,821			62,123		
Total Liabilities	6,663,504			5,862,880		
Shareholders' equity	1,023,107			912,817		
Total Liabilities & Equity	$ 7,686,611			$ 6,775,697		
Cost of deposits			0.36 %			0.72 %
Interest expense as a % of earning assets			0.38 %			0.77 %
Net interest income as a % of earning assets		$ 194,300	3.67 %		$ 182,107	3.95 %

[1]On a fully taxable equivalent basis, a non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP. All yields and rates have been computed on an annual basis using amortized cost. Fees on loans have been included in interest on loans. Nonaccrual loans are included in loan balances.

Noninterest Income

Noninterest income totaled $16.9 million for the third quarter of 2020, an increase of $1.9 million, or 13%, compared to the second quarter of 2020 and an increase of $3.0 million, or 22%, from the third quarter of 2019. Noninterest income totaled $46.6 million for the nine months ended September 30, 2020, an increase of 6.3 million, or 16%, compared to the nine months ended September 30, 2019.

Noninterest income is detailed as follows:

(In thousands)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Service charges on deposit accounts	$ 2,242	$ 1,939	$ 2,978	$ 7,006	$ 8,569
Interchange income	3,682	3,187	3,206	10,115	10,012
Wealth management income	1,972	1,719	1,632	5,558	4,773
Mortgage banking fees	5,283	3,559	2,127	11,050	4,976
Marine finance fees	242	157	152	545	715
SBA gains	252	181	569	572	1,896
BOLI income	899	887	928	2,672	2,770
Other income	2,370	2,147	3,198	7,869	7,967
	16,942	13,776	14,790	45,387	41,678
Securities gains (losses), net	4	1,230	(847)	1,253	(1,322)
Total	$ 16,946	$ 15,006	$ 13,943	$ 46,640	$ 40,356

Service charges on deposits were $2.2 million in the third quarter of 2020, an increase of $0.3 million, or 16%, compared to the second quarter of 2020 and a decrease of $0.7 million, or 25%, compared to the third quarter of 2019. For the nine months ended September 30, 2020, service charges on deposits totaled $7.0 million, a decrease of $1.6 million, or 18%, compared to the nine months ended September 30, 2019. Government actions in response to the pandemic, particularly in the second quarter of 2020, including the PPP program and individual stimulus payments, combined with lower overall consumer spending levels, have resulted in higher average deposit balances for both business and consumer customers. Higher average account balances have resulted in lower service charges in the second and third quarters of 2020 compared to 2019. Overdraft fees represent 44% of total service charges on deposits for the nine months ended September 30, 2020.

Interchange income totaled $3.7 million for the three months ended September 30, 2020, an increase of $0.5 million, or 16%, compared to the three months ended June 30, 2020, and an increase of $0.5 million, or 15%, compared to the three months ended September 30, 2019. For the nine months ended September 30, 2020, interchange income totaled $10.1 million, an increase of $0.1 million, or 1%, compared to the nine months ended September 30, 2019. The third quarter of 2020 benefited from recent growth in business banking customers and targeted marketing efforts.

Wealth management income, including trust fees and brokerage commissions and fees, was a record $2.0 million in the third quarter of 2020, increasing $0.3 million, or 15%, from the second quarter of 2020 and increasing $0.3 million, or 21% compared to the third quarter of 2019. For the nine months ended September 30, 2020, wealth management income totaled $5.6 million, an increase of $0.8 million, or 16%, compared to the nine months ended September 30, 2019. Increases reflect the strategic focus of growing the wealth management business. Assets under management reached $793 million at September 30, 2020, an increase of 31% compared to the prior year. As a result, the Company expects wealth management income to continue to grow in future periods.

Mortgage banking fees increased by $1.7 million, or 48%, to $5.3 million in the third quarter of 2020 compared to the second quarter of 2020, and increased $3.2 million, or 148%, compared to the third quarter of 2019. For the nine months ended September 30, 2020, mortgage banking fees totaled $11.1 million, an increase of $6.1 million, or 122%, compared to the nine months ended September 30, 2019 as Seacoast continues to capitalize on the robust residential refinance market and strength in the Florida housing market. Seacoast's mortgage team has adapted quickly to the heightened demand by increasing customer service level standards with realtors, refinance customers, and new home buyers, resulting in stronger performance than competitors.

Marine finance fees were $0.2 million, an increase of $0.1 million, or 54%, compared to the second quarter of 2020 and an increase of $0.1 million, or 59%, compared to the prior year quarter. For the nine months ended September 30, 2020, marine finance fees totaled $0.5 million, a decrease of $0.2 million, or 24%, compared to the nine months ended September 30, 2019.

SBA income totaled $0.3 million, an increase of $0.1 million, or 39%, compared to the second quarter of 2020 and a decrease of $0.3 million, or 56%, compared to the third quarter of 2019. For the nine months ended September 30, 2020, SBA income totaled $0.6 million, a decrease of $1.3 million, or 70%, compared to the nine months ended September 30, 2019. The decrease for the nine months ended September 30, 2020 reflects lower production of saleable SBA loans outside of the PPP program.

Bank owned life insurance ("BOLI") income totaled $0.9 million for the third quarter of 2020, in line with the second quarter of 2020 and prior year results. For the nine months ended September 30, 2020, BOLI income totaled $2.7 million, a decrease of $0.1 million, or 4%, compared to the nine months ended September 30, 2019.

Other income was $2.4 million in the third quarter of 2020, an increase of $0.2 million, or 10%, quarter-over-quarter and a decrease of $0.8 million, or 26%, year-over-year. The increase from the prior quarter reflects higher income on SBIC investments, partially offset by lower loan swap fees. The decrease from the prior year quarter reflects a $1.0 million BOLI death benefit recorded in the third quarter of 2019, offset by higher SBIC investment income in the third quarter of 2020. For the nine months ended September 30, 2020, other income totaled $7.9 million, a decrease of $0.1 million, or 1%, compared to the nine months ended September 30, 2019. Higher income from SBIC investments in the nine months ended September 30, 2020 was more than offset by the BOLI death benefit recorded in the comparable 2019 period.

Securities gains in the third quarter of 2020 were nominal compared to gains of $1.2 million in the second quarter of 2020 and losses on securities sales of $0.8 million in the third quarter of 2019. Securities gains during the nine months ended September 30, 2020 totaled $1.3 million, compared to losses of $1.3 million in the nine months ended September 30, 2019.

Noninterest Expenses

The Company has demonstrated its commitment to efficiency through disciplined, proactive management of its cost structure. Noninterest expenses in the third quarter of 2020 included acquisition-related expenses of $4.3 million and expenses related to branch consolidation of $0.5 million. The second quarter of 2020 benefited from the impact of higher loan production driven by the PPP program, resulting in higher deferrals of salary-related expenses. These factors contributed to an overall increase in noninterest expense in the third quarter of 2020 compared to the second quarter of 2020. Seacoast has reduced its branch count by 20% since 2017 through successful bank acquisitions and the repositioning of the banking center network in strategic growth markets to meet the evolving needs of its customers. Further consolidation activity is expected in 2021. At September 30, 2020, deposits per banking center were $135.6 million, up from $118.2 million at September 30, 2019. Adjusted noninterest expense[3] as a percent of average tangible assets was 2.24% for the third quarter of 2020 compared to 2.11% for the second quarter of 2020 and 2.21% for the third quarter of 2019. For the nine months ended September 30, 2020, adjusted noninterest expense[1] as a percent of average tangible assets was 2.26% compared to 2.37% for the nine months ended September 30, 2019.

For the third quarter of 2020, the efficiency ratio, defined as noninterest expense less amortization of intangibles and gains, losses, and expenses on foreclosed properties divided by net operating revenue (net interest income on a fully taxable equivalent basis plus noninterest income excluding securities gains and losses), was 61.65% compared to 50.11% for the second quarter of 2020 and 48.62% for the third quarter of 2019. The efficiency ratio in the second quarter of 2020 benefited from the impact of higher PPP fee accretion and the impact of higher loan production driven by the PPP program, resulting in higher deferrals of salary-related expenses. Additionally, the provision for unfunded lending-related commitments totaled $0.8 million in the third quarter of 2020, compared to $0.2 million in the second quarter of 2020 and none in the third quarter of 2019. For the nine months ended September 30, 2020, the efficiency ratio was 57.15% compared to 52.85% for the nine months ended September 30, 2019. The increase in efficiency ratio for the nine months ended September 30, 2020 reflects the impact of an increase in merger-related expenses of $8.7 million and an increase of $1.0 million in provision for unfunded lending-related commitments, partially offset by lower branch reduction expenses of $1.4 million.

The adjusted efficiency ratio[1] increased from 49.60% in the second quarter of 2020 to 54.82% in the third quarter of 2020. The increase is the result of lower net interest income from the change in PPP accretion and higher expenses primarily associated with PPP salary deferrals in the second quarter of 2020, offset by higher noninterest income. For the nine months ended September 30, 2020, the adjusted efficiency ratio[1] increased to 52.64% from 52.05% for the nine months ended September 30, 2019.

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[3]*Non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.*

(In thousands, except ratios)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Noninterest expense, as reported	$ 51,674	$ 42,399	$ 38,583	$ 141,871	$ 122,682
Merger related charges	(4,281)	(240)	—	(9,074)	(335)
Amortization of intangibles	(1,497)	(1,483)	(1,456)	(4,436)	(4,370)
Business continuity expenses	—	—	(95)	(307)	(95)
Branch reductions and other expense initiatives	(464)	—	(121)	(464)	(1,846)
Adjusted noninterest expense[1]	$ 45,432	$ 40,676	$ 36,911	$ 127,590	$ 116,036
Foreclosed property expense and net (loss)/gain on sale	(512)	(245)	(262)	(442)	(48)
Provision for credit losses on unfunded commitments	(756)	(178)	—	(980)	—
Net adjusted noninterest expense[1]	$ 44,164	$ 40,253	$ 36,649	$ 126,168	$ 115,988
Efficiency ratio	61.65 %	50.11 %	48.62 %	57.15 %	52.85 %
Adjusted efficiency ratio[1,2]	54.82	49.60	48.96	52.64	52.05
Adjusted noninterest expense as a percent of average tangible assets[1,2]	2.24	2.11	2.21	2.26	2.37

[1]Non-GAAP measure - see "Explanation of Certain Unaudited Non-GAAP Financial Measures" for more information and a reconciliation to GAAP.

[2]Adjusted efficiency ratio is defined as noninterest expense, including adjustments to noninterest expense divided by aggregated tax equivalent net interest income and noninterest income, including adjustments to revenue.

Noninterest expense for the third quarter of 2020 totaled $51.7 million, an increase of $9.3 million, or 22%, compared to the second quarter of 2020, and an increase of $13.1 million, or 34%, from the third quarter of 2019. For the nine months ended September 30, 2020, noninterest expense totaled $141.9 million, an increase of $19.2 million, or 16%, compared to the nine months ended September 30, 2019. Noninterest expenses are detailed as follows:

(In thousands)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Noninterest expense					
Salaries and wages	$ 23,125	$ 20,226	$ 18,640	$ 67,049	$ 56,566
Employee benefits	3,995	3,379	2,973	11,629	10,374
Outsourced data processing costs	6,128	4,059	3,711	14,820	11,432
Telephone/data lines	705	791	603	2,210	2,307
Occupancy	3,858	3,385	3,368	10,596	10,916
Furniture and equipment	1,576	1,358	1,528	4,557	4,829
Marketing	1,513	997	933	3,788	3,276
Legal and professional fees	3,018	2,277	1,648	8,658	6,528
FDIC assessments	474	266	56	740	881
Amortization of intangibles	1,497	1,483	1,456	4,436	4,370
Foreclosed property expense and net loss on sale	512	245	262	442	48
Provision for credit losses on unfunded commitments	756	178	—	980	—
Other	4,517	3,755	3,405	11,966	11,155
Total	$ 51,674	$ 42,399	$ 38,583	$ 141,871	$ 122,682

Salaries and wages totaled $23.1 million for the third quarter of 2020, $20.2 million for the second quarter of 2020, and $18.6 million for the third quarter of 2019, an increase of 14% and 24%, respectively. Expenses increased $2.9 million in the third quarter of 2020, reflecting lower expenses in the second quarter of 2020 of $2.9 million resulting from deferral of salary costs on higher PPP loan production. The third quarter of 2020 also included $0.6 million in costs associated with the Freedom Bank acquisition and higher residential commission expenses resulting from increased mortgage production volume, offset by lower temporary staffing costs associated with the customer support center. For the nine months ended September 30, 2020, salaries and wages totaled $67.0 million, an increase of $10.5 million, or 19%, compared to the nine months ended September 30, 2019. The increase includes merger-related expenses of $3.1 million in the 2020 period, higher residential commission expenses resulting from increased mortgage production volume, bonuses and incentives paid in support of PPP loan production and to branch employees, and the addition of temporary staff to support the pandemic operating environment.

During the third quarter 2020, employee benefit costs, which include costs associated with the Company's self-funded health insurance benefits, 401(k) plan, payroll taxes, and unemployment compensation, were $4.0 million, an increase of $0.6 million, or 18%, compared to the second quarter of 2020 and an increase of $1.0 million, or 34%, compared to the third quarter of 2019. The increase in the third quarter of 2020 reflects higher health insurance claims, likely the result of routine medical appointments having been postponed in the second quarter due to COVID-19 lockdowns. For the nine months ended September 30, 2020, employee benefit costs totaled $11.6 million, an increase of $1.3 million, or 12%, compared to the nine months ended September 30, 2019. Increases for the nine months ended September 30, 2020 reflect the impact of additional employees added through the FBPB and Freedom Bank acquisitions.

The Company utilizes third parties for its core data processing systems. Ongoing data processing costs are directly related to the number of transactions processed and the negotiated rates associated with those transactions. The Company also incurs acquisition-related costs for data migration and contract terminations. Outsourced data processing costs totaled $6.1 million, $4.1 million and $3.7 million for the third quarter 2020, second quarter 2020 and third quarter 2019, respectively. Of the $2.1 million increase quarter-over-quarter, $1.9 million was the result of acquisition-related costs associated with data conversion. For the nine months ended September 30, 2020, data processing costs totaled $14.8 million, an increase of $3.4 million, or 30%, compared to the nine months ended September 30, 2019. Increases in the 2020 period include $2.7 million of acquisition-related costs and higher lending-related costs to support the administration of the PPP program. The Company continues to improve and enhance mobile and other digital products and services through key third parties. This may increase outsourced data processing costs as customers adopt improvements and products and as business volumes grow.

Telephone and data line expenditures, including electronic communications with customers and between branch and customer support locations and personnel, as well as with third-party data processors, were $0.7 million, a decrease of $0.1 million, or 11%, during the third quarter of 2020 when compared to the second quarter of 2020 and an increase of $0.1 million, or 17%, when compared to the third quarter of 2019. For the nine months ended September 30, 2020, telephone and data line expenditures totaled $2.2 million, a decrease of $0.1 million, or 4%, compared to the nine months ended September 30, 2019.

Total occupancy, furniture and equipment expenses for the third quarter of 2020 increased $0.7 million, or 15%, from the second quarter of 2020, and increased $0.5 million, or 11% compared to the third quarter of 2019. The increases resulted from merger-related costs, and expenses incurred in connection with the consolidation of the legacy St. Petersburg branch in the third quarter of 2020. For the nine months ended September 30, 2020, occupancy, furniture and equipment totaled $15.2 million, a decrease of $0.6 million, or 4%, compared to the nine months ended September 30, 2019. The decrease in the nine-month period reflects the benefit of consolidating three banking center locations in 2019. Seacoast has reduced its branch count by 20% since 2017 through successful bank acquisitions and the repositioning of the banking center network in strategic growth markets to meet the evolving needs of its customers. The Company believes branches are still valuable to customers for more complex transactions, but simple tasks, such as depositing and withdrawing funds, are rapidly migrating to the digital world. Management anticipates that branch consolidations will continue for the Company and the banking industry in general.

Marketing expenses for the third quarter of 2020 totaled $1.5 million, an increase of $0.5 million, or 52%, compared to the second quarter of 2020 and an increase of $0.6 million, or 62%, compared to the third quarter of 2019. For the nine months ended September 30, 2020, marketing expenses totaled $3.8 million, an increase of $0.5 million, or 16%, compared to the nine months ended September 30, 2019. Higher expenses in the third quarter of 2020 reflect increased investment to capture the opportunity presented by dissatisfied business customers affected by unsatisfactory PPP execution by national banks.

Legal and professional fees for the third quarter of 2020 were $3.0 million, an increase of $0.7 million, or 33%, compared to the second quarter of 2020 and an increase of $1.4 million, or 83%, compared to the third quarter of 2019. The Company incurred $1.3 million in acquisition-related expenses in the third quarter of 2020, compared to $0.2 million in the second quarter of 2020. For the nine months ended September 30, 2020, legal and professional fees totaled $8.7 million, an increase of $2.1 million, or 33%, compared to the nine months ended September 30, 2019, attributed to acquisition-related expenses incurred in 2020, partially offset by higher project-related expenses incurred in the first half of 2019.

The Company utilized the remainder of previously issued FDIC small bank assessment credits to offset a portion of the assessment in the second quarter of 2020. Assessment expense in the third quarter of 2020 returned to the standard level, and is expected to be $0.5 million in the fourth quarter of 2020. For the nine months ended September 30, 2020, FDIC assessment expenses totaled $0.7 million, a decrease of $0.1 million, or 16%, compared to the nine months ended September 30, 2019, reflecting the benefit of credits applied in the 2020 period.

During the third quarter of 2020, the Company incurred expenses related to the sale of foreclosed assets, net of gains on sales, of $0.5 million compared to $0.2 million in the second quarter of 2020 (see "Nonperforming Loans, Troubled Debt Restructurings, Other Real Estate Owned, and Credit Quality" for more discussion).

The provision for credit losses on unfunded lending commitments totaled $0.8 million in the third quarter of 2020, compared to $0.2 million in the second quarter of 2020 and none in the third quarter of 2019. Since adopting the CECL standard on January 1, 2020, the Company maintains an allowance for credit losses on lending-related commitments that are not unconditionally cancellable which reflects the company's estimate of lifetime losses. During the third quarter of 2020, the increase is primarily related to loan commitments acquired from Freedom Bank.

Other expense totaled $4.5 million, $3.8 million and $3.4 million for the third quarter of 2020, the second quarter of 2020 and the third quarter of 2019, respectively. For the nine months ended September 30, 2020, other expenses totaled $12.0 million, an increase of $0.8 million, or 7%, compared to the nine months ended September 30, 2019. Increases in 2020 included higher mortgage loan production-related expenses associated with higher volume, and costs related to the administration of the PPP program.

Income Taxes

For the third quarter of 2020, the Company recorded tax expense of $7.0 million compared to $7.2 million in the second quarter of 2020 and $8.5 million in the third quarter of 2019. In September 2019, the State of Florida announced a reduction in the corporate income tax rate from 5.5% to 4.458% for the years 2019, 2020 and 2021. This change resulted in additional income tax expense of $1.1 million in the third quarter of 2019 upon the write down of deferred tax assets affected by the change, offset by a $0.4 million benefit upon adjusting the year-to-date provision to the new statutory tax rate. For the nine months ended September 30, 2020, tax expenses totaled $14.0 million, a decrease of $7.7 million, or 36%, compared to the nine months ended September 30, 2019. Tax impacts related to stock-based compensation were nominal in each period.

Explanation of Certain Unaudited Non-GAAP Financial Measures

This report contains financial information determined by methods other than Generally Accepted Accounting Principles ("GAAP"). The financial highlights provide reconciliations between GAAP and adjusted financial measures including net income, fully taxable equivalent net interest income, noninterest income, noninterest expense, tax adjustments, net interest margin and other financial ratios. Management uses these non-GAAP financial measures in its analysis of the Company's performance and believes these presentations provide useful supplemental information, and a clearer understanding of the Company's performance. The Company believes the non-GAAP measures enhance investors' understanding of the Company's business and performance and if not provided would be requested by the investor community. These measures are also useful in understanding performance trends and facilitate comparisons with the performance of other financial institutions. The limitations associated with operating measures are the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might define or calculate these measures differently. The Company provides reconciliations between GAAP and these non-GAAP measures. These disclosures should not be considered an alternative to GAAP.

Reconciliation of Non-GAAP Measures

(In thousands, except per share data)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income, as reported:					
Net income	$ 22,628	$ 25,080	$ 25,605	$ 48,417	$ 71,563
Diluted earnings per share	$ 0.42	$ 0.47	$ 0.49	$ 0.91	$ 1.38
Noninterest Income	$ 16,946	$ 15,006	$ 13,943	$ 46,640	$ 40,356
Securities (gains) losses, net	(4)	(1,230)	847	(1,253)	1,322
BOLI benefits on death (included in other income)	—	—	(956)	—	(956)
Total adjustments to noninterest income	(4)	(1,230)	(109)	(1,253)	366
Total Adjusted Noninterest Income	$ 16,942	$ 13,776	$ 13,834	$ 45,387	$ 40,722
Noninterest Expense	51,674	$ 42,399	$ 38,583	$ 141,871	$ 122,682
Merger related charges	(4,281)	(240)	—	(9,074)	(335)
Amortization of intangibles	(1,497)	(1,483)	(1,456)	(4,436)	(4,370)
Business continuity expenses	—	—	(95)	(307)	(95)
Branch reductions and other expense initiatives[1]	(464)	—	(121)	(464)	(1,846)
Total adjustments to noninterest expense	(6,242)	(1,723.00)	(1,672)	(14,281)	(6,646)
Total Adjusted Noninterest Expense	$ 45,432	$ 40,676	$ 36,911	$ 127,590	$ 116,036
Income Taxes	$ 6,992	$ 7,188	$ 8,452	$ 14,025	$ 21,770
Tax effect of adjustments	1,530	121	572	3,195	1,956
Effect of change in corporate tax rate on deferred tax assets	—	—	(1,135)	—	(1,135)
Total adjustments to income taxes	1,530	121	(563)	3,195	821
Adjusted income taxes	8,522	7,309	7,889	17,220	22,591
Adjusted net income	$ 27,336	$ 25,452	$ 27,731	$ 58,250	$ 77,754
Earnings per diluted share, as reported	$ 0.42	$ 0.47	$ 0.49	$ 0.91	$ 1.38
Adjusted diluted earnings per share	0.50	0.48	0.53	1.09	1.50
Average diluted shares outstanding	54,301	53,308	51,935	53,325	51,996
Adjusted Noninterest Expense	$ 45,432	$ 40,676	$ 36,911	$ 127,590	$ 116,036
Foreclosed property expense and net (loss) gain on sale	(512)	(245)	(262)	(442)	(48)
Provision for unfunded commitments	(756)	(178)	—	(980)	—
Net Adjusted Noninterest Expense	$ 44,164	$ 40,253	$ 36,649	$ 126,168	$ 115,988
Revenue	$ 80,449	$ 82,278	$ 74,891	$ 240,592	$ 222,214
Total adjustments to revenue	(4)	(1,230)	(109)	(1,253)	366
Impact of FTE adjustment	118	116	79	348	249
Adjusted revenue on a fully tax equivalent basis	$ 80,563	$ 81,164	$ 74,861	$ 239,687	$ 222,829
Adjusted Efficiency Ratio	54.82 %	49.60 %	48.96 %	52.64 %	52.05 %
Net Adjusted Noninterest Expense as a Percent of Average Tangible Assets[2]	2.24 %	2.11 %	2.21 %	2.26 %	2.37 %
Net Interest Income	$ 63,503	$ 67,272	$ 60,948	$ 193,952	$ 181,858
Impact of FTE adjustment	118	116	79	348	249
Net interest income including FTE adjustment	63,621	67,388	61,027	194,300	182,107
Noninterest income	16,946	15,006	13,943	46,640	40,356

(In thousands, except per share data)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Noninterest expense	51,674	42,399	38,583	141,871	122,682
Pre-Tax Pre-Provision Earnings	28,893	39,995	36,387	99,069	99,781
Adjustments to noninterest income	(4)	(1,230)	(109)	(1,253)	366
Adjustments to noninterest expense	(7,510)	(2,146)	(1,934)	(15,703)	(6,694)
Adjusted Pre-Tax Pre-Provision Earnings	$ 36,399	$ 40,911	$ 38,212	$ 113,519	$ 106,841
Average Assets	$ 8,086,890	$ 7,913,002	$ 6,820,576	$ 7,686,611	$ 6,775,697
Less average goodwill and intangible assets	(228,801)	(230,871)	(227,389)	(228,795)	(228,710)
Average Tangible Assets	$ 7,858,089	$ 7,682,131	$ 6,593,187	$ 7,457,816	$ 6,546,987
Return on Average Assets (ROA)	1.11 %	1.27 %	1.49 %	0.84 %	1.41 %
Impact of removing average intangible assets and related amortization	0.09	0.10	0.12	0.09	0.12
Return on Average Tangible Assets (ROTA)	1.20	1.37	1.61	0.93	1.53
Impact of other adjustments for Adjusted Net Income	0.18	(0.04)	0.06	0.11	0.06
Adjusted Return on Average Tangible Assets	1.38 %	1.33 %	1.67 %	1.04 %	1.59 %
Average Shareholders' Equity	$ 1,061,807	$ 1,013,095	$ 946,670	$ 1,023,107	$ 912,817
Less average goodwill and intangible assets	(228,801)	(230,871)	(227,389)	(228,795)	(228,710)
Average Tangible Equity	$ 833,006	$ 782,224	$ 719,281	$ 794,312	$ 684,107
Return on Average Shareholders' Equity	8.48 %	9.96 %	10.73 %	6.32 %	10.48 %
Impact of removing average intangible assets and related amortization	2.87	3.51	4.00	2.39	4.15
Return on Average Tangible Common Equity (ROTCE)	11.35	13.47	14.73	8.71	14.63
Impact of other adjustments for Adjusted Net Income	1.71	(0.38)	0.57	1.09	0.57
Adjusted Return on Average Tangible Common Equity	13.06 %	13.09 %	15.30 %	9.80 %	15.20 %
Loan Interest Income[2]	$ 60,573	$ 64,929	$ 63,138	$ 189,026	$ 187,808
Accretion on acquired loans	(3,254)	(2,988)	(3,859)	(10,529)	(11,963)
Interest and fees on PPP loans	(1,719)	(5,068)	—	(6,787)	—
Loan interest income excluding PPP and accretion on acquired loans[2]	$ 55,600	$ 56,873	$ 59,279	$ 171,710	$ 175,845
Yield on Loans[2]	4.11 %	4.56 %	5.06 %	4.51 %	5.15 %
Impact of accretion on acquired loans	(0.22)	(0.21)	(0.30)	(0.25)	(0.33)
Impact of PPP	0.33	(0.04)	—	0.11	—
Yield on loans excluding PPP and accretion on acquired loans[2]	4.22 %	4.31 %	4.76 %	4.37 %	4.82 %
Net Interest Income[2]	$ 63,621	$ 67,388	$ 61,027	$ 194,300	$ 182,107
Accretion on acquired loans	(3,254)	(2,988)	(3,859)	(10,529)	(11,963)
Interest and fees on PPP	(1,719)	(5,068)	—	(6,787)	—
Net interest income excluding PPP and accretion on acquired loans[2]	$ 58,648	$ 59,332	$ 57,168	$ 176,984	$ 170,144
Net Interest Margin[2]	3.40 %	3.70 %	3.89 %	3.67 %	3.95 %
Impact of accretion on acquired loans	(0.17)	(0.16)	(0.25)	(0.20)	(0.26)

(In thousands, except per share data)	Third Quarter 2020	Second Quarter 2020	Third Quarter 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Impact of PPP	0.19	(0.08)	—	0.04	—
Net interest margin excluding PPP and accretion on acquired loans[2]	3.42 %	3.46 %	3.64 %	3.51 %	3.69 %
Loan Interest Income[2]	$ 60,573	$ 64,929	$ 63,138	$ 189,026	$ 187,808
Tax equivalent adjustment to loans	(86)	(85)	(46)	(255)	(141)
Loan interest income excluding tax equivalent adjustment	$ 60,487	$ 64,844	$ 63,092	$ 188,771	$ 187,667
Securities Interest Income[2]	$ 7,129	$ 7,725	$ 8,966	$ 23,702	$ 27,387
Tax equivalent adjustment to securities	(32)	(31)	(33)	(93)	(108)
Securities interest income excluding tax equivalent adjustment	$ 7,097	$ 7,694	$ 8,933	$ 23,609	$ 27,279
Net Interest Income[2]	$ 63,621	$ 67,388	$ 61,027	$ 194,300	$ 182,107
Tax equivalent adjustments to loans	(86)	(85)	(46)	(255)	(141)
Tax equivalent adjustments to securities	(32)	(31)	(33)	(93)	(108)
Net interest income excluding tax equivalent adjustments	$ 63,503	$ 67,272	$ 60,948	$ 193,952	$ 181,858

[1]*Includes severance, contract termination costs, disposition of branch premises and fixed assets, and other costs to effect the Company's branch consolidation and other expense reduction strategies.*

[2]*On a fully taxable equivalent basis. All yields and rates have been computed using amortized cost.*

Financial Condition

Total assets increased $1.2 billion at September 30, 2020, or 17%, from December 31, 2019, reflecting the impact of the PPP loans program, higher deposit balances, and the impact of the FBPB and Freedom Bank acquisitions completed in 2020.

Securities

Information related to maturities, carrying values and fair value of the Company's debt securities is set forth in "Note D – Securities" of the Company's condensed consolidated financial statements.

At September 30, 2020, the Company had $1.3 billion in debt securities available-for-sale and $207.4 million in debt securities held-to-maturity. The Company's total debt securities portfolio increased $286.0 million or 24%, from December 31, 2019.

During the nine months ended September 30, 2020, there were $626.7 million of debt security purchases and $237.1 million in paydowns and maturities. For the nine months ended September 30, 2020, proceeds from the sale of securities totaled $96.7 million, with net gains of $1.1 million. For the nine months ended September 30, 2019, there were $164.5 million debt security purchases and aggregated maturities and principal paydowns totaled $98.3 million. Proceeds from sales of securities during the nine months ended September 30, 2019 totaled $122.9 million, with net losses of $1.5 million.

Debt securities generally return principal and interest monthly. The modified duration of the investment portfolio at September 30, 2020 was 3.3 years, compared to 3.5 years at December 31, 2019.

At September 30, 2020, available-for-sale debt securities had gross unrealized losses of $3.7 million and gross unrealized gains of $28.6 million, compared to gross unrealized losses of $2.7 million and gross unrealized gains of $8.8 million at December 31, 2019.

The credit quality of the Company's securities holdings are primarily investment grade. U.S. Treasuries, obligations of U.S. government agencies and obligations of U.S. government sponsored entities totaled $1.2 billion, or 77%, of the total portfolio.

The portfolio includes $100.8 million in private label residential and commercial mortgage-backed securities and collateralized mortgage obligations. Included are $74.0 million, with a fair value of $74.4 million, in private label mortgage-backed residential securities with weighted average credit support of 27%. The collateral underlying these mortgage investments

includes both fixed-rate and adjustable-rate mortgage loans. Non-guaranteed agency commercial securities total $25.0 million, with a fair value of $26.4 million. These securities have weighted average credit support of 11%. The collateral underlying these mortgages are primarily pooled multifamily loans.

The Company also has invested $203.8 million, with a fair value of $201.4 million, in uncapped 3-month LIBOR floating rate collateralized loan obligations ("CLOs"). CLOs are special purpose vehicles, and the Company's holdings purchase nearly all first lien broadly syndicated corporate loans across a diversified band of industries while providing support to senior tranche investors. As of September 30, 2020, , the Company held 27 total positions, all of which were in AAA/AA tranches with average credit support of 31%. The Company utilizes credit models with assumptions of loan level defaults, recoveries, and prepayments for each CLO security. The results of this analysis did not indicate expected credit losses.

Held-to-maturity securities consist solely of mortgage-backed securities guaranteed by government agencies.

At September 30, 2020, the Company has determined that all debt securities in an unrealized loss position are the result of both broad investment type spreads and the current rate environment. Management believes that each investment will recover any price depreciations over its holding period as the debt securities move to maturity and there is the intent and ability to hold these investments to maturity if necessary. Therefore, at September 30, 2020, no allowance for credit losses has been recorded.

Loan Portfolio

Loans, net of unearned income and excluding the allowance for credit losses, were $5.9 billion at September 30, 2020, $659.6 million more than at December 31, 2019, an increase of 13%. The increase reflects the additions of loans through the acquisition of FBPB in the first quarter of 2020 and of Freedom Bank in the third quarter of 2020, and loans originated under the SBA's Paycheck Protection Program.

For the nine months ended September 30, 2020, the Company originated $378.4 million in commercial and commercial real estate loans were originated compared to $749.5 million for the nine months ended September 30, 2019, a decrease of $371.0 million, or 50%. The loan pipeline for commercial and commercial real estate loans totaled $256.2 million at September 30, 2020. Commercial originations decreased during the third quarter of 2020 as a result of a continued approach on new credits given an uncertain economic outlook associated with the COVID-19 pandemic. The Company will continue to serve current strong relationships that meet strict credit underwriting guidelines, with liquidity and balance sheets that can support significant stress.

The Company closed $74.7 million in residential loans retained in the portfolio during the nine months ended September 30, 2020, compared to $123.8 million closed during the nine months ended September 30, 2019, an increase of 40%. Saleable volumes were higher for the nine months ended September 30, 2020, representing 82% of production versus 59% of production during the nine months ended September 30, 2019. The saleable residential mortgage pipeline at September 30, 2020 totaled $149.9 million while the retained pipeline decreased to $33.4 million as of September 30, 2020. The residential lending team has adapted quickly to heightened demand and has increased service levels to homebuyers, refinance customers, and local real estate professionals. As a result, the Company has recognized substantial growth in market share.

Consumer originations totaled $171.8 million for the nine months ended September 30, 2020, higher by $14.9 million, or 9%, compared to the nine months ended September 30, 2019, and the pipeline for these loans at September 30, 2020 was $17.1 million.

The Company remains committed to sound risk management procedures. Lending policies contain guardrails that pertain to lending by type of collateral and purpose, along with limits regarding loan concentrations and the principal amount of loans. The Company's exposure to commercial real estate lending remains below regulatory limits (see "Loan Concentrations").

The following tables detail loan portfolio composition at September 30, 2020 for portfolio loans, purchased credit deteriorated ("PCD") and loans purchased which are not considered purchased credit deteriorated ("Non-PCD") as defined in Note E-Loans; and at December 31, 2019 for portfolio loans, purchased credit impaired loans ("PCI") and purchased unimpaired loans("PUL").

	September 30, 2020			
(In thousands)	Portfolio Loans	Acquired Non-PCD Loans	PCD Loans	Total
Construction and land development	$ 246,312	$ 30,720	$ 3,578	$ 280,610
Commercial real estate - owner-occupied	817,547	267,223	40,690	1,125,460
Commercial real estate - non owner-occupied	1,014,993	348,085	31,386	1,394,464
Residential real estate	1,182,558	201,221	9,617	1,393,396
Commercial and financial	711,358	105,327	16,398	833,083
Consumer	184,608	7,306	302	192,216
Paycheck Protection Program	584,577	54,223	—	638,800
Totals	$ 4,741,953	$ 1,014,105	$ 101,971	$ 5,858,029

	December 31, 2019			
(In thousands)	Portfolio Loans	PULs	PCI Loans	Total
Construction and land development	$ 281,335	$ 43,618	$ 160	$ 325,113
Commercial real estate[1]	1,834,811	533,943	10,217	2,378,971
Residential real estate	1,304,305	201,848	1,710	1,507,863
Commercial and financial	697,301	80,372	579	778,252
Consumer	200,166	8,039	—	208,205
Totals	$ 4,317,918	$ 867,820	$ 12,666	$ 5,198,404

[1]*Commercial real estate includes owner-occupied balances of $1.0 billion for December 31, 2019.*

The amortized cost basis at September 30, 2020 included net deferred costs of $21.8 million on non-PPP portfolio loans and net deferred fees of $13.1 million on PPP loans. At December 31, 2019, the amortized cost basis included net deferred costs of $19.9 million. At September 30, 2020, the remaining fair value adjustments on acquired loans was $34.6 million, or 3.0% of the outstanding acquired loan balances. At December 31, 2019, the remaining fair value adjustments for acquired loans was $34.9 million, or 3.8% of the acquired loan balances. These amounts are accreted into interest income over the remaining lives of the related loans on a level yield basis.

Commercial real estate ("CRE") loans, inclusive of owner-occupied commercial real estate, increased by $141.0 million, or 6%, in the nine months ended September 30, 2020, totaling $2.5 billion at September 30, 2020 compared to $2.4 billion at December 31, 2019. Owner-occupied commercial real estate loans represent $1.1 billion, or 45%, of the commercial real estate portfolio.

Fixed-rate and adjustable-rate loans secured by commercial real estate, excluding construction loans, totaled approximately $2.0 billion and $492.1 million, respectively, at September 30, 2020, compared to $2.0 billion and $418.8 million, respectively, at December 31, 2019.

The CARES Act, which was signed into law on March 27, 2020, encourages financial institutions to practice prudent efforts to work with borrowers financially impacted by the COVID-19 pandemic by providing an option for financial institutions to exclude from TDR consideration certain loan modifications that might otherwise be categorized as TDRs under ASC 310-40. This option is available for modifications that are deemed to be COVID-related, where the borrower was not more than 30 days past due on December 31, 2019, and the modification is executed between March 1, 2020 and the earlier of (i) December 31, 2020 or (ii) 60 days after the end of the COVID-19 national emergency. Federal banking regulators issued similar guidance that also allows lenders to conclude that short-term modifications for borrowers affected by the COVID-19 pandemic should not be considered TDRs if the borrower was current at the time of modification.

At September 30, 2020, Seacoast had $702.7 million of loans on payment deferral, none of which have been classified as TDRs. 97% of these loans are scheduled to return to regular payments in the fourth quarter of 2020. Interest and fees have

continued to accrue on these loans during the deferral period. If economic conditions deteriorate further, these borrowers may be unable to resume scheduled payments, which may result in reversal of accrued interest, further modification of terms and additional necessary provisions for credit losses. As of September 30, 2020, the Company had $15.4 million in accrued interest associated with loans in short-term payment deferral status, against which the Company established a valuation allowance of $0.4 million for potentially uncollectable accrued interest.

The following table presents loans, excluding PPP loans, at September 30, 2020:

(In thousands)	Loans with Deferrals	Total Loans including Loans with Deferrals	% of Loans with Deferrals
Construction and land development	$ 9,359	$ 280,610	3%
Commercial real estate - owner-occupied	204,710	1,125,460	18
Commercial real estate - non owner-occupied	344,573	1,394,464	25
Residential real estate	75,885	1,393,396	5
Commercial and financial	61,308	833,083	7
Consumer	6,815	192,216	4
Totals	$ 702,650	$ 5,219,229	13%

The following table details commercial real estate and construction and land development loans outstanding by collateral type at September 30, 2020:

($ in thousands)	Commercial Real Estate	Construction and Land Development	Total	% of Total Loans	Deferred Loans	% of Category Deferred
Office Building	$ 727,518	$ 12,465	$ 739,983	13%	$ 134,654	18%
Retail	444,395	21,093	465,488	8	147,214	32
Industrial & Warehouse	366,175	6,266	372,441	6	47,160	13
Other Commercial Property	249,619	25	249,644	4	43,211	17
Healthcare	203,546	21,321	224,867	4	27,797	12
Apartment Building / Condominium	165,855	30,164	196,019	3	15,315	8
Hotel / Motel	132,571	2,866	135,437	2	86,230	64
Vacant Lot	2,661	76,171	78,832	1	6,255	8
1-4 Family Residence - Individual Borrowers	—	63,083	63,083	1	—	—
Convenience Store	55,523	—	55,523	1	14,754	27
Restaurant	46,460	1,796	48,256	1	18,727	39
Church	29,720	—	29,720	1	4,771	16
1-4 Family Residence - Spec Home	—	26,624	26,624	—	—	—
School / Education	21,749	3,093	24,842	—	6,085	24
Agriculture	20,726	—	20,726	—	321	2
Manufacturing Building	18,312	—	18,312	—	59	—
1-4 Family Residence - Builder Lines	22	15,643	15,665	—	—	—
Recreational Property	14,964	—	14,964	—	5,852	39
Other Properties	20,108	—	20,108	—	237	1
Total	$ 2,519,924	$ 280,610	$ 2,800,534	48%	$ 558,642	20%

The largest collateral type in the CRE and construction portfolios, when aggregated, is office buildings, representing 13% of the portfolio. The average loan size in the office building category is $578 thousand, the average loan to value ("LTV") is 53%, and 57% of this category is classified as owner-occupied. This primarily includes medical, accounting, engineering, health care, veterinarians and other similar professionals. 41% of the office building category is stabilized income-producing investment properties.

The second-largest category is retail, representing 8% of total loans. The average loan size in the retail category is $1.3 million and the average LTV is 46%. Loans collateralized by hotels/motels represent $135 million with an average loan size of $3.4 million and an average LTV of 52%. Restaurant exposure is limited at $48 million in loans, and is distributed among quick serve and full-service restaurants, with an average loan size of $761 thousand and LTV of 52%.

Commercial and financial loans outstanding were $833.1 million at September 30, 2020 and $778.3 million at December 31, 2019, an increase of 7.0%. The Company's primary customers for commercial and financial loans are small to medium-sized professional firms, retail and wholesale outlets, and light industrial and manufacturing companies. 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 following table details the commercial and financial loans outstanding by industry type at September 30, 2020:

($ in thousands)	Commercial and Financial	% of Total Loans	Deferred Loans	% of Category
Management Companies[1]	$ 186,298	3%	$ 5,114	3%
Professional, Scientific, Technical & Other Services	97,176	2	3,330	3
Real Estate Rental & Leasing	83,729	1	6,359	8
Construction	76,190	1	2,556	3
Finance & Insurance	61,915	1	272	—
Healthcare & Social Assistance	61,509	1	9,651	16
Transportation & Warehousing	45,582	1	7,132	16
Manufacturing	45,565	1	3,121	7
Wholesale Trade	36,940	1	12,337	33
Retail Trade	24,256	—	2,248	9
Education	20,458	—	—	—
Accommodation & Food Services	17,839	—	3,329	19
Administrative Support	13,441	—	635	5
Public Administration	13,131	—	—	—
Agriculture	11,159	—	—	—
Other Industries	37,895	1	5,224	14
Total	$ 833,083	14%	$ 61,308	7%

[1]*Primarily corporate aircraft and marine vessels associated with high net worth individuals.*

Residential real estate loans decreased $114.5 million, or 8%, to $1.4 billion as of September 30, 2020, compared to December 31, 2019. Substantially all residential mortgage originations have been underwritten to conventional loan agency standards, including loans having balances that exceed agency value limitations. At September 30, 2020, approximately $486.6 million, or 35%, of the Company's residential mortgage balances were adjustable 1-4 family mortgage loans, which includes hybrid adjustable-rate mortgages. Fixed-rate mortgages totaled approximately $577.0 million, or 41%, at September 30, 2020, of which 15- and 30-year mortgages totaled $41.1 million and $357.5 million, respectively. Remaining fixed-rate balances were comprised of home improvement loans totaling $178.3 million, most with maturities of 10 years or less. Home equity lines of credit ("HELOCs"), primarily floating rates, totaled $329.8 million at September 30, 2020. In comparison, loans secured by residential properties having fixed rates totaled $659.4 million at December 31, 2019, with 15- and 30-year fixed-rate residential mortgages totaling $43.5 million and $372.0 million, respectively, and home equity mortgages and HELOCs totaling $243.8 million and $292.1 million, respectively. Borrowers in the residential real estate portfolio have an average credit score of 755. Specifically for HELOCs, borrowers have an average credit score of 750. The average LTV of our HELOC portfolio is 59% with 46% of the portfolio being in first lien position.

The Company also provides consumer loans, which include installment loans, auto loans, marine loans, and other consumer loans, which decreased $16.0 million, or 8%, to total $192.2 million compared to $208.2 million at December 31, 2019. Borrowers in the consumer portfolio have an average credit score of 745.

At September 30, 2020, the Company had unfunded loan commitments of $1.6 billion compared to $1.0 billion at December 31, 2019.

Loan Concentrations

The Company has developed prudent guardrails to manage loan types that are most impacted by stressed market conditions in order to minimize credit risk concentration to capital. Outstanding balances for commercial and CRE loan relationships greater than $10 million totaled $779.0 million and represented 13% of the total portfolio at September 30, 2020 compared to $680.2 million, or 13%, at year-end 2019.

The Company's ten largest commercial and commercial real estate funded and unfunded loan relationships at September 30, 2020 aggregated to $265.6 million, of which $193.4 million was funded compared to $268.9 million at December 31, 2019, of which $179.0 million was funded. The Company had 140 commercial and commercial real estate relationships in excess of $5 million totaling $1.4 billion, of which $1.2 billion was funded at September 30, 2020 compared to 120 relationships totaling $1.2 billion at December 31, 2019, of which $1.0 billion was funded.

Concentrations in total construction and land development loans and total CRE loans are maintained well below regulatory limits. Construction and land development and CRE loan concentrations as a percentage of subsidiary bank total risk based capital declined to 30% and 176%, respectively, at September 30, 2020, compared to 40% and 204%, respectively, at December 31, 2019. Regulatory guidance suggests limits of 100% and 300%, respectively. On a consolidated basis, construction and land development and commercial real estate loans represent 28% and 165%, respectively, of total consolidated risk based capital. To determine these ratios, the Company defines CRE in accordance with the guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance") issued by the federal bank regulatory agencies in 2006 (and reinforced in 2015), which defines CRE loans as exposures secured by land development and construction, including 1-4 family residential construction, multi-family property, and non-farm nonresidential property where the primary or a significant source of repayment is derived from rental income associated with the property (i.e., loans for which 50 percent or more of the source of repayment comes from third party, non-affiliated, rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. Loans to real estate investment trusts ("REITs") and unsecured loans to developers that closely correlate to the inherent risks in CRE markets would also be considered CRE loans under the Guidance. Loans on owner-occupied CRE are generally excluded. In addition, the Company is subject to a geographic concentration of credit because it primarily operates in Florida.

Nonperforming Loans, Troubled Debt Restructurings, Other Real Estate Owned, and Credit Quality

Nonperforming assets ("NPAs") at September 30, 2020 totaled $52.8 million, and were comprised of $36.9 million of nonaccrual loans, $12.3 million of other real estate owned ("OREO"), and $3.6 million of branches and other properties used in bank operations taken out of service. Compared to December 31, 2019, nonaccrual loans increased $9.9 million, spread across several loans. The increase in OREO of $6.8 million from December 31, 2019 includes the addition of one multifamily construction property for $6.5 million and one residential property for $0.9 million offset by sales of $0.6 million. The decrease in OREO for bank branches of $3.3 million reflects the sale of a single branch property and a $1.3 million operations building acquired and subsequently sold in 2020. Overall, NPAs increased $13.4 million, or 34%, from $39.3 million recorded as of December 31, 2019. At September 30, 2020, approximately 80% of nonaccrual loans were secured with real estate. See the tables below for details about nonaccrual loans. At September 30, 2020, nonaccrual loans were written down by approximately $9.7 million, or 14% of the original loan balance (including specific impairment reserves).

Nonperforming loans to total loans outstanding at September 30, 2020 increased to 0.63% from 0.52% at December 31, 2019. Nonperforming assets to total assets at September 30, 2020 increased to 0.64% from 0.55% at December 31, 2019.

The Company's asset mitigation staff handles all foreclosure actions together with outside legal counsel.

The Company pursues loan restructurings in select 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") have been a part of the Company's loss mitigation activities and can include rate reductions, payment extensions and principal deferrals. Company policy requires TDRs that are classified as nonaccrual loans after restructuring remain on nonaccrual until performance can be verified, which usually requires six months of performance under the restructured loan terms. Accruing restructured loans totaled $10.2 million

at September 30, 2020 compared to $11.1 million at December 31, 2019. Accruing TDRs are excluded from the nonperforming asset ratios.

Beginning in March 2020, in response to the economic downturn resulting from the COVID-19 pandemic, the Company has offered short-term payment deferrals to affected borrowers. As of September 30, 2020, pandemic-related deferrals totaled $702.7 million and are not considered TDRs. If economic conditions deteriorate further, these borrowers may be unable to resume scheduled payments, which may result in further modification of terms and the potential for classification as a TDR in future periods.

The table below sets forth details related to nonaccrual and accruing restructured loans.

	September 30, 2020			
	Nonaccrual Loans			Accruing Restructured Loans
(In thousands)	Non-Current	Performing	Total	
Construction and land development	$ 573	$ 31	$ 604	$ 118
Commercial real estate - owner-occupied	1,147	2,355	3,502	109
Commercial real estate - non owner-occupied	2,034	6,188	8,222	4,445
Residential real estate	8,147	9,016	17,163	5,246
Commercial and financial	3,903	3,134	7,037	26
Consumer	340	29	369	246
Total	$ 16,144	$ 20,753	$ 36,897	$ 10,190

	December 31, 2019			
	Nonaccrual Loans			Accruing Restructured Loans
(In thousands)	Non-Current	Performing	Total	
Construction and land development	$ 4,902	$ 35	$ 4,937	$ 131
Commercial real estate	3,800	2,720	6,520	4,666
Residential real estate	2,552	6,928	9,480	6,027
Commercial and financial	4,674	1,234	5,908	27
Consumer	38	72	110	249
Total	$ 15,966	$ 10,989	$ 26,955	$ 11,100

At September 30, 2020 and December 31, 2019, total TDRs (performing and nonperforming) were comprised of the following loans by type of modification:

	September 30, 2020		December 31, 2019	
(In thousands)	Number	Amount	Number	Amount
Rate reduction	40	$ 9,239	56	$ 10,739
Maturity extended with change in terms	40	4,119	48	5,083
Chapter 7 bankruptcies	13	437	22	1,275
Not elsewhere classified	20	2,648	11	966
Total	113	$ 16,443	137	$ 18,063

During the three months ended September 30, 2020, one loan was modified to a TDR totaling $41,000, compared to three loans totaling $1.6 million for the three months ended September 30, 2019. During the nine months ended September 30, 2020, eight loans totaling $0.6 million were modified to a TDR, compared to seven loans totaling $4.0 million for the nine months ended September 30, 2019. Loan modifications are not reported in calendar years after modification if the loans were modified at an interest rate equal to the yields of new loan originations with comparable risk and the loans are performing based on the terms of the restructuring agreements. During the nine months ended September 30, 2020, there were four defaults totaling $1.4 million that had been modified within the preceding twelve months. During the nine months ended September 30, 2019, there were three defaults on loans totaling $2.1 million to a single borrower that had been modified to a TDR within the

preceding twelve months. A restructured loan is considered in default when it becomes 90 days or more past due under the modified terms, has been transferred to nonaccrual status, has been charged off or has been transferred to OREO.

In accordance with regulatory reporting requirements, loans are placed on nonaccrual 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 nonaccrual. 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.

Allowance for Credit Losses on Loans

On January 1, 2020, the Company adopted ASC Topic 326 - *Financial Instruments - Credit Losses.* The new guidance replaced the incurred loss model with an expected loss model, which is referred to as the current expected credit loss ("CECL") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposure such as loan commitments, standby letters of credit, financial guarantees and other similar instruments.

Management estimates the allowance using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit losses provide the basis for estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, loan to value ratios, borrower credit characteristics, loan seasoning or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, occupancy rates, and other macroeconomic metrics.

Upon adoption of the new model, the initial adjustment to the allowance for credit losses was an increase of $21.2 million, bringing the ratio of allowance to total loans from 0.68% at December 31, 2019 to 1.08% at January 1, 2020. The increase was attributed to the new requirement to estimate losses over the full remaining expected life of the loans and to the impact of the new guidance on the Company's acquired loan portfolio. The economic forecast scenario as of January 1, 2020 projected a stable macroeconomic environment over the three year forecast period. In addition to the $21.2 million impact of the initial adoption of ASC Topic 326, increases in the allowance during the first and second quarters of 2020 reflected the deterioration of the current and forecasted macroeconomic environment with the onset of the COVID-19 pandemic.

During the third quarter of 2020, the Company recorded a reversal of provision of $1.2 million resulting from the significant change in the economic outlook and a slowing in loan origination activity. Additionally and offsetting, a provision of $0.4 million was recorded to reserve for the potential that a portion of accrued interest will not be collected. This reserve was recorded as an offset to the accrued interest receivable balance in Other Assets. No allowance has been assigned to PPP loans, which are guaranteed by the U.S. government. Net charge-offs for the third quarter of 2020 were $1.7 million, or 0.12% of average loans and, for the four most recent quarters, averaged 0.14% of outstanding loans. Excluding PPP loans, the ratio of allowance to total loans increased to 1.80% at September 30, 2020 from 1.76% at June 30, 2020. Uncertainty related to market conditions and the economic outlook will likely continue through the end of 2020 as the ongoing effects of the pandemic and the potential for additional government assistance programs remain unknown.

The following tables present the activity in the allowance for credit losses on loans by segment:

	Three Months Ended September 30, 2020						
(In thousands)	Beginning Balance	Initial Impact on Allowance of PCD Loans Acquired During the Period	Provision for Credit Losses[1]	Charge-Offs	Recoveries	TDR Allowance Adjustments	Ending Balance
Construction and land development	$ 7,161	$ 39	$ 475	$ —	$ 26	$ —	$ 7,701
Commercial real estate - owner-occupied	5,562	954	689	—	26	(12)	7,219
Commercial real estate - non owner-occupied	38,992	2,096	(7,050)	(25)	5	—	34,018
Residential real estate	20,453	27	(3,196)	(19)	65	(5)	17,325
Commercial and financial	15,514	2,632	8,081	(1,776)	203	—	24,654
Consumer	3,568	15	(244)	(355)	114	(2)	3,096
Paycheck Protection Program	—	—	—	—	—	—	—
Totals	$ 91,250	$ 5,763	$ (1,245)	$ (2,175)	$ 439	$ (19)	$ 94,013

[1]*Excludes $0.4 million provision for credit losses on accrued interest receivable*

	Nine Months Ended September 30, 2020							
(In thousands)	Beginning Balance	Impact of Adoption of ASC 326	Initial Impact on Allowance of PCD Loans Acquired During the Period	Provision for Credit Losses[1]	Charge-Offs	Recoveries	TDR Allowance Adjustments	Ending Balance
Construction and land development	$ 1,842	$ 1,479	$ 87	$ 4,202	$ —	$ 92	$ (1)	$ 7,701
Commercial real estate - owner-occupied	5,361	80	1,161	655	(45)	44	(37)	7,219
Commercial real estate - non owner-occupied	7,863	9,341	2,236	14,578	(37)	37	—	34,018
Residential real estate	7,667	5,787	124	3,638	(150)	283	(24)	17,325
Commercial and financial	9,716	3,677	2,643	12,144	(4,642)	1,116	—	24,654
Consumer	2,705	862	28	662	(1,442)	284	(3)	3,096
Paycheck Protection Program	—	—	—	—	—	—	—	—
Totals	$ 35,154	$ 21,226	$ 6,279	$ 35,879	$ (6,316)	$ 1,856	$ (65)	$ 94,013

[1]*Excludes $0.4 million provision for credit losses on accrued interest receivable*

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. At September 30, 2020, the Company had $1.4 billion in loans secured by residential real estate and $2.5 billion in loans secured by commercial real estate, representing 24% and 43% of total loans outstanding, respectively. In addition, the Company is subject to a geographic concentration of credit because it primarily operates in Florida.

With the emergence of the COVID-19 pandemic late in the first quarter of 2020 leading to significant market changes, high levels of unemployment and increasing degrees of uncertainty in the U.S. economy, the impact on expected losses on loans is difficult to estimate with precision, and it is possible that additional provisions for credit losses could be needed in future periods.

Cash and Cash Equivalents and Liquidity Risk 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 include primarily customer-based deposits, collateral-backed borrowings, brokered deposits, cash flows from operations, cash flows from the loan and investment portfolios and asset sales, primarily secondary marketing for residential real estate mortgages and marine loans. Cash flows from operations are a significant component of liquidity risk management and the Company considers both deposit maturities and the scheduled cash flows from loan and investment maturities and payments when managing risk.

Deposits are 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, perception of safety and competitive forces. The Company routinely uses debt securities and loans as collateral for secured borrowings. In the event of severe market disruptions, the Company has access to secured borrowings through the FHLB and the Federal Reserve Bank of Atlanta under its borrower-in-custody program.

The Company does not rely on and is not dependent on off-balance sheet financing or significant amounts of wholesale funding. The Company strategically increased brokered deposits in the first quarter of 2020 to supplement its liquidity position, given the unknown impact of the COVID-19 pandemic on business and economic conditions. Brokered certificates of deposits ("CDs") at September 30, 2020 were $381.0 million, an increase of $91.8 million, or 19%, from December 31, 2019. CD maturities are laddered, with $147.2 million maturing in the fourth quarter of 2020.

Cash and cash equivalents, including interest bearing deposits, totaled $309.6 million on a consolidated basis at September 30, 2020, compared to $124.5 million at December 31, 2019, an increase of 149%. Higher cash and cash equivalent balances at September 30, 2020 reflect favorable deposit growth, including PPP loan funds and government stimulus payments received by our customers and generally lower consumer spending levels in 2020.

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, debt securities available-for-sale and interest-bearing deposits. 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 debt securities not pledged to secure public deposits or trust funds. At September 30, 2020, the Company had available unsecured lines of credit of $135.0 million and secured lines of credit, which are subject to change, of $1.7 billion. In addition, the Company had $1.2 billion of debt securities and $646.1 million in residential and commercial real estate loans available as collateral. In comparison, at December 31, 2019, the Company had available unsecured lines of $130.0 million and secured lines of credit of $1.1 billion, and $924.2 million of debt securities and $830.0 million in residential and commercial real estate loans available as collateral. In April 2020, the Federal Reserve offered term funding with a fixed rate of 35 basis points on pledged Paycheck Protection Program loans. The Company initially expected to utilize this program, however, as the Bank's deposits increased significantly due to PPP loans being funded directly into bank deposit accounts and reduced spending due to the COVID-19 pandemic combined with the Bank's relatively low cost of deposits, utilization became unnecessary.

The Company has traditionally relied upon dividends from Seacoast Bank and securities offerings to provide funds to pay the Company’s expenses and to service the Company’s debt. During the third quarter of 2020, Seacoast Bank distributed $5.2 million to the Company and, at September 30, 2020, is eligible to distribute dividends to the Company of approximately $192.8 million without prior regulatory approval. Total dividends of $11.0 million have been distributed to the Company in 2020. At September 30, 2020, the Company had cash and cash equivalents at the parent of approximately $59.4 million compared to $53.0 million at December 31, 2019.

Deposits and Borrowings

The Company’s balance sheet continues to be primarily funded by core deposits.

Total deposits increased $1.3 billion, or 24%, to $6.9 billion at September 30, 2020, compared to $5.6 billion at December 31, 2019. The acquisition of FBPB in the first quarter of 2020 added $173.7 million in deposits and the acquisition of Freedom Bank in the third quarter of 2020 added $329.7 million in deposits. The remaining increase was partially attributed to PPP borrowers' loan proceeds that remain in deposit accounts at September 30, 2020, as well as higher balances resulting from decreased customer spending due to the COVID-19 pandemic.

Since December 31, 2019, interest bearing deposits (interest bearing demand, savings and money market deposits) increased $688.3 million, or 25%, to $3.5 billion, and CDs (excluding brokered CDs) decreased $76.7 million, or 11%, to $635.5 million. Noninterest demand deposits were higher by $810.3 million, or 51%, compared to year-end 2019, totaling $2.4 billion. Noninterest demand deposits represented 35% of total deposits at September 30, 2020 and 28% at December 31, 2019.

During the nine months ended September 30, 2020, $1.6 billion of brokered CDs at an average rate of 1.36% matured. Brokered CDs at September 30, 2020 totaled $381.0 million compared to $472.9 million at December 31, 2019. CD maturities are laddered, with $147.2 million maturing in the fourth quarter of 2020.

Customer repurchase agreements totaled $89.5 million at September 30, 2020, increasing $3.4 million, or 4%, from December 31, 2019. Repurchase agreements are offered by Seacoast 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.

No unsecured federal funds purchased were outstanding at September 30, 2020.

At September 30, 2020 and December 31, 2019, borrowings were comprised of subordinated debt of $71.3 million and $71.1 million, respectively, related to trust preferred securities issued by trusts organized or acquired by the Company, and borrowings from FHLB of $35.0 million and $315.0 million, respectively. The weighted average rate for FHLB funds during the nine months ended September 30, 2020 and 2019 was 1.08% and 2.51%, respectively, and compared to 2.28% for the year ended December 31, 2019. FHLB borrowings outstanding as of September 30, 2020 bear interest at 0.72% and mature in 2023. Secured FHLB borrowings are an integral tool in liquidity management for the Company.

The Company has issued subordinated debt in conjunction with its wholly owned trust subsidiaries in connection with bank acquisitions in previous years. The acquired junior subordinated debentures (in accordance with ASC Topic 805 Business Combinations) were recorded at fair value, which collectively is $4.0 million lower than face value at September 30, 2020. This amount is being amortized into interest expense over the acquired subordinated debts' remaining term to maturity. All trust preferred securities are guaranteed by the Company on a junior subordinated basis.

The weighted average interest rate of outstanding subordinated debt related to trust preferred securities was 3.28% and 4.87% for the nine months ended September 30, 2020 and 2019, respectively, and compared to 4.75% for the year ended December 31, 2019.

Off-Balance Sheet Transactions

In the normal course of business, the Company may 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.

Lending commitments include unfunded loan commitments and standby and commercial letters of credit. 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. A large majority of loan commitments and standby letters of credit expire without being funded, and accordingly, total contractual amounts are not representative of 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.

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. Loan commitments were $1.6 billion at September 30, 2020 and $1.0 billion at December 31, 2019.

During the current economic uncertainty created by the COVID-19 pandemic, borrowers may be more dependent upon lending commitments than they have been in the past, and more likely to draw on the commitments, though no material increase in utilization has occurred through September 30, 2020. The Company has a reserve for potential credit losses on unfunded lending-related commitments of $3.0 million recorded in Other Liabilities.

Capital Resources

The Company's equity capital at September 30, 2020 increased $112.7 million, or 11%, from December 31, 2019 to $1.1 billion. Changes in equity included increases from net income of $48.4 million, the issuance of stock pursuant to the FBPB and Freedom Bank acquisitions of $62.2 million, and an increase in accumulated other comprehensive income of $14.8 million primarily attributed to the increase in market value of available-for-sale debt securities. These increases were partially offset by a $16.9 million decrease from the adoption of CECL.

The ratio of shareholders' equity to period end total assets was 13.25% and 13.87% at September 30, 2020 and December 31, 2019, respectively. The ratio of tangible shareholders' equity to tangible assets was 10.67% and 11.05% at September 30, 2020 and December 31, 2019, respectively. The decrease was due to growth in the balance sheet, the result of bank acquisitions, PPP loans and associated liquidity.

Activity in shareholders' equity for the nine months ended September 30, 2020 and 2019 follows:

(In thousands)	2020	2019
Beginning balance at December 31, 2019 and 2018	$ 985,639	$ 864,267
Net income	48,417	71,563
Cumulative change in accounting principle upon adoption of new accounting pronouncement	(16,876)	—
Issuance of stock pursuant to acquisitions	62,152	—
Stock compensation, net of Treasury shares acquired	4,251	3,477
Change in other comprehensive income	14,758	23,371
Ending balance at September 30, 2020 and 2019	$ 1,098,341	$ 962,678

Capital ratios are well above regulatory requirements for well-capitalized institutions. Seacoast management's use of risk-based capital ratios in its analysis of the Company's capital adequacy are "non-GAAP" financial measures. Seacoast management uses these measures to assess the quality of capital and believes that investors may find it useful in their analysis of the Company. The capital measures are not necessarily comparable to similar capital measures that may be presented by other companies (see "Note I – Equity Capital").

September 30, 2020	Seacoast (Consolidated)	Seacoast Bank	Minimum to be Well- Capitalized[1]
Total Risk-Based Capital Ratio	17.98%	16.84%	10.00%
Tier 1 Capital Ratio	16.88%	15.74%	8.00%
Common Equity Tier 1 Ratio (CET1)	15.60%	15.74%	6.50%
Leverage Ratio	11.97%	11.16%	5.00%

[1] *For subsidiary bank only.*

The Company's total risk-based capital ratio was 17.98% at September 30, 2020, an increase from December 31, 2019's ratio of 15.71%. During the first quarter of 2020, the Company adopted interagency guidance which delays the impact of CECL adoption on capital for two years followed by a three year phase-in period. At September 30, 2020, the Bank's leverage ratio (Tier 1 capital to adjusted total assets) was 11.16%, well above the minimum to be well capitalized under regulatory guidelines.

The Company and Seacoast Bank 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 Bank 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. Without Office of the Comptroller of the Currency ("OCC") approval, Seacoast Bank can pay $192.8 million of dividends 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 Bank or us, respectively. The board of directors of a bank holding company must consider different factors to ensure that its dividend level, if any, 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.

The Company has seven wholly owned trust subsidiaries that have issued trust preferred stock. Trust preferred securities from acquisitions were recorded at fair value when acquired. 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 under Basel III capital guidelines, with limitations, and net of goodwill and intangibles. The Company believes that its trust preferred securities qualify under these revised regulatory capital rules and believes that it can treat all $71.3 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 1 capital.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, ("GAAP"), including prevailing practices within the financial services industry. 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. The Company has established policies and control procedures that are intended to ensure valuation methods are well controlled and applied consistently from period to period. These estimates and assumptions, which may materially affect the reported amounts of certain assets, liabilities, revenues and expenses, are based on information available as of the date of the financial statements, and changes in this information over time and the use of revised estimates and assumptions could materially affect amounts reported in subsequent financial statements. Management believes the most critical accounting estimates and assumptions that involve the most difficult, subjective and complex assessments are:

- the allowance and the provision for credit losses on loans;
- acquisition accounting and purchased loans;
- intangible assets and impairment testing;
- other fair value adjustments;
- credit losses on AFS debt securities, 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 the Company that could have a material effect on reported financial information. For more information regarding management's judgments relating to significant accounting policies and recent accounting pronouncements, see "Note A-Significant Accounting Policies" to the Company's consolidated financial statements.

Allowance and Provision for Credit Losses on Loans– Critical Accounting Policies and Estimates

On January 1, 2020, the Company adopted ASC Topic 326 - *Financial Instruments - Credit Losses,* which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology.

For loans, management estimates the allowance for credit losses using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit losses provide the basis for estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, loan to value ratios, borrower credit characteristics, loan seasoning or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, occupancy rates, and other macroeconomic metrics.

The allowance for credit losses is measured on a collective basis when similar risk characteristics exist. The Company has developed an allowance model based on an analysis of probability of default ("PD") and loss given default ("LGD") to determine an expected loss by loan segment. PDs and LGDs are developed by analyzing the average historical loss migration of loans to default.

The allowance estimation process also applies an economic forecast scenario over a three year forecast period. The forecast may utilize one scenario or a composite of scenarios based on management's judgment and expectations around the current and future macroeconomic outlook. Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. For portfolio segments with a weighted average life longer than three years, the Company reverts to longer term historical loss experience, adjusted for prepayments, to estimate losses over the remaining life of the loans within each segment.

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 quantitative components of the allowance model. These influences may include elements such as changes in concentration, macroeconomic conditions, recent observable asset quality trends, staff turnover, regional market conditions, employment levels and loan growth. Based upon management's assessments of these factors, the Company may apply qualitative adjustments to the allowance.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

The contractual term of a loan excludes expected extensions, renewals, and modification unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and not unconditionally cancellable by the Company.

A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is considered to be a troubled debt restructuring ("TDR"). The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment, except when the value of a concession cannot be measured using a method other than the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit losses is determining by discounting the expected future cash flows at the original interest rate of the loan.

It is the Company's practice to ensure that the 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. In compliance with Federal Financial Institution Examination Council guidelines, 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. 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 process of collection. Secured loans may be charged-down to the estimated value of the collateral with previously accrued unpaid interest reversed against interest income. 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.

Note F to the financial statements (titled “Allowance for Credit Losses”) summarizes the Company’s allocation of the allowance for credit losses on loans by loan segment and provides detail regarding charge-offs and recoveries for each loan segment and the composition of the loan portfolio at September 30, 2020 and December 31, 2019.

Acquisition Accounting and Purchased Loans – Critical Accounting Policies and Estimates

The Company accounts for acquisitions under ASC Topic 805, *Business Combinations*, which requires the use of the acquisition method of accounting. All identifiable assets acquired, including loans, are recorded at fair value. All loans acquired are recorded at fair value in accordance with the fair value methodology prescribed in ASC Topic 820, *Fair Value Measurement*. The fair value estimates associated with the loans include estimates related to expected prepayments and the amount and timing of expected principal, interest and other cash flows. Loans are identified as purchased credit deteriorated (“PCD”) when they have experienced more-than-insignificant deterioration in credit quality since origination. An allowance for

expected credit losses on PCD loans is recorded at the date of acquisition through an adjustment to the loans' amortized cost basis. In contrast, expected credit losses on loans not considered PCD are recognized in net income at the date of acquisition.

Fair value estimates for acquired assets and assumed liabilities are based on the information available, and are subject to change for up to one year after the closing date of the acquisition as additional information relative to closing date fair values becomes available.

Intangible Assets and Impairment Testing – Critical Accounting Policies and Estimates

Intangible assets consist of goodwill, core deposit intangibles and mortgage servicing rights. Goodwill represents the excess purchase price over the fair value of net assets acquired in business acquisitions. The core deposit intangible represents the excess intangible value of acquired deposit customer relationships. Core deposit intangibles are amortized on a straight-line basis, and are evaluated for indications of potential impairment at least annually. Goodwill is not amortized but rather is evaluated for impairment on at least an annual basis. The Company performed an annual impairment test of goodwill, as required by ASC Topic 350, *Intangibles—Goodwill and Other*, in the fourth quarter of 2019. Seacoast conducted the test internally, documenting the impairment test results, and concluded that no impairment occurred.

As a result of recent volatility in the financial markets and overall decline in bank stock valuations since the onset of the COVID-19 pandemic, management performed a qualitative assessment to determine whether a triggering event had occurred that would indicate goodwill impairment. At September 30, 2020, the Company determined that no triggering event had occurred which would require a full interim goodwill impairment test. In the event of a sustained decline in share price or further deterioration in the macroeconomic outlook, continued assessments of the Company's goodwill balance will likely be required in future periods. Any impairment charge would not affect the Company's regulatory capital ratios, tangible common equity ratio or liquidity position.

Other Fair Value Measurements – Critical Accounting Policies and Estimates

"As Is" values are used to measure fair market value on impaired loans, OREO and repossessed assets. All impaired loans, OREO and repossessed assets are reviewed quarterly to determine if fair value 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. Collateral dependent impaired loans are loans where repayment is solely dependent on the liquidation of the collateral or operation of the collateral for repayment. If an updated assessment is deemed necessary and an internal valuation cannot be made, an external "As Is" 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.

The fair value of the available-for-sale portfolio at September 30, 2020 was greater than historical amortized cost, resulting in net unrealized gains of $25.0 million that have been included in accumulated other comprehensive income 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 2020 or 2019. The fair value of each security available-for-sale was obtained from independent pricing sources utilized by many financial institutions or from dealer quotes. 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.

Credit Losses on AFS Debt Securities – Critical Accounting Policies and Estimates

As part of the adoption of ASC Topic 326, the Company replaced the other than temporary impairment model with an approach that requires credit losses to be presented as an allowance, rather than as a direct write-down, when management does not intend to sell or believes they will not be required to sell before recovery.

Seacoast analyzes AFS debt securities quarterly for credit losses. The analysis is performed on an individual security basis for all securities where fair value has declined below amortized cost. Fair value is based upon pricing obtained from third party pricing services. Based on internal review procedures and the fair values provided by the pricing services, the Company believes that the fair values provided by the pricing services are consistent with the principles of ASC Topic 820, *Fair Value Measurement*. 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.

The Company utilizes both quantitative and qualitative assessments to determine if a security has a credit loss. Quantitative assessments are based on a discounted cash flow method. Qualitative assessments consider a range of factors including: 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.

For AFS debt securities where a credit loss has been identified, the Company records this loss through an allowance for credit losses. This allowance is limited to the amount that the security's amortized cost exceeds its fair value. If the fair value of the security increases in subsequent periods or changes in factors used within the credit loss assessments result in a change in the estimated credit loss, the Company would reflect the change by decreasing the allowance for credit losses.

Contingent Liabilities – Critical Accounting Policies and Estimates

Seacoast is subject to contingent liabilities, including judicial, regulatory and arbitration proceedings, and tax and other claims arising from the conduct of the Company's business activities. These proceedings include actions brought against the Company and/or its subsidiaries with respect to transactions in which the Company and/or its subsidiaries acted as a lender, a financial adviser, a broker or acted in a related activity. Accruals are established for legal and other claims when it becomes probable that 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 its advisers may learn of additional information that can affect the 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 the claims. At September 30, 2020 and December 31, 2019, the Company had no significant accruals for contingent liabilities and had no known pending matters that could potentially be significant.

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 Asset and Liability Management Committee ("ALCO") uses simulation analysis to monitor changes in net interest income due to changes in market interest rates. The simulation of rising, declining and flat interest rate scenarios allows management to monitor and adjust interest rate sensitivity to minimize the impact of market interest rate swings. The analysis of the impact on net interest income over a twelve month period is subjected to instantaneous changes in market rates of 100 basis point increases up to 200 basis points of change on net interest income and is monitored on a quarterly basis.

The following table presents the ALCO simulation model's projected impact of a change in interest rates on the projected baseline net interest income for the 12 and 24 month periods beginning on October 1, 2020, holding all other changes in the balance sheet static. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve.

	% Change in Projected Baseline Net Interest Income	
Change in Interest Rates	**1-12 months**	**13-24 months**
+2.00%	9.25%	15.22%
+1.00%	4.78%	8.06%
Current	0.00%	0.00%
-1.00%	(6.24)%	(11.67)%

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 29.2% at September 30, 2020. This result includes assumptions for core deposit re-pricing 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.

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.

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.

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. Core deposits are a more significant funding source for the Company, making the lives attached to core deposits more important to the accuracy of EVE modeling. The Company periodically reassesses its assumptions regarding the indeterminate lives of core deposits utilizing an independent third party resource to assist. With lower interest rates over a prolonged period, the average lives of core deposits have trended higher and favorably impacted model estimates of EVE for higher rates.

The following table presents the projected impact of a change in interest rates on the balance sheet. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve.

Change in Interest Rates	% Change in Economic Value of Equity
+2.00%	30.20%
+1.00%	16.70%
Current	0.00%
-1.00%	(22.90)%

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 September 30, 2020 and concluded that those disclosure controls and procedures are effective.

During the quarter ended September 30, 2020, there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting. There has been no significant impact to internal controls over financial reporting as a result of the COVID-19 pandemic. The Company is continually monitoring and assessing changes in processes and activities to determine any potential impact on the design and operating effectiveness of internal controls over financial reporting.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries, because of the nature of their business, 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 position, or operating results or cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should consider the factors discussed in "Part I, Item 1A. Risk Factors" in our report on Form 10-K for the year ended December 31, 2019, which could materially affect our business, financial condition and prospective results. The risks described in this report, in our Form 10-K or our other SEC filings are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results. The following risk factors have been included in this Quarterly Report on Form 10-Q in response to the global market disruptions that have resulted from the COVID-19 pandemic.

The COVID-19 pandemic has and will continue to adversely impact our business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.

The COVID-19 pandemic is and is likely to continue creating extensive disruptions to the global economy and to the lives of individuals throughout the world. Governments, businesses, and the public are taking unprecedented actions to contain the spread of the COVID-19 pandemic and to mitigate its effects, including quarantines, travel bans, shelter-in-place orders, closures of businesses and schools, fiscal stimulus, and legislation designed to deliver monetary aid and other relief. While the

scope, duration, and full effects of the COVID-19 pandemic are rapidly evolving and not fully known, the COVID-19 pandemic and related efforts to contain it have disrupted global economic activity, adversely affected the functioning of financial markets, impacted interest rates, increased economic and market uncertainty, and disrupted trade and supply chains. If these effects continue for a prolonged period or result in sustained economic stress, recession or depression, many of the risk factors identified in the "Risk Factors" section included in our Annual Report on Form 10-K for the year ended December 31, 2019 could be exacerbated and such effects could have a material adverse impact on us in a number of ways related to credit, collateral, customer demand, funding, operations, interest rate risk, and human capital, as described in more detail below.

Credit Risk. Our risks of timely loan repayment and the value of collateral supporting the loans are affected by the strength of our borrowers' businesses. Concern about the spread of the COVID-19 pandemic has caused and is likely to continue to cause business shutdowns, limitations on commercial activity and financial transactions, labor shortages, supply chain interruptions, increased unemployment and commercial property vacancies, reduced profitability and ability for property owners to make mortgage payments, and overall economic and financial market instability, all of which may cause our customers to be unable to make scheduled loan payments. If the effects of the COVID-19 pandemic result in widespread and sustained repayment shortfalls on loans in our portfolio, we could incur significant delinquencies, foreclosures and credit losses, particularly if the available collateral is insufficient to cover our exposure. The future effects of the COVID-19 pandemic on economic activity could negatively affect the collateral values associated with our existing loans, the ability to liquidate the real estate collateral securing our residential and commercial real estate loans, our ability to maintain loan origination volume and to obtain additional financing, the future demand for or profitability of our lending and services, and the financial condition and credit risk of our customers. Further, in the event of delinquencies, regulatory changes and policies designed to protect borrowers may slow or prevent us from making our business decisions or may result in a delay in our taking certain remediation actions, such as foreclosure. In addition, we have unfunded commitments to extend credit to customers. During a challenging economic environment like now, our customers are more dependent on our credit commitments and increased borrowings under these commitments could adversely impact our liquidity.

In an effort to support our communities during the COVID-19 pandemic, we participated in the Paycheck Protection Program ("PPP") under the CARES Act whereby loans to small businesses are made, and those loans are subject to regulatory requirements that require forbearance of loan payments for a specified time, or that limit our ability to pursue all available remedies in the event of a loan default. If the borrower under the PPP loan fails to qualify for loan forgiveness, if the terms of the program change, or if the SBA determines there is a deficiency in the manner in which any PPP loans were originated, funded or serviced by the Company, we may be subject to repayment risk as well as the heightened risk of holding these loans at unfavorable interest rates as compared to loans to customers that we would have otherwise extended credit.

Beginning in the first quarter of 2020, under the guidance of the CARES Act and of banking regulators, we have offered deferrals of principal and interest payments to certain borrowers affected by the COVID-19 pandemic. Some of these borrowers may not be able to return to regular payments at the end of the deferral period, and we may arrange additional deferrals or other types of modifications with these borrowers to accommodate their economic hardship. This may 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 credit losses is insufficient to cover such losses, our earnings, capital and liquidity could be adversely affected.

Strategic Risk. Our financial condition and results of operations may be affected by a variety of external factors that may affect the price or marketability of our products and services, changes in interest rates that may increase our funding costs, reduced demand for our financial products due to economic conditions and the various response of governmental and nongovernmental authorities. In recent months, the COVID-19 pandemic has significantly increased economic and demand uncertainty and has led to severe disruptions and volatility in the global capital markets. Furthermore, many of the governmental actions in response to the COVID-19 pandemic have been directed toward curtailing household and business activity to contain the COVID-19 pandemic. These actions have been rapidly changing. For example, in many of our markets, local governments have acted to temporarily close or restrict the operations of most businesses, and these restrictions could recur if there are future increases in the spread of the virus. The future effects of the COVID-19 pandemic on economic activity could negatively affect the future banking products we provide, including a decline in loan originations.

Operational Risk. Current and future restrictions on our workforce's access to our facilities could limit our ability to meet customer servicing expectations and have a material adverse effect on our operations. We rely on business processes and branch activity that largely depend on people and technology, including access to information technology systems as well as information, applications, payment systems and other services provided by third parties. In response to the COVID-19 pandemic, we have modified our business practices with a portion of our employees working remotely from their homes to have our operations uninterrupted as much as possible. Further, technology in employees' homes may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees to be more

limited or less reliable than in our offices. The continuation of these work-from-home measures also introduces additional operational risk, including increased cybersecurity risk. These cyber risks include greater phishing, malware, and other cybersecurity attacks, vulnerability to disruptions of our information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a security breach resulting in destruction or misuse of valuable information, and potential impairment of our ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, litigation and liability and could seriously disrupt our operations and the operations of any impacted customers.

Moreover, we rely on many third parties in our business operations, including the appraisers of real property collateral, vendors that supply essential services such as loan servicers, providers of financial information, systems and analytical tools and providers of electronic payment and settlement systems, and local and federal government agencies, offices, and courthouses. In light of the developing measures responding to the COVID-19 pandemic, many of these entities may limit the availability and access of their services. For example, loan origination could be delayed due to the limited availability of real estate appraisers for the collateral. Loan closings could be delayed related to reductions in available staff in recording offices or the closing of courthouses in certain counties, which slows the process for title work, mortgage and UCC filings in those counties. If the third-party service providers continue to have limited capacities for a prolonged period or if additional limitations or potential disruptions in these services materialize, it may negatively affect our operations.

Interest Rate Risk. Our net interest income, lending activities, deposits and profitability are and are likely to continue to be negatively affected by volatility in interest rates caused by uncertainties stemming from the COVID-19 pandemic. In March 2020, the Federal Reserve lowered the target range for the federal funds rate to a range from 0 to 0.25 percent, citing concerns about the impact of the COVID-19 pandemic on markets and stress in the energy sector. A prolonged period of extremely volatile and unstable market conditions would likely increase our funding costs and negatively affect market risk mitigation strategies. Higher income volatility from changes in interest rates and spreads to benchmark indices will likely cause a loss of future net interest income and a decrease in current fair market values of our assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, or financial condition.

Through the third quarter of 2020, we have continued to recognize interest income for loans on deferred payment status. If it is later determined that the borrower will be unable to make all payments due, the loan may be classified as nonaccrual, and interest accrued but not collected will be reversed against interest income, which would negatively affect net interest income in the period of reversal.

Because there have been no comparable recent global pandemics that resulted in similar global impact, we do not yet know the full extent and long-term impact of the COVID-19 pandemic's effects on our business, operations, or the global economy as a whole. Any future developments will be highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic, the effectiveness of our work from home arrangements, third party providers' ability to support our operation, and any actions taken by governmental authorities and other third parties in response to the COVID-19 pandemic. The uncertain future development of this crisis could materially and adversely affect our business, operations, operating results, financial condition, liquidity or capital levels.

Liquidity and Litigation Risk. Federal, state and local governments have mandated or encouraged financial services companies to make accommodations to borrowers and other customers affected by the COVID-19 pandemic. Legal and regulatory responses to concerns about the COVID-19 pandemic could result in additional regulation or restrictions affecting the conduct of our business in the future. In addition to the potential effects from negative economic conditions noted above, the Company instituted a program to help customers financially impacted by the COVID-19 pandemic. This program includes waiving certain fees and charges and offering payment deferment and other loan relief, as appropriate, for customers impacted by the COVID-19 pandemic. The Company's liquidity could be negatively impacted if a significant number of customers apply and are approved for the deferral of payments. In addition, if these deferrals are not effective in mitigating the effect of the COVID-19 pandemic on the Company's customers, it may adversely affect its business and results of operations more substantially over a longer period of time. In addition, a significant amount of the loan growth the Company experienced during the second quarter was a direct result of PPP loans, and such growth did not continue in the third quarter of 2020. Furthermore, since the inception of the PPP, several banks have been subject to recent litigation regarding the process and procedures that such banks used in processing applications for the PPP and claims related to agent fees. In addition, some banks have received negative media attention associated with PPP loans. The Company and the Bank are exposed to similar litigation risk and negative media attention risk, from both customers and non-customers that approached the Bank regarding PPP loans, regarding its process and procedures used in processing applications for the PPP, or litigation from agents with respect to agent fees. If any such litigation is filed against the Company or the Bank and is not resolved in a manner favorable to the Company or the Bank, it may result in significant financial liability or adversely affect the Company's reputation. In addition, litigation can be

costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP related litigation or negative media attention could have a material adverse impact on our business, financial condition and results of operations.

The PPP has also attracted interest from federal and state enforcement authorities, oversight agencies, regulators and Congressional committees. State Attorney Generals and other federal and state agencies may assert that they are not subject to the provisions of the CARES Act and the PPP regulations entitling the Bank to rely on borrower certifications, and they may take more aggressive actions against the Bank for alleged violations of the provisions governing the Bank's participation in the PPP. Federal and state regulators can impose or request that we consent to substantial sanctions, restrictions and requirements if they determine there are violations of laws, rules or regulations or weaknesses or failures with respect to general standards of safety and soundness, which could adversely affect our business, reputation, results of operation and financial condition.

We are subject to lending concentration risk.

Our loan portfolio contains several industry and collateral concentrations including, but not limited to, commercial and residential real estate. Due to the exposure in these concentrations, disruptions in markets, economic conditions, including those resulting from the global response to the COVID-19 pandemic, changes in laws or regulations or other events could cause a significant impact on the ability of borrowers to repay and may have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our loan portfolio is secured by real estate. In weak economies, or in areas where real estate market conditions are distressed, we may experience a higher than normal level of nonperforming real estate loans. The collateral value of the portfolio and the revenue stream from those loans could come under stress, and additional provisions for the allowance for credit losses could be necessitated. Our ability to dispose of foreclosed real estate at prices at or above the respective carrying values could also be impaired, causing additional losses.

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

Issuer purchases of equity securities during the first nine months of 2020, entirely related to equity incentive plan activity, 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[1]	Maximum Number of Shares that May yet be Purchased Under the Plan
1/1/20 to 1/31/20	1,114	$ 25.79	343,340	71,660
2/1/20 to 2/29/20	1,199	23.66	344,539	70,461
3/1/20 to 3/31/20	1,735	17.39	346,274	68,726
Total - 1st Quarter	4,048	$ 21.56	346,274	68,726
4/1/20 to 4/30/20	1,509	21.35	347,783	67,217
5/1/20 to 5/31/20	1,688	20.66	349,471	65,529
6/1/20 to 6/30/20	1,812	19.38	351,283	63,717
Total - 2nd Quarter	5,009	$ 20.40	351,283	63,717
7/1/20 to 7/31/20	2,030	17.94	353,313	61,687
8/1/20 to 8/31/20	1,874	19.23	355,187	59,813
9/1/20 to 9/30/20	2,185	17.13	357,372	57,628
Total - 3rd Quarter	6,089	$ 18.05	357,372	57,628
Year to Date 2020	15,146	$ 19.77	357,372	57,628

[1]The plan to purchase equity securities totaling 165,000 was approved on September 18, 2001, with no expiration date. An additional 250,000 shares were added to the plan and approved on May 20, 2014.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit 2.1 Agreement and Plan of Merger Dated January 23, 2020 by and among the Company, Seacoast Bank, Fourth Street Banking Company and Freedom Bank incorporated herein by reference from Exhibit 2.1 to the Company's Form 8-K, filed January 29, 2020.

Exhibit 3.1.1 Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed May 10, 2006.

Exhibit 3.1.2 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K, filed December 23, 2008.

Exhibit 3.1.3 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.4 to the Company's Form S-1, filed June 22, 2009.

Exhibit 3.1.4 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K, filed July 20, 2009.

Exhibit 3.1.5 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K, filed December 3, 2009.

Exhibit 3.1.6 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K/A, filed July 14, 2010.

Exhibit 3.1.7 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K, filed June 25, 2010.

Exhibit 3.1.8 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K, filed June 1, 2011.

Exhibit 3.1.9 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8-K, filed December 13, 2013.

Exhibit 3.1.10 Articles of Amendment to the Amended and Restated Articles of Incorporation Incorporated herein by reference from Exhibit 3.1 to the Company's Form 8K, filed May 30, 2018.

Exhibit 3.2 Amended and Restated By-laws of the Company Incorporated herein by reference from Exhibit 3.2 to the Company's Form 8-K, filed December 21, 2007.

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.
Exhibit 101	The following materials from Seacoast Banking Corporation of Florida's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 formatted in Inline XBRL: (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Shareholders' Equity and (vi) the Notes to the Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
Exhibit 104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL.

SIGNATURES

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

November 5, 2020	/s/ Dennis S. Hudson, III Dennis S. Hudson, III Chairman and Chief Executive Officer
November 5, 2020	/s/ Tracey L. Dexter Tracey L. Dexter Chief Financial Officer

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Section 2: EX-31.1 (EX-31.1)

EXHIBIT 31.1

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis S. Hudson, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Seacoast Banking Corporation of Florida;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2020

/s/ Dennis S. Hudson, III

Dennis S. Hudson, III
Chairman and Chief Executive Officer

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Section 3: EX-31.2 (EX-31.2)

EXHIBIT 31.2

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Tracey L. Dexter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Seacoast Banking Corporation of Florida;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 5, 2020

/s/ Tracey L. Dexter

Tracey L. Dexter
Chief Financial Officer

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Section 4: EX-32.1 (EX-32.1)

EXHIBIT 32.1

STATEMENT OF CHIEF EXECUTIVE OFFICER OF
SEACOAST BANKING CORPORATION OF FLORIDA
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Seacoast Banking Corporation of Florida ("Company") for the period ended September 30, 2020 ("Report"), I, Dennis S. Hudson, III, Chairman and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of The Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

/s/ Dennis S. Hudson, III

Dennis S. Hudson, III
Chairman and Chief Executive Officer

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Section 5: EX-32.2 (EX-32.2)

EXHIBIT 32.2

STATEMENT OF CHIEF FINANCIAL OFFICER OF
SEACOAST BANKING CORPORATION OF FLORIDA
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Seacoast Banking Corporation of Florida ("Company") for the period ended September 30, 2020 ("Report"), I, Tracey L. Dexter, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to

§ 906 of The Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2020

/s/ Tracey L. Dexter
Tracey L. Dexter
Chief Financial Officer

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