



RISK MANAGEMENT

Presented by David Houdeshell



David Houdeshell: EVP, Chief Risk Officer



Background

Chief Risk Officer overseeing the enterprise risk management program, credit risk, and risk reporting, including regulatory compliance, operational risk and information security controls. He has been with Seacoast for 6 1/2 years

Experience

32 years experience spanning credit fulfillment, quantitative analysis, product development, systems design, and risk management practices. Prior to joining Seacoast, he served The South Financial Group as Credit Administration Executive and Director of Credit Portfolio Risk Management, and Bombardier Capital as Chief Credit Officer, and Bank of America and Barnett Banks in various roles including credit, compliance, technology and process improvement.

Member of Audit & Compliance Committee for Martin Health Systems

Education

Bachelor of Science - Finance, Florida State University

Masters in Bank Administration, ABA's Stonier Graduate School of Banking

Location

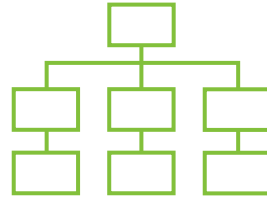
Stuart, Florida

Established and Prudent Credit Culture



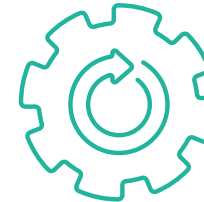
Disciplined

- Loan Policy and Credit Culture
- Loan portfolio guardrails
- Focus on consumer and business with revenue under \$250 million
- House limits substantially lower than Legal Lending Limit
- No organic loan participations, mezzanine, leveraged lending or shared national credits



Organizational Structure

- Central underwriting residential, consumer, small business and SBA lending
- In-market underwriting for commercial and real estate
- Regional credit officers organizationally independent of origination teams
- Dedicated Special Assets and Collections team
- Governance via Board of Directors' Credit Risk Committee



Processes

- Weekly Officers Loan Committee
- Monthly credit analytics and dashboards
- Quarterly Problem Loan Committee
- Quarterly credit attribute and score refreshes across all loan types
- Quarterly review of portfolio limits, concentrations, guardrails and target industries
- Annual loan portfolio stress tests



Assurance

Internal

- Independent Loan Review
- Independent Compliance
- Internal Audit

External

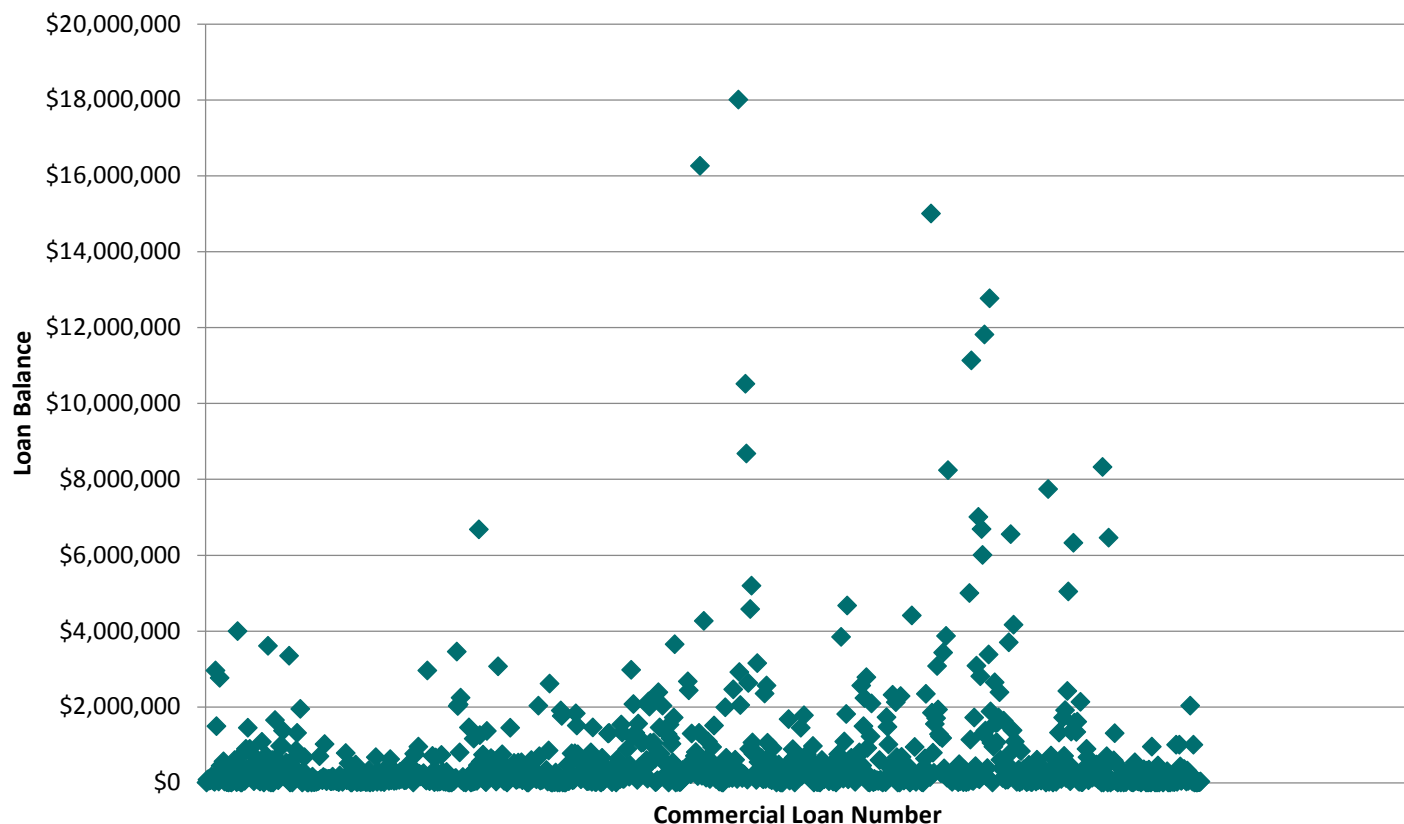
- Crowe Horwath, independent registered public accounting firm
- Office of the Comptroller of the Currency (OCC)
- Securities & Exchange Commission (SEC)
- Federal Reserve (FRB)

Risk Management Principles and Credit Risk Tenets



2010 Commercial Loan Portfolio

Commercial Loans Total \$647 Million Outstanding



Performance influenced by few larger loans

Relationships % of RB Capital

2010
Top 10 66%
Top 20 100%

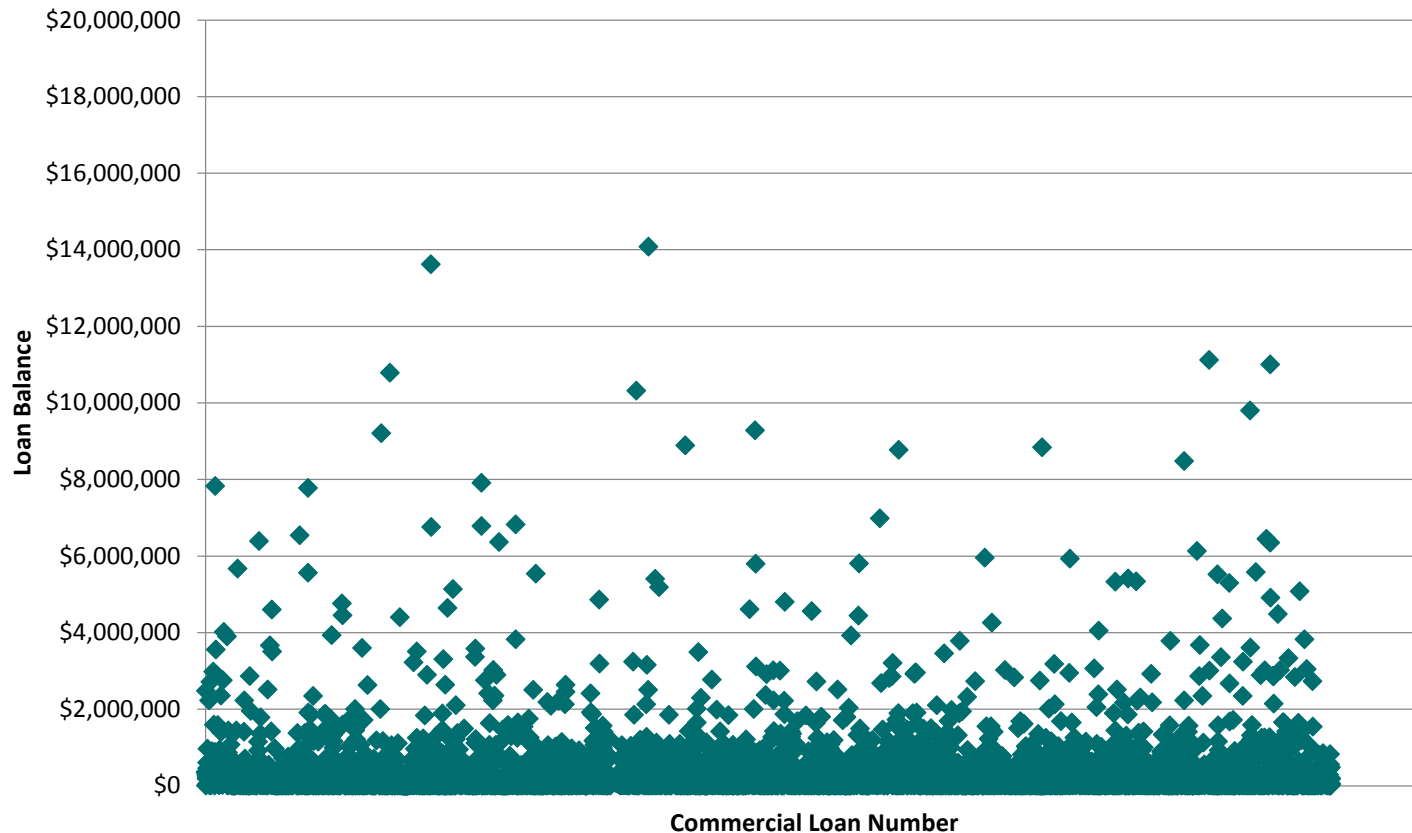
Commercial Loan Size

2010
Average \$656,582

\$33 million Legal Lending Limit

2016 Comprehensive Loan Portfolio Guardrails Support Moderate-to-Conservative Underwriting

Commercial Loans Total \$1.8 Billion Outstanding



Guidelines intentionally drive granularity into the loan portfolio

Relationships % of RB Capital

	2010	2016
Top 10	66%	41%
Top 20	100%	66%

↓

Commercial Loan Size

	2010	2016
Average	\$656,582	\$330,185

↓

\$62 million Legal Lending Limit

A Growing Suite of Customer Credit Products

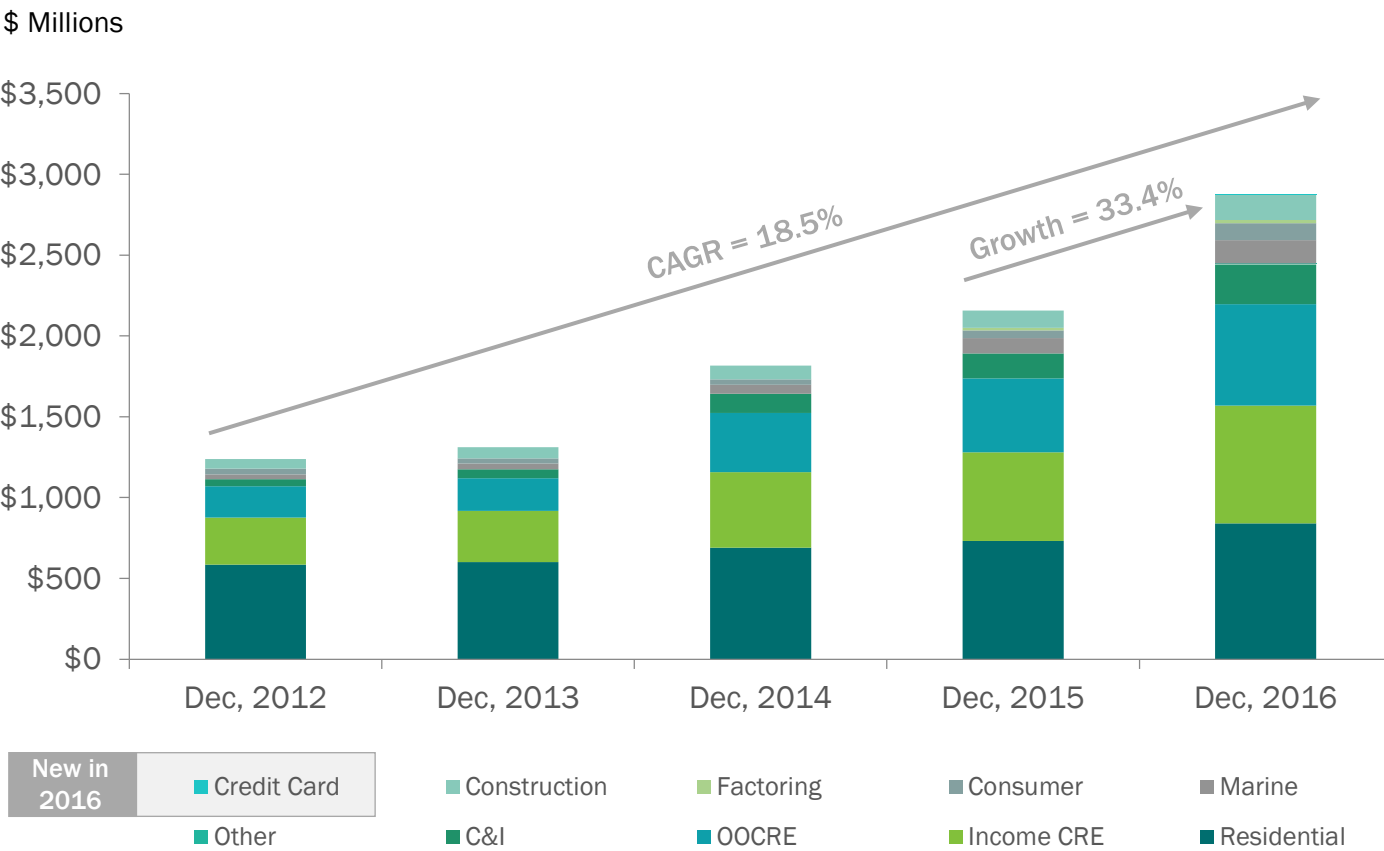
- Live
- On roadmap

Residential	Consumer	Small Business	Commercial
<ul style="list-style-type: none"> • Web application, self-service any time, any where • 1-4 family 1st & 2nd mortgages • HELOC with 1st mortgage • Doctor/professional program • Foreign national loan program • eSign initial disclosure • Construction administration self-serve any time, any where 	<ul style="list-style-type: none"> • Web application, self-service any time, any where • Tablets at Smart Bars in branches and out of branches • 90% of our consumer loan applications receive a same-day decision • Credit cards • eSign capabilities • Consumer loan origination tools as point-of-sale 	<ul style="list-style-type: none"> • Small business lending expertise • Product set: lines of credit, equipment loans, capital loans, owner-occupied commercial real estate(OOCRE), and SBA 7a • eSign capabilities • Fintech alliances • SBA preferred lender • Credit cards • P-cards 	<ul style="list-style-type: none"> • Commercial lending expertise • Product set: lines of credit, asset-based lines, receivables factoring, equipment finance, OOCRE, construction loans, builder lines of credit, income property loans, SBA 504 and capital leasing • Credit cards • P-cards • Reverse-factoring capabilities

<p>Data analytics across all segments provide appropriate services based on need and fit as well as to monitor asset quality</p>	<p>Solicit via email, mail, phone call, in person</p>	<p>Outbound telephone-banking lending</p>	<p>Underwriting teams look for opportunities to provide additional services to customers</p>	<p>Monthly and quarterly credit attribute refreshes provide performance insights</p>
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Strong Growth Has Been Intentionally Balanced and Not Dependent on CRE Loans

Loans Outstanding

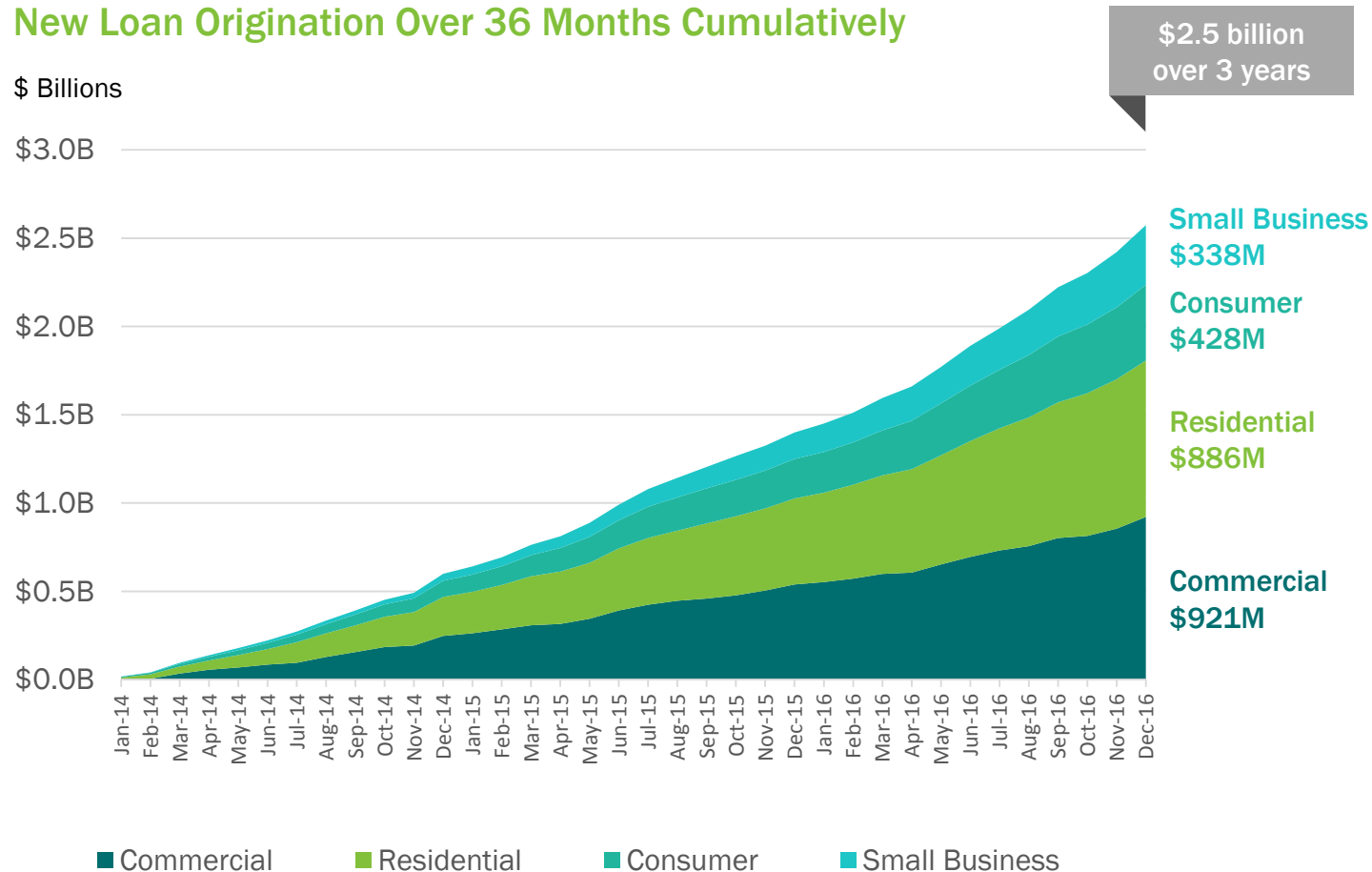


Approximate 2016 Mix

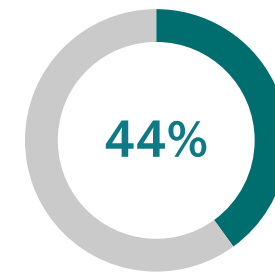


Increasing Organic Loan Origination Across All Segments

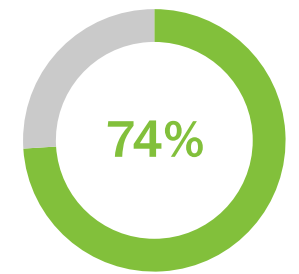
New Loan Origination Over 36 Months Cumulatively



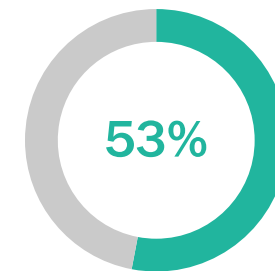
2016 YoY New Origination Growth:



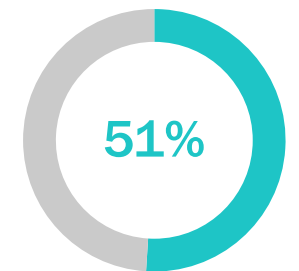
Commercial
2015 YoY +21%



Residential
2015 YoY -10%



Consumer
2015 YoY +63%



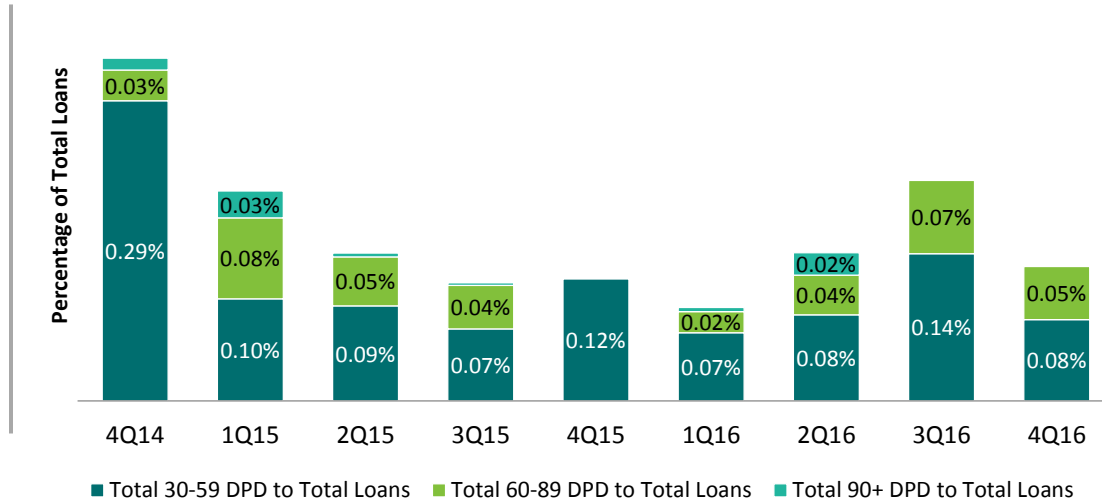
Small Business
2015 YoY +42%

Top Customer Relationships as of December 2016

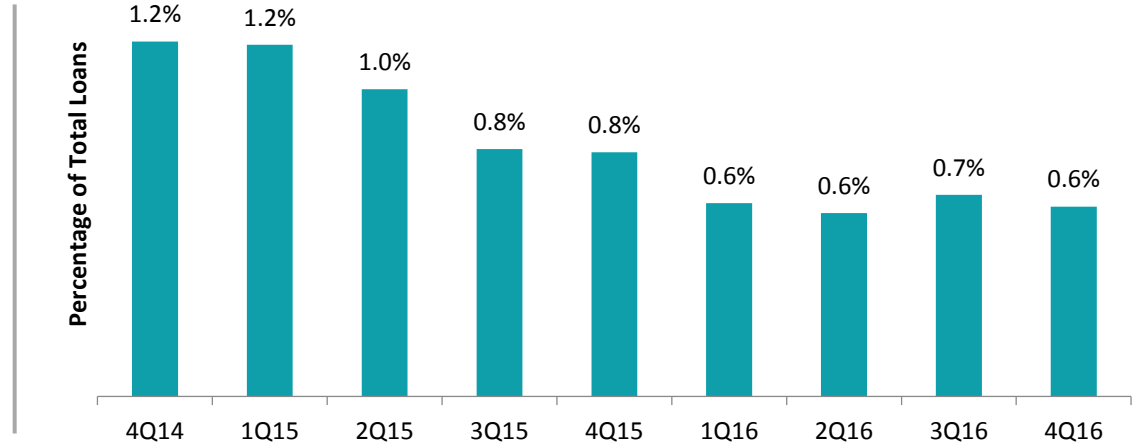
Portfolio / Segment	Total Loan Relationship	Largest Individual Note	% of Loan Portfolio	% of Risk-based Capital
1 C&I Wholesaler and distributor	\$27,513,877	\$12,000,000	0.9%	6.6%
2 CRE Self-storage warehouses	\$22,251,685	\$11,000,000	0.8%	5.4%
3 CRE Retail centers	\$17,544,323	\$13,614,184	0.6%	4.2%
4 CRE Residential construction	\$16,914,156	\$15,000,000	0.6%	4.1%
5 C&I Medical services	\$15,941,182	\$8,767,650	0.5%	3.8%
6 C&I Private school	\$15,721,125	\$11,117,526	0.5%	3.8%
7 CRE Warehouses & offices	\$14,073,333	\$14,073,333	0.5%	3.4%
8 CRE Retail centers	\$13,868,657	\$8,480,136	0.5%	3.3%
9 CRE Warehouses & offices	\$13,490,668	\$10,312,900	0.5%	3.2%
10 CRE Retail centers	\$12,659,737	\$5,950,474	0.4%	3.0%
First 20 Borrower Relationships			9.5%	66.4%
Second 20 Borrower Relationships			5.5%	38.6%

Asset Quality is Well Under Control, including acquired loans

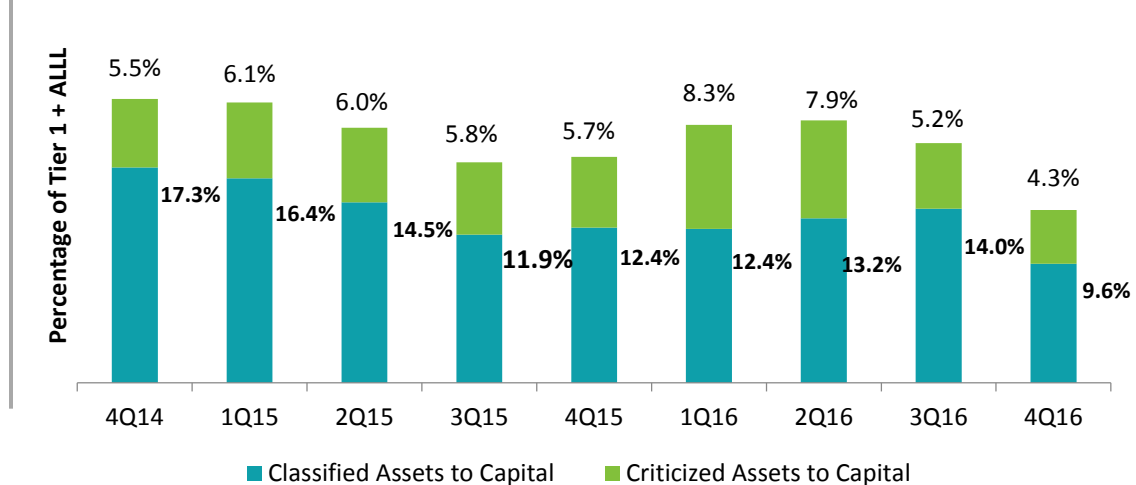
Total Past Due



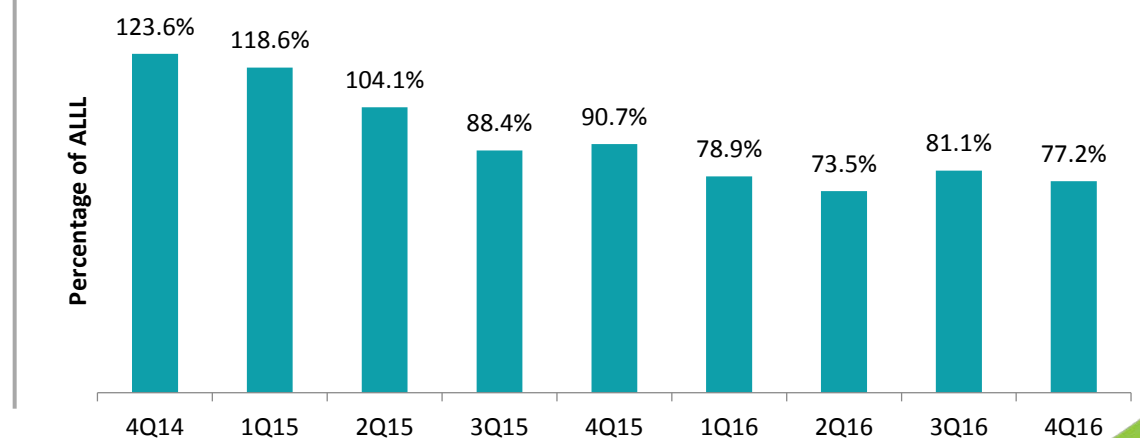
Non-performing Loans



Criticized & Classified Assets

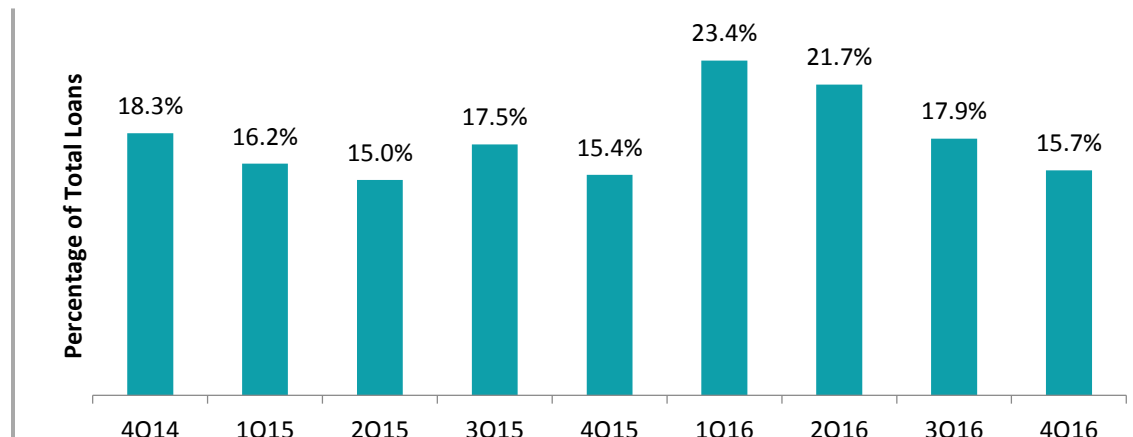


Non-accrual loans to ALLL

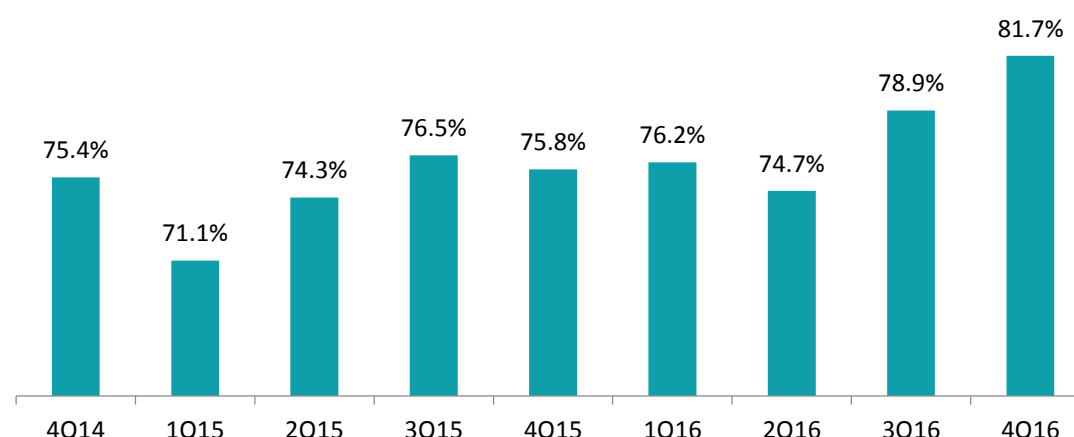


Portfolio Metrics

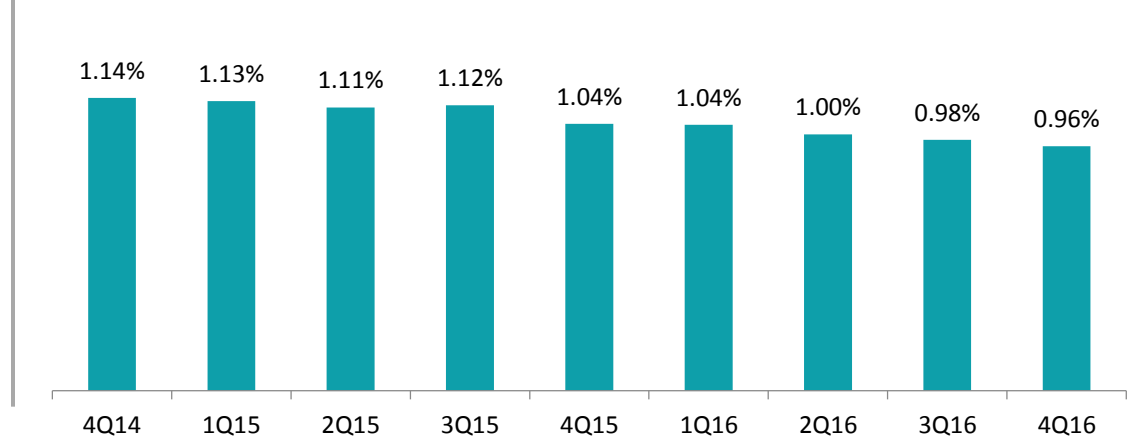
M&A Acquired loans as % of Total Loans



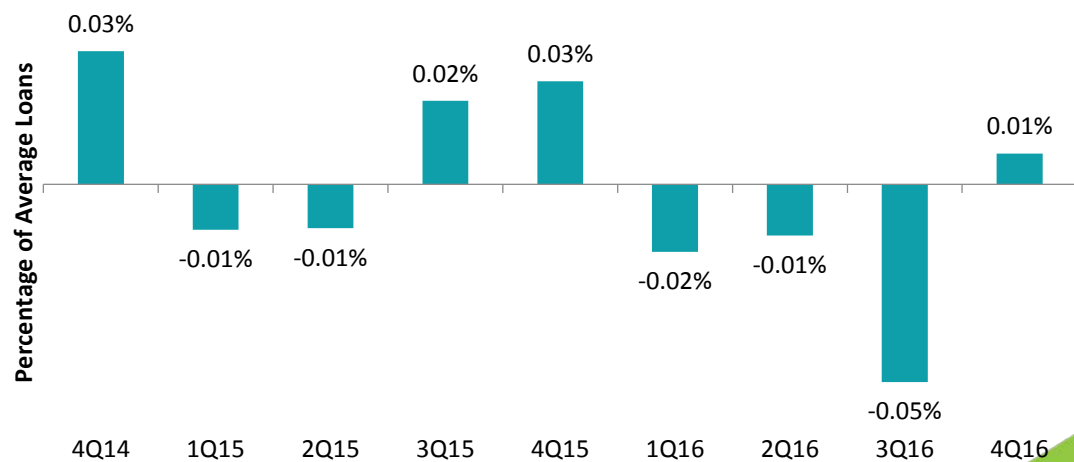
Loan-to-Deposit Ratio



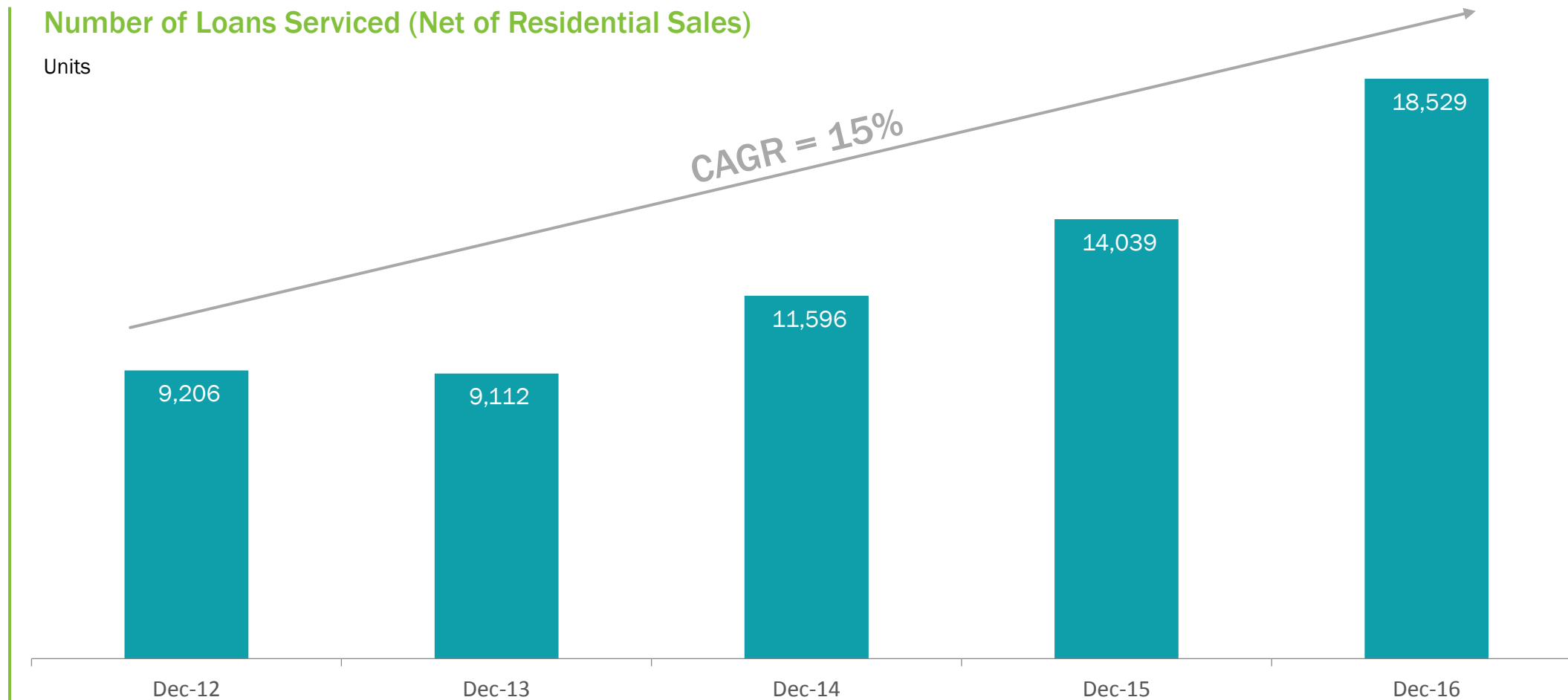
ALLL to Non-acquired Loans



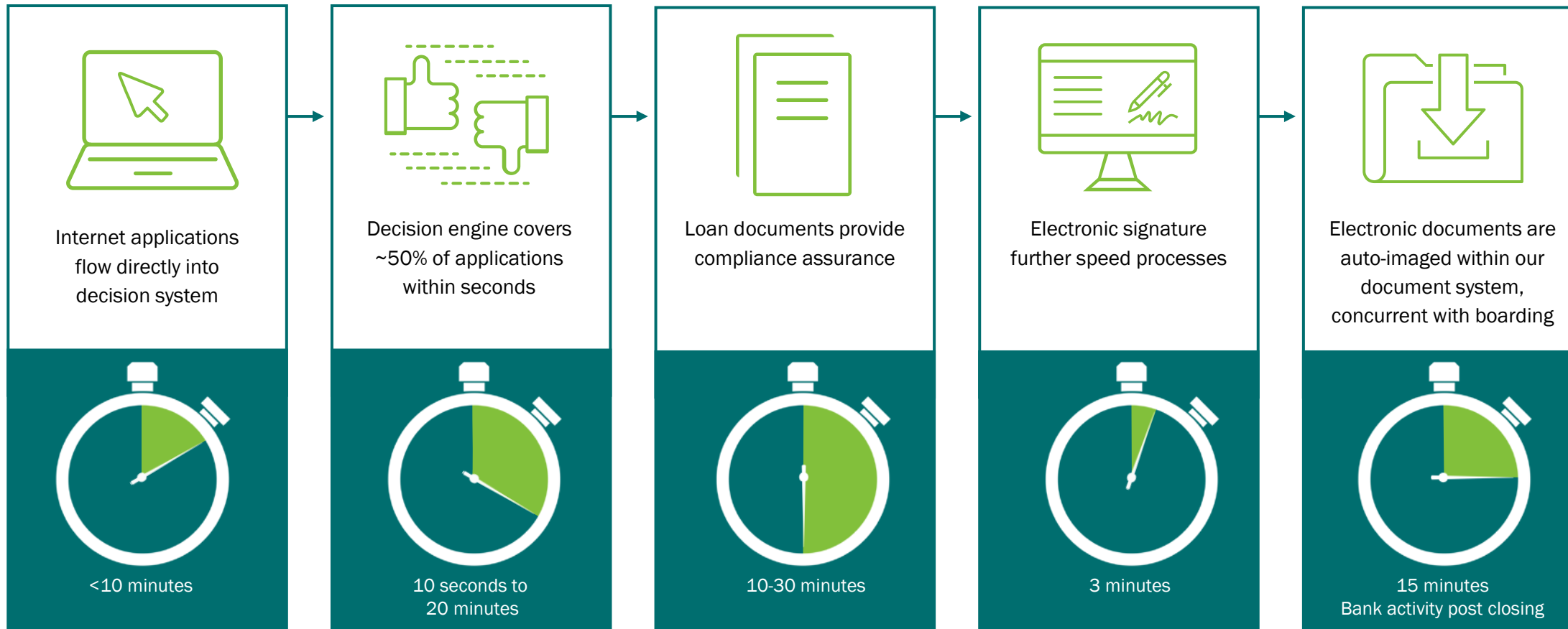
Net Charge Offs



Balancing Higher Volumes and Moderate Dollar Value to Achieve Loan Granularity Objectives



Process Design and Data Improve the Customer Experience



Customer Cycle

We Have a Number of Advantages Related to Our Approach to Credit Risk Management

1

Strong, skilled, independent underwriting teams that confirm solid, multiple repayment sources

2

Well-defined portfolio limits and elevated credit portfolio management/monitoring

3

Digestible loan sizes and no syndications

4

CRE concentrations below 220%

5

CRE products substantially income producing types

6

Lead position in all organic loans

7

Risk Ratings generated by objective calculation

8

Centrally reporting construction loan control and Special Asset Department

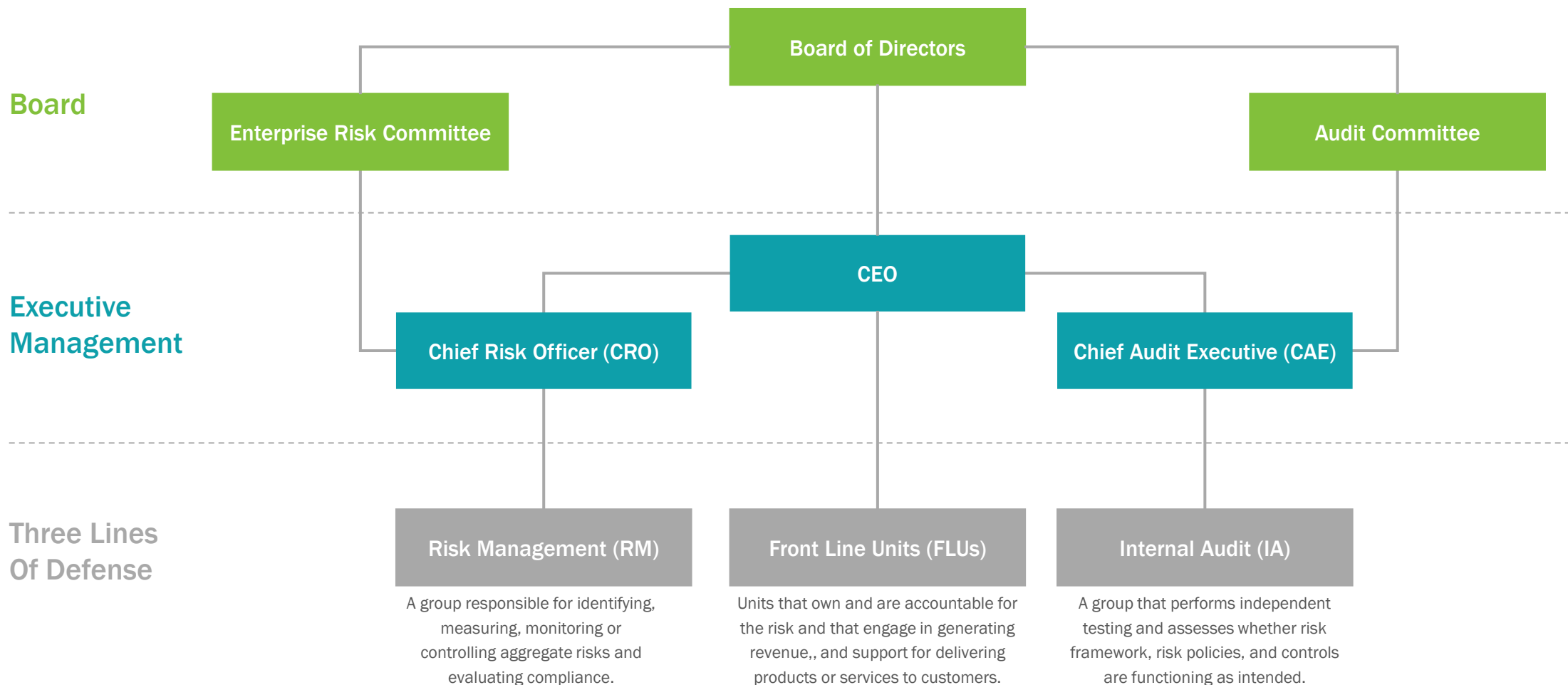
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Credit Culture is documented and reinforced throughout organization

Risk Management Integrated into Strategies to Serve Our Customers and to Create Shareholder Value



Effective Risk Management is Fundamental to Our Success



Seacoast Maintains a Culture of Risk Awareness, Not Risk Avoidance

Designs for strategic objectives

- Drive the discussion of opportunities, not just a control function
- Enhance institutional decision-making
- Assesses risk and opportunity in the context of strategic objectives

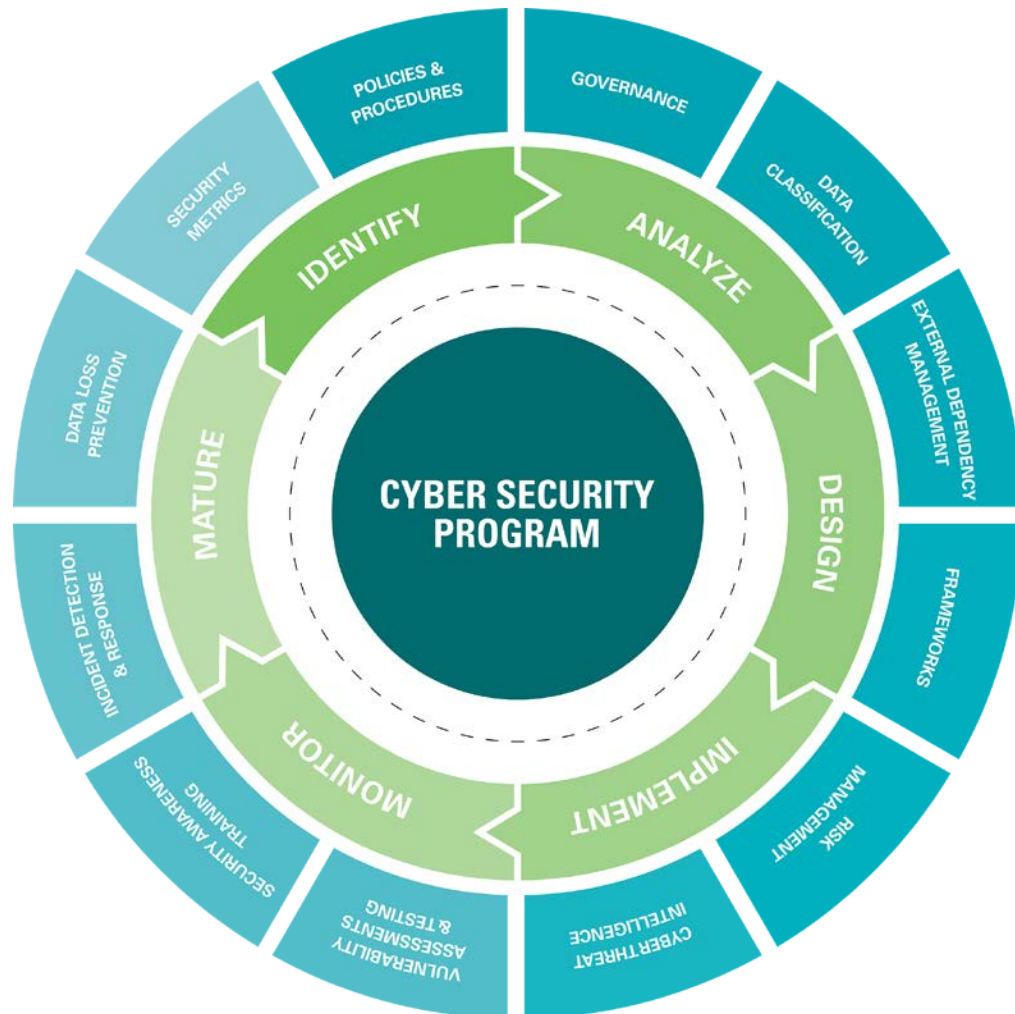
Evaluates and acts on opportunities

- A “risk-aware” culture across the organization and a process to help employees act faster
- Gets the right people together to determine risk and evaluate the corresponding reward of the considered risk areas
- Risk and reward are indelibly connected
- What’s the “risk of doing nothing” and the impact from others in the marketplace?

Creates value

- Key Risk Indicators (measures and metrics) are designed to determine if operating within pre-established tolerances
- Reduce operational surprises and losses
- Increase capacity to identify opportunities by facilitating greater transparency and openness

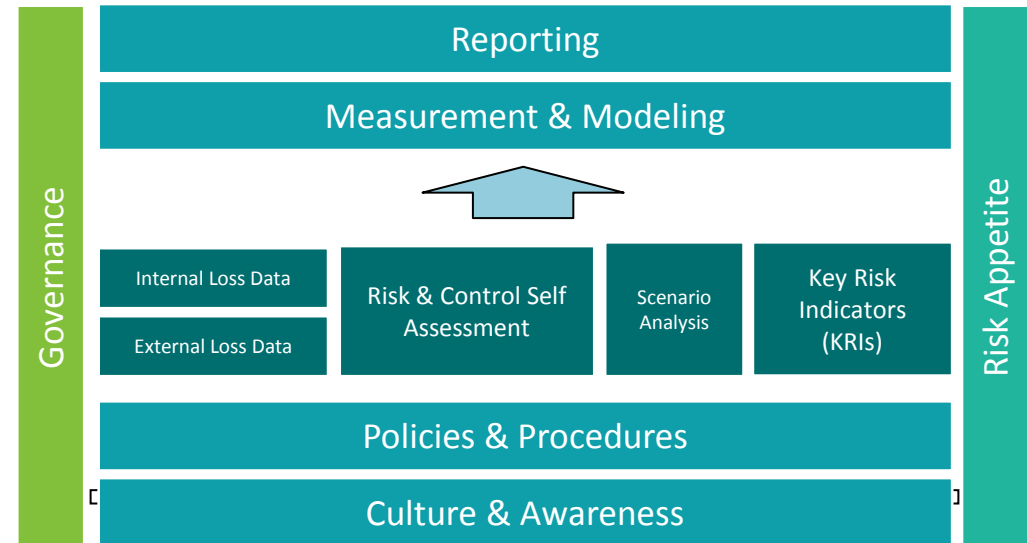
Cyber Security Program is a Fundamental Investment



- Comprehensive program designed for protection of information
- Dedicated, independent Information Security Officer
- Continuous evaluations of threats and vulnerability both internally and externally
- Robust and comprehensive vendor management diligence
- Strategic partners apply capable and on call to work with our Incident Response Team

Operational Risk Measurement is a Competitive Advantage

- Comprehensive program that keeps a pulse on business activities, so that we may move faster
- Over 80 Key Risk Indicators
- Dedicated Operational Risk Officer
- Comprehensive centralized data aggregates experiences around non-loan losses and processes
- Allows us to learn from challenges and to look for opportunities



Our Approach to Enterprise Risk Management Provides Advantages

1

Three lines of defense

2

Ongoing risk and control assessments and action plans

3

Data analytics for greater insight

Strategic Architecture

