

Southeastern Banking Corporation Reports First Quarter 2023 Results

Declares Quarterly Cash Dividend of \$0.17 Per Share



Darien, Ga. — May 18, 2023 – Southeastern Banking Corporation (OTCPINK:SEBC; the “Company”), the parent of Southeastern Bank, today reported financial results for the first quarter of 2023. Financial highlights are shown below.

Additionally, the Board of Directors declared a quarterly dividend of \$0.17 per share, to be paid on June 8, 2023, to shareholders of record on June 1, 2023.

Commenting on the Company’s results, Donald “Jay” Torbert, Jr., President and Chief Executive Officer, said, “We are pleased to report a strong start to 2023 in terms of earnings, loan growth and capital as the momentum created in 2022 carried over into the new year. I remain encouraged by the long-term prospects for growth within our markets. However, concerns for a slowing economy and higher interest rates will create challenges in generating new loan production in the coming quarters. Additionally, we expect expenses to rise as we make new investments in technology and facilities through the remainder this year.”

Earnings

- Net income increased to \$3.0 million (\$0.96 per diluted share) for the first quarter of 2023, compared to \$2.8 million (\$0.90 per diluted share) for the fourth quarter of 2022 and \$1.7 million (\$0.55 per diluted share) for the first quarter of 2022. Rising interest rates combined with loan production drove a \$42 thousand increase in net interest income compared to the fourth quarter of 2022, and a \$2.1 million increase compared to the first quarter of 2022. Income gains from rising rates were partially offset by higher rates paid to depositors and continued escalation in personnel and other operating costs.
- Core operating earnings for the first quarter totaled \$3.7 million compared to \$3.8 million for the fourth quarter of 2022 and \$2.0 million for the first quarter of 2022.
- The return on average assets for the first quarter of 2023 totaled 1.91%, compared to 1.74% for the fourth quarter of 2022 and 1.07% for the first quarter of 2022.
- The return on average equity was 19.84% versus 19.72% for the fourth quarter of 2022 and 10.72% for the first quarter of 2022.
- Net interest margin improved to 4.26% in the first quarter versus 4.07% for the fourth quarter of 2022 and 2.94% in the first quarter of 2022.

Balance Sheet

- Total assets decreased 5.9%, or \$39.5 million, during the first quarter to end at \$632.5 million. This reduction is attributed to net deposit outflows. Over the last twelve months total assets declined 2.7% or \$17.4 million.
- Deposits declined 7.4%, or \$45.2 million, during the first quarter to end at \$565.4 million. The quarterly decrease is primarily related to a seasonal decline in local government deposits, down \$34.1 million during the period. Deposits contracted 3.6%, or \$21.3 million, year-over-year.
- Uninsured deposits comprised 25% of total deposits at March 31, 2023, compared to 24% at year-end 2022.
- Loans, net of unearned income, increased 2.7%, or \$8.8 million, during the first quarter to end at \$336.2 million. Year-over-year, loans increased 14.3%, or \$42.0 million.

Capital

- Capital continues to exceed regulatory thresholds required to be considered “well-capitalized.”
- Consolidated Tier 1 leverage capital ratio was 11.21% at March 31, 2023, up 43bps during the quarter and 106bps over the last twelve months.
- Book value per share grew \$1.31 to \$20.25 during the quarter.
- Overall, capital increased by \$4.1 million during the first quarter due to earnings and a \$2.6 million improvement in unrealized losses on investment securities stemming from variations in interest rates.

- The Current Expected Credit Losses (CECL) accounting standard was implemented during the first quarter. With implementation, one-time adjustments were made to increase the allowance for credit losses on loans by \$356 thousand and establish allowances for credit losses related to unfunded loan commitments (included in other liabilities) and HTM investment securities of \$895 thousand and \$8 thousand, respectively. Offsetting these reserve adjustments were a \$995 thousand reduction in capital and a \$264 thousand increase in deferred tax assets.

Asset Quality

- Asset quality remained stable through the first quarter of 2023.
- Nonperforming assets totaled \$1.2 million, or 0.19% of total assets, at March 31, 2023 compared to \$1.3 million, or 0.19% of total assets at the end of 2022.
- The allowance for credit losses related to loans aggregated \$7.7 million, or 2.28% of total loans, at March 31, 2023, compared to \$7.2 million, or 2.21% of total loans, at December 31, 2022. The increase was driven by the CECL implementation outlined earlier as well as net recoveries of previously charged-off amounts.
- Based on credit quality metrics, a provision for credit losses was not necessary during the first quarter.

About Southeastern Banking Corporation

Southeastern Banking Corporation is the bank holding company for Southeastern Bank. Established in 1888, Southeastern Bank has a long history of serving its customers and communities through its 10 branch locations in coastal Georgia and northeast Florida, including Brunswick, Callahan (FL), Darien, Eulonia, Folkston, Hilliard (FL), Kingsland, Nahunta, Richmond Hill and St. Simons Island. In addition to these full service branches, the Bank has a loan production office in Hinesville, Georgia. The Bank is headquartered in Darien, Georgia.

Southeastern Banking Corporation's common stock is traded on the OTC Markets PINK under the symbol "SEBC."

For more information, please visit www.southeasternbank.com.

Forward-Looking Statements

Certain statements contained in this release may not be based on historical facts and are forward-looking statements. These forward-looking statements may be identified by their reference to a future period or periods or by the use of forward-looking terminology such as "anticipate," "believe," "estimate," "expect," "may," "might," "will," "would," "could" or "intend." We caution you not to place undue reliance on the forward-looking statements contained in this news release, as actual results could differ materially from those indicated in such forward-looking statements. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date of this news release.

Explanation of Certain Unaudited Non-GAAP Financial Measures

The measure entitled core operating earnings is not a measure recognized under U.S. generally accepted accounting principles (GAAP) and therefore is considered to be a non-GAAP financial measure. The most comparable GAAP measure is net income before taxes. Core operating earnings exclude select revenues and expenditures not considered core to the Company's daily operations.

Management uses this non-GAAP financial measure in its analysis of the Company's performance and believes these presentations provide useful supplemental information and a clearer understanding of the Company's operating performance. These disclosures should not be considered an alternative to GAAP. The computations of core operating earnings are set forth in the Quarterly Financial Highlights table.

CONTACT: Robert M. Eidson, Jr.
Treasurer
912-437-4141
robbie.eidson@southeasternbank.com

SOUTHEASTERN BANKING CORPORATION

Quarterly Financial Highlights

The following table presents selected consolidated financial data for Southeastern Banking Corporation. This data is derived from quarterly unaudited financial statements and should be read in conjunction with the annual audited financial statements and related notes. The 2022 Annual Report is available online at www.edocumentview.com/sebc.

	Quarterly Results				
	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
As of and for the periods ended:					
<i>(Dollars in thousands except per share data)</i>					
Summary of Operations:					
Interest income	\$ 6,755	\$ 6,602	\$ 5,706	\$ 4,904	\$ 4,526
Interest expense	242	131	96	95	96
Net interest income	6,513	6,471	5,610	4,809	4,430
Provision for (recovery of) credit losses	-	-	-	-	-
Other noninterest income	1,017	1,017	1,206	1,016	1,002
Other noninterest expense	3,707	3,657	3,700	3,417	3,256
Net income before taxes	3,823	3,831	3,116	2,408	2,176
Income taxes	799	982	522	508	455
Net income	\$ 3,024	\$ 2,849	\$ 2,594	\$ 1,900	\$ 1,721
Core Operating Earnings¹:					
Net income before taxes	\$ 3,823	\$ 3,831	\$ 3,116	\$ 2,408	\$ 2,176
- Paycheck Protection Program loan fees	-	(3)	-	(29)	(122)
- Net gain on sales of Bank-owned properties	(130)	-	(272)	-	(46)
- Net gain on sales of other assets	-	(92)	-	-	-
+ Net noninterest expense for bank-owned properties	13	4	12	6	6
+ Donations related to specific community support initiatives	-	50	110	-	-
=Core operating earnings ¹	\$ 3,706	\$ 3,790	\$ 2,966	\$ 2,385	\$ 2,014
Per Share Ratios:					
Diluted earnings	\$ 0.96	\$ 0.90	\$ 0.82	\$ 0.60	\$ 0.55
Dividends	0.17	0.16	0.16	0.16	0.16
Book value at end of period	20.25	18.94	17.88	18.70	19.60
Profitability Ratios:					
Return on average assets	1.91%	1.74%	1.56%	1.16%	1.07%
Return on average equity	19.84%	19.72%	16.91%	12.58%	10.72%
Net interest margin	4.26%	4.07%	3.52%	3.10%	2.94%
Selected Quarter-End Balances:					
Total assets	\$ 632,514	\$ 672,017	\$ 641,332	\$ 660,359	\$ 649,883
Loans, net of unearned income	336,172	327,346	296,022	286,107	294,165
Allowance for credit losses (loans)	7,653	7,239	7,272	7,292	7,301
Investment securities, at amortized cost	203,568	206,413	205,595	188,089	180,849
Deposits	565,404	610,597	583,037	600,017	586,663
Shareholders' equity	63,799	59,675	56,348	58,902	61,745
Nonperforming assets:					
Nonperforming loans	\$ 992	\$ 1,026	\$ 1,122	\$ 971	\$ 856
Bank-owned properties	240	271	242	531	531
Total nonperforming assets	\$ 1,232	\$ 1,297	\$ 1,364	\$ 1,502	\$ 1,387
Asset Quality Ratios:					
Annualized net charge-offs (recoveries) per quarter to quarterly average loans	-0.07%	0.04%	0.03%	0.01%	-0.02%
Nonperforming assets to total assets	0.19%	0.19%	0.21%	0.23%	0.21%
Allowance for credit losses (loans) to net loans	2.28%	2.21%	2.46%	2.55%	2.48%
Liquidity and Capital Ratios:					
Liquid assets to total assets	13.05%	19.50%	20.73%	26.45%	24.51%
Loans, net to total deposits	59.46%	53.61%	50.77%	47.68%	50.14%
Average loans to average earning assets (quarterly)	53.01%	49.50%	45.78%	46.13%	47.80%
Tier 1 leverage capital ratio	11.21%	10.78%	10.42%	10.22%	10.15%



¹ Core operating earnings is a non-GAAP (generally accepted accounting principles) measure. This alternative earnings measure is presented to highlight pre-tax earnings capacity exclusive of the outlined revenues and expenditures not considered as core to the Company's daily operations.

SOUTHEASTERN BANKING CORPORATION

Consolidated Statements of Condition

	March 31, 2023 <i>(Unaudited)</i>	December 31, 2022 <i>(Audited)</i>
<i>(Dollars in thousands)</i>		
ASSETS		
Cash and due from banks	\$ 10,151	\$ 24,287
Interest-bearing deposits in other banks	62,454	95,410
Federal funds sold	9,930	11,358
Cash and cash equivalents	<u>82,535</u>	<u>131,055</u>
Investment securities:		
Available for sale, at fair value	147,101	146,294
Held to maturity, net of allowance for credit losses of \$8 and \$0 (fair value of \$39,014 and \$38,024)	43,958	44,285
Loans, gross	336,211	327,388
Unearned income	(39)	(42)
Allowance for credit losses	<u>(7,653)</u>	<u>(7,239)</u>
Net loans	328,519	320,107
Premises and equipment, net	9,834	9,993
Bank-owned life insurance, at cash surrender value	12,185	12,091
Other real estate	240	266
Deferred tax assets, net	4,774	5,208
Other assets	<u>3,368</u>	<u>2,718</u>
Total assets	<u>\$ 632,514</u>	<u>\$ 672,017</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand deposits	\$ 186,633	\$ 179,872
Interest-bearing demand, savings and time deposits	378,771	430,725
Total deposits	<u>565,404</u>	<u>610,597</u>
Other liabilities	3,311	1,745
Total liabilities	<u>568,715</u>	<u>612,342</u>
Shareholders' equity		
Common stock, \$1.25 par	4,476	4,476
Additional paid-in-capital	1,396	1,396
Retained earnings	76,210	74,716
Treasury stock, at cost	(8,471)	(8,471)
Accumulated other comprehensive loss	<u>(9,812)</u>	<u>(12,442)</u>
Total shareholders' equity	<u>63,799</u>	<u>59,675</u>
Total liabilities and shareholders' equity	<u>\$ 632,514</u>	<u>\$ 672,017</u>

SOUTHEASTERN BANKING CORPORATION

Consolidated Statements of Income

<i>(Unaudited, dollars in thousands)</i>	Three Months Ended March 31,	
	2023	2022
Interest income:		
Interest and fees on loans	\$ 4,436	\$ 3,691
Interest on investment securities	1,339	777
Other interest income	980	58
Total interest income	6,755	4,526
Interest expense:		
Interest on deposits	242	96
Net interest income	6,513	4,430
Provision for credit losses	-	-
Net interest income after provision for credit losses	6,513	4,430
Noninterest income:		
Service charges on deposit accounts	246	252
Net gain on sales of assets	130	46
Other noninterest income	641	704
Total noninterest income	1,017	1,002
Noninterest expense:		
Salaries and employees benefits	2,327	2,029
Occupancy and equipment, net	683	644
Other noninterest expense	697	583
Total noninterest expense	3,707	3,256
Income before tax expense	3,823	2,176
Income tax expense	799	455
Net income	\$ 3,024	\$ 1,721

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis

Three Months Ended March 31,

	2023			2022		
	Average Balances	Income/Expense	Yields/Rates	Average Balances	Income/Expense	Yields/Rates
<i>(Unaudited, dollars in thousands)</i>						
Assets						
Interest earning assets:						
Loans, net of unearned income ¹	\$ 330,680	\$ 4,440	5.45%	\$ 294,588	\$ 3,697	5.09%
Investment securities, taxable ²	178,490	1,212	2.75%	151,207	686	1.84%
Investment securities, tax-exempt ^{2,3}	25,751	161	2.54%	21,626	115	2.16%
Other	88,918	979	4.47%	148,857	58	0.16%
Total interest earning assets	623,839	6,792	4.42%	616,278	4,556	3.00%
Noninterest earning assets	17,755			35,885		
Total assets	<u>\$ 641,594</u>			<u>\$ 652,163</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 249,349	\$ 116	0.19%	\$ 275,905	\$ 35	0.05%
Savings	113,437	94	0.34%	105,703	27	0.10%
Time deposits	33,494	32	0.39%	39,641	34	0.35%
Total interest-bearing deposits	396,280	242	0.25%	421,249	96	0.09%
Noninterest-bearing liabilities:						
Demand deposits	181,240			164,290		
Other liabilities	2,252			1,525		
Stockholders' equity	61,822			65,099		
Total liabilities and stockholders' equity	<u>\$ 641,594</u>			<u>\$ 652,163</u>		
Interest rate spread			<u>4.17%</u>			<u>2.91%</u>
Net interest income		<u>\$ 6,550</u>		<u>\$ 4,460</u>		
Net interest margin			<u>4.26%</u>			<u>2.94%</u>

¹ Nonperforming loans are included in average balances. Income on nonaccrual loans, if recognized, is recorded on the cash basis. Loan income includes loan fees and late charges. Tax-equivalent adjustments to loan income were \$4,000 and \$6,000 for the three months ended March 31, 2023 and 2022, respectively.

² Securities are presented on an amortized cost basis.

³ Tax-equivalent adjustments totaling \$34,000 and \$24,000 for the three months ended March 31, 2023 and 2022, respectively, are included in income on tax-exempt securities.