

# Quarterly Financial Update

The Company reported net income of \$254,534 for the second quarter of 2013, and \$380,323 for the first six months of 2013, both reflecting continued improvement compared to the net losses of \$1,095,291 and \$1,483,874 recognized, respectively, during the second quarter and first half of 2012. The results for the second quarter of 2013 included a \$750,000 provision for loan losses and \$383,296 in net gains on the sale of foreclosed properties (called "ORE") and other assets.

Over the last five years, our operating results have correlated with our level of nonperforming assets (primarily ORE and nonaccrual loans). The rise in nonperforming assets from 2008 to 2011 resulted in substantial losses for the Company from 2009 to 2012, and the ongoing cost to manage and liquidate those assets will continue to weigh heavily on our operating results. The charts below

highlight the trends in our net income (loss), loan charge-offs, and non-performing assets from 2007 to June 30, 2013.

We continue to make progress in the liquidation of problem assets on our balance sheet.

During the first half of 2013, we reduced nonperforming assets by \$6.19 million (or 14.5%) bringing the total down to \$36.48 million.

Loan charge-offs declined to \$0.86 million in the first six months of 2013 compared to \$2.69 million for the same period in 2012.

We placed \$2.76 million of loans on nonaccrual status during the first half of 2013, a decrease compared to \$4.76 million of loans placed on nonaccrual status during the same period in 2012.

Also, during the first half of 2013, we foreclosed on \$3.05 million in loans, a decrease compared to \$8.93 million foreclosed during the same period of 2012.

(continued on Page 3)



SOUTHEASTERN  
BANKING  
CORPORATION

## Key Financial Statistics

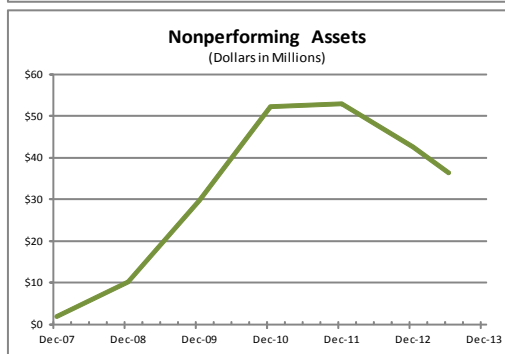
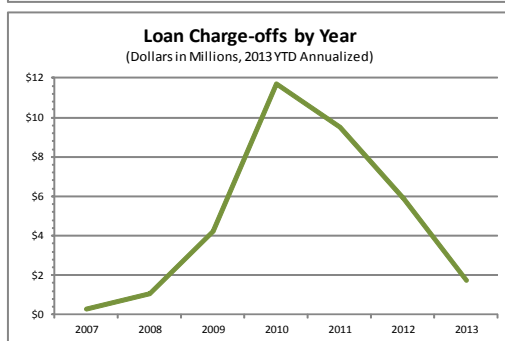
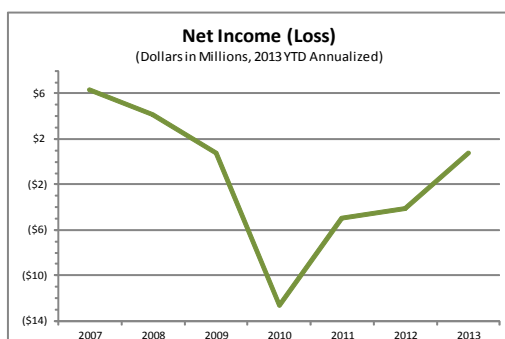
(Dollars in thousands except per share data)

### As of June 30, 2013:

Total Assets	\$360,783
Total Loans	\$178,142
Total Deposits	\$321,694
Total Equity Capital	\$35,483
Loans-to-Deposits	55.4%
Nonperforming Assets-to-Total Assets	10.1%
Capital-to-Assets	9.8%
Book Value per Share	\$11.34

### For the Quarter Ended June 30, 2013:

Net Interest Income	\$2,839
Provision for Loan Losses	\$750
Net Income	\$254
Net Income per Share	\$0.08
Return on Average Assets	0.28%
Return on Average Equity	2.78%
Net Interest Margin	3.57%



## Bank-Owned Property for Sale



With the downturn in the economy and the local real estate markets that initially began in 2007, we've had a significant amount of real estate loans default resulting in the foreclosure of the real estate collateral. At June 30, 2013, we were carrying 96 parcels of foreclosed properties with an aggregate book value of \$19.83 million. These properties range from raw, undeveloped land tracts to residential lots to completed houses and commercial buildings. During the first half of 2013, we successfully sold 15 parcels totaling \$3.64 million for a net gain of \$0.79 million.

If you are interested in learning more about our properties, visit our real estate website at [www.liveatthecoast.com](http://www.liveatthecoast.com) or call us at 912.264.3307 and ask to speak with Clay Gibson or Josh Proctor.

## Quarterly Financial Data

The following tables present selected consolidated financial data for the Company<sup>1</sup>. The selected financial data is derived from the Company's quarterly unaudited financial statements and should be read in conjunction with the Company's audited financial statements and related notes for the year ended December 31, 2012.

	Quarter-to-Date				
	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012
<b>As of and for the periods ended:</b>					
<i>(Dollars in thousands except per share data)</i>					
<b>Summary of Operations:</b>					
Interest income	\$ 3,066	\$ 3,047	\$ 3,219	\$ 3,222	\$ 3,331
Interest expense	227	250	306	356	429
Net interest income	2,839	2,797	2,913	2,866	2,902
Provision for loan losses	750	550	2,450	950	1,840
Noninterest income	752	819	1,178	941	1,351
Noninterest expense	2,587	2,940	3,833	3,327	3,508
Net income (loss)	\$ 254	\$ 126	\$(2,192)	\$ (470)	\$(1,095)
Adjustments to net income (loss) to arrive at non-GAAP <sup>2</sup> core operating earnings:					
Provision for loan losses	\$ 750	\$ 550	\$ 2,450	\$ 950	\$ 1,840
Net (gain) loss on investments	-	-	(243)	(17)	(431)
Net (gain) loss on sales of assets	(74)	(1)	14	1	(23)
Net (gain) loss on sales and write-downs of ORE	(308)	(258)	768	175	273
Other foreclosed property expenses	153	185	123	163	292
Core operating earnings (non-GAAP <sup>2</sup> )	\$ 775	\$ 602	\$ 920	\$ 802	\$ 856
<b>Per Share Ratios:</b>					
Basic and diluted earnings (loss)	\$ 0.08	\$ 0.04	\$ (0.70)	\$ (0.15)	\$ (0.35)
Book value at end of period	11.34	11.60	11.62	12.33	12.41
Stock trading price:					
High	8.95	4.15	3.15	3.80	4.25
Low	3.45	2.05	1.70	3.00	3.80
<b>Profitability Ratios:</b>					
Return on average assets	0.28%	0.13%	-2.23%	-0.48%	-1.07%
Return on average equity	2.78%	1.41%	-22.64%	-4.77%	-10.99%
Net interest margin	3.57%	3.40%	3.41%	3.33%	3.20%

<sup>1</sup> Certain amounts in prior periods have been reclassified to conform to current period presentation.

<sup>2</sup> Core operating earnings is a non-GAAP (generally accepted accounting principles) measure. We present this alternative earnings measure to highlight our earnings capacity exclusive of credit-related charges (provision for loan losses, write-downs on other real estate and expenses related to carrying and disposing of other real estate and repossessed assets) and non-recurring gains and losses (on sales of investment securities and other assets).

<b>As of and for the periods ended:</b> <i>(Dollars in thousands)</i>	<b>Jun. 30, 2013</b>	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012
<b>Selected Quarterly Average Balances:</b>					
Total assets	<b>\$ 364,506</b>	\$ 381,485	\$ 390,470	\$ 391,309	\$ 412,968
Earning assets	<b>322,739</b>	338,693	346,953	348,898	372,024
Loans, net of unearned income	<b>176,357</b>	174,846	180,562	182,315	188,105
Investment securities	<b>93,420</b>	96,415	92,599	90,639	86,804
Deposits	<b>323,876</b>	342,375	347,874	347,244	366,405
Shareholders' equity	<b>36,723</b>	36,301	38,510	39,200	40,081
<b>Selected Quarter-End Balances:</b>					
Total assets	<b>\$ 360,783</b>	\$ 373,128	\$ 406,565	\$ 381,789	\$ 406,830
Loans, net of unearned income	<b>178,142</b>	173,997	176,335	182,462	182,212
Allowance for loan losses	<b>7,734</b>	7,061	6,972	6,931	6,662
Investment securities	<b>93,896</b>	95,976	99,892	94,512	89,834
Deposits	<b>321,694</b>	332,978	366,410	338,976	361,490
Shareholders' equity	<b>35,483</b>	36,296	36,357	38,578	38,834
Nonperforming assets:					
Nonperforming loans	<b>\$ 16,637</b>	\$ 18,533	\$ 21,976	\$ 29,582	\$ 30,189
Foreclosed properties	<b>19,831</b>	21,269	20,680	20,633	19,506
Other repossessed assets	<b>11</b>	22	15	15	8
Total nonperforming assets	<b>\$ 36,479</b>	\$ 39,824	\$ 42,671	\$ 50,230	\$ 49,703
<b>Asset Quality Ratios:</b>					
Net charge-offs per quarter (annualized) to quarterly average loans	<b>0.17%</b>	1.07%	5.31%	1.49%	3.61%
Nonperforming assets to total assets	<b>10.11%</b>	10.67%	10.49%	13.16%	12.21%
Allowance for loan losses to net loans	<b>4.34%</b>	4.06%	3.95%	3.80%	3.66%
Allowance to nonperforming loans	<b>46.49%</b>	38.10%	31.73%	23.43%	22.06%
<b>Liquidity Ratios:</b>					
Loans, net to total deposits	<b>55.38%</b>	52.25%	48.13%	53.83%	50.41%
Average loans to average earning assets	<b>54.64%</b>	51.62%	52.04%	52.25%	50.56%
Noninterest-bearing deposits to total deposits	<b>21.18%</b>	22.06%	18.07%	19.37%	19.43%
<b>Capital Adequacy Ratios:</b>					
Tier 1 risk-based capital ratio	<b>16.72%</b>	16.70%	16.34%	16.83%	17.01%
Total risk-based capital ratio	<b>18.00%</b>	17.98%	17.61%	18.10%	18.28%
Tier 1 leverage ratio	<b>9.87%</b>	9.33%	9.12%	9.66%	9.26%

## Quarterly Financial Update *(continued from Page 1)*

The \$36.48 million balance of non-performing assets at June 30, 2013 is comprised of \$19.83 million in ORE and \$14.77 million in loans on nonaccrual status due to payment and collateral deficiencies and \$1.88 million in loans kept current under terms that were restructured for borrowers in troubled condition. We expect the migration from nonperforming loans to ORE to continue with eventual liquidation through the sale of ORE.

Total deposits decreased \$44.72 million (or 12.2%) during the first six months of 2013. Approximately \$36.66 million of the decrease in deposits occurred in the three branches that were closed on April 5, 2013. Also, as they typically do each year, we had a \$29.14 million decline in public funds during the first half of the year. Non-public deposits in our 13 remaining branch offices increased \$12.99 million (or 5.0%) during the year-to-date.

Total assets decreased \$45.78 million (or 11.3%) during the first half of 2013 due to the decrease in deposits. The shrinkage of our balance sheet also improved our capital ratios. Our consolidated Tier 1 leverage capital ratio improved to 9.87% at June 30, 2013 from 9.12% at the end of 2012. Total loans increased \$4.15 million (or 2.4%) during the quarter and \$1.81 million (or 1.0%) during the year-to-date. We are encouraged by recent opportunities to generate new loan production in our markets, and we expect additional growth opportunities from our calling efforts.

The loan growth combined with the decline in excess deposits during the first half of the year aided our net interest margin by 30 basis points from 3.19% for the first six months of 2012 to 3.49% for the same period in 2013.

*(continued on Page 4)*

## Southeastern Banking Corporation

P.O. Box 455  
1010 North Way  
Darien, GA 31305  
912.437.4141  
912.437.7185 fax  
[www.southeasternbank.com](http://www.southeasternbank.com)

## Southeastern Bank

Member FDIC  
Equal Housing Lender



While we are pleased with the improvements to earnings and asset quality in the first half of 2013, we remain cautious of the potential for additional losses in 2013 given the level of problem assets on our balance sheet and the still recovering local economy and real estate markets.

The Company's Annual Meeting of Shareholders was held on May 16, 2013. At the meeting, with a quorum of shares represented, the following proposals were approved:

- To elect Alyson G. Beasley, Albert P. Downey, Jerry W. Harper, Cornelius P. Holland, III, Alva J. Hopkins, III, R. Lanier Miles, Craig Root and John E. Zoucks to serve as directors until the Annual Meeting of Shareholders in 2014.
- To set the number of directors to serve on the Board at 11 with three current vacancies.
- To approve the appointment of independent auditors by the Audit Committee.

Thank you for your continued support of our Company as a shareholder and a customer.

Respectfully yours,

A handwritten signature in cursive script, appearing to read "Cornelius P. Holland, III".

Cornelius P. Holland, III  
President & CEO

## About SEBC

Southeastern Banking Corporation ("SEBC") is a bank holding company located in Darien, Georgia. SEBC stock trades through a network of broker-dealer firms "over-the-counter" ("OTC") as an OTC stock. Investors can find real-time quotes and market information on SEBC using our "SEBC" stock symbol on the OTC Bulletin Board website at [www.otcbb.com](http://www.otcbb.com) or on the OTC Markets Group website at [www.otcm Markets.com](http://www.otcm Markets.com).

Southeastern Bank, SEBC's bank subsidiary, offers a full line of commercial and retail banking services through 13 branch locations across southeast Georgia and northeast Florida. The Bank, an FDIC-insured state bank chartered in 1888, is one of the oldest banks in Georgia. Information about the Bank is available online at [www.southeasternbank.com](http://www.southeasternbank.com). Additional regulatory information about the Bank, including the quarterly financial call reports, can be found online at [www.fdic.gov](http://www.fdic.gov).

For more information about SEBC, contact Jay Torbert, Alyson Beasley or Wanda Pitts at 912.437.4141 or at [shareholderinfogroup@southeasternbank.com](mailto:shareholderinfogroup@southeasternbank.com).



## Forward-Looking Statements

Certain statements presented in this document are considered "forward-looking statements". When we use words like "estimate", "believe", "see", "appear", "continue", "will", "could", "should", "expect", and similar expressions to convey our opinion about something yet to occur or be realized, you should consider them as identifying forward-looking statements. These statements are made based on our beliefs and assumptions using information available to us at that time. Actual results may differ materially from anticipated or expected results expressed in these forward-looking statements, and we have no obligation to update or revise these statements after distribution of this report.