

Southeastern Banking Corporation Reports Second Quarter 2023 Results

Declares Quarterly Cash Dividend of \$0.18 Per Share



Darien, Ga. — August 17, 2023 – Southeastern Banking Corporation (OTCPINK:SEBC; the “Company”), the parent of Southeastern Bank, today reported financial results for the second quarter of 2023. Financial highlights are shown below.

Additionally, the Board of Directors declared a quarterly dividend of \$0.18 per share, to be paid on September 7, 2023, to shareholders of record on August 31, 2023. This dividend level represents a penny per share, or 5.8%, increase from the prior quarter.

Commenting on the Company’s results, Donald “Jay” Torbert, Jr., President and Chief Executive Officer, said, “Overall, the Bank is performing very well. Earnings were in line with our expectations for the quarter, and we are pleased to provide another increase in dividends for our shareholders. We are optimistic about new business growth opportunities in the second half of 2023. However, we expect earnings to dip as we make investments to complete a major systems migration, and we see a potential narrowing of our net interest margin as our cost of funds may rise at a pace faster than the repricing of our earning assets.”

Earnings

- Net income was \$2.7 million (\$0.86 per diluted share) for the second quarter of 2023, compared to \$3.0 million (\$0.96 per diluted share) for the first quarter of 2023 and \$1.9 million (\$0.60 per diluted share) for the second quarter of 2022. Rising interest rates combined with loan production drove a \$13 thousand increase in net interest income compared to the first quarter of 2023, and a \$1.7 million increase compared to the second 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 second quarter totaled \$3.6 million compared to \$3.7 million for the first quarter of 2023 and \$2.4 million for the second quarter of 2022.
- The return on average assets for the second quarter of 2023 was 1.78%, compared to 1.91% for the first quarter of 2023 and 1.16% for the second quarter of 2022.
- The return on average equity was 16.92% versus 19.84% for the first quarter of 2023 and 12.58% for the second quarter of 2022.
- Net interest margin improved to 4.46% in the second quarter versus 4.26% for the first quarter of 2023 and 3.10% in the second quarter of 2022.

Balance Sheet

- Total assets decreased 4.9%, or \$31.0 million, during the second quarter to end at \$601.5 million. This reduction is attributed to net deposit outflows. Over the last twelve months total assets declined 8.9%, or \$58.8 million.
- Deposits declined 5.4%, or \$30.5 million, during the second quarter to end at \$534.9 million. Deposits contracted 10.9%, or \$65.2 million, year-over-year. The net deposit outflows reflect a release of pandemic surge deposits, yet we still remain above pre-pandemic deposit levels. Declines were led by commercial demand (down \$10.5 million for the quarter and \$13.0 million year-over-year) and public deposits (down \$7.0 million for the quarter and \$3.4 million year-over-year). Despite the dollar decline in deposits, we have had continued growth in the number of core deposit accounts, both during the quarter and over the last twelve months.
- Balance sheet and deposit contraction over the last twelve months also occurred as we facilitated the placement of deposits through a third party network. Net placements totaled \$8.0 million during the second quarter and \$44.1 million over the last twelve months.
- Loans, net of unearned income, declined due to some large loan pay-downs by 0.6%, or \$2.0 million, during the second quarter to end at \$334.2 million. Year-over-year, loans increased 16.8%, or \$48.1 million. We continue to have a healthy loan production pipeline.
- Total loan production was in excess of \$38.5 million through commercial and retail lending activities during the second quarter, up from \$30.5 million in the first quarter but below the \$43.1 million generated during the second quarter of 2022.

Capital

- Capital continues to exceed regulatory thresholds required to be considered “well-capitalized.”
- Consolidated Tier 1 leverage capital ratio was 12.16% at June 30, 2023, up 95bps during the quarter and 194bps over the last twelve months.
- Book value per share grew \$0.04 to \$20.29 during the quarter, and has increased by \$1.59 over the last twelve months.

Asset Quality

- Asset quality remained stable through the second quarter of 2023.
- Nonperforming assets ticked up slightly to \$1.3 million, or 0.22% of total assets, at June 30, 2023 compared to \$1.2 million, or 0.19% of total assets at the end of the first quarter.
- The allowance for credit losses related to loans aggregated \$7.6 million, or 2.28% of total loans, at June 30, 2023, compared to \$7.7 million, or 2.28% of total loans, at March 31, 2023.
- Based on credit quality metrics, a provision for credit losses was not necessary during the first half of the year.

Community Support

- In addition to our ongoing support for community activities, we made two noteworthy donations during the second quarter:
 - We contributed \$100 thousand to support a local, rural hospital under the Georgia HEART program, and
 - We established a scholarship fund in memory of former CEO Edward R. Gray, Jr. with a \$50 thousand donation to a local college for business students from counties served by the Bank.

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.

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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					Year-To-Date Results	
	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	June 30, 2022	June 30, 2023	June 30, 2022
As of and for the periods ended:							
<i>(Dollars in thousands except per share data)</i>							
Summary of Operations:							
Interest income	\$ 6,896	\$ 6,755	\$ 6,602	\$ 5,706	\$ 4,904	\$ 13,651	\$ 9,430
Interest expense	370	242	131	96	95	612	191
Net interest income	6,526	6,513	6,471	5,610	4,809	13,039	9,239
Provision for (recovery of) credit losses	-	-	-	-	-	-	-
Other noninterest income	933	1,017	1,017	1,206	1,016	1,950	2,018
Other noninterest expense	3,997	3,707	3,657	3,700	3,417	7,704	6,673
Net income before taxes	3,462	3,823	3,831	3,116	2,408	7,285	4,584
Income taxes	760	799	982	522	508	1,559	963
Net income	\$ 2,702	\$ 3,024	\$ 2,849	\$ 2,594	\$ 1,900	\$ 5,726	\$ 3,621
Core Operating Earnings¹:							
Net income before taxes	\$ 3,462	\$ 3,823	\$ 3,831	\$ 3,116	\$ 2,408	\$ 7,285	\$ 4,584
- Paycheck Protection Program loan fees	-	-	(3)	-	(29)	-	(151)
- Net gain on sales/disposition of assets	(16)	(130)	(92)	(272)	-	(146)	(46)
+ Net noninterest expense for bank-owned properties	5	13	4	12	6	18	12
+ Donations related to specific community support initiatives	150	-	50	110	-	150	-
=Core operating earnings ¹	\$ 3,601	\$ 3,706	\$ 3,790	\$ 2,966	\$ 2,385	\$ 7,307	\$ 4,399
Per Share Ratios:							
Diluted earnings	\$ 0.86	\$ 0.96	\$ 0.90	\$ 0.82	\$ 0.60	\$ 1.82	\$ 1.15
Dividends	0.17	0.17	0.16	0.16	0.16	0.34	0.32
Book value at end of period	20.29	20.25	18.94	17.88	18.70	20.29	18.70
Profitability Ratios:							
Return on average assets	1.78%	1.91%	1.74%	1.56%	1.16%	1.85%	1.12%
Return on average equity	16.92%	19.84%	19.72%	16.91%	12.58%	18.34%	11.62%
Net interest margin	4.46%	4.26%	4.07%	3.52%	3.10%	4.36%	3.02%
Selected Quarter-End Balances:							
Total assets	\$ 601,522	\$ 632,514	\$ 672,017	\$ 641,332	\$ 660,359		
Loans, net of unearned income	334,217	336,172	327,346	296,022	286,107		
Allowance for credit losses (loans)	7,605	7,653	7,239	7,272	7,292		
Investment securities, at amortized cost	198,518	203,568	206,413	205,595	188,089		
Deposits	534,861	565,404	610,597	583,037	600,017		
Shareholders' equity	63,930	63,799	59,675	56,348	58,902		
Nonperforming assets:							
Nonperforming loans	\$ 1,073	\$ 992	\$ 1,026	\$ 1,122	\$ 971		
Bank-owned properties	240	240	271	242	531		
Total nonperforming assets	\$ 1,313	\$ 1,232	\$ 1,297	\$ 1,364	\$ 1,502		
Asset Quality Ratios:							
Annualized net charge-offs (recoveries) per quarter to quarterly average loans	-0.02%	-0.07%	0.04%	0.03%	0.01%		
Nonperforming assets to total assets	0.22%	0.19%	0.19%	0.21%	0.23%		
Allowance for credit losses (loans) to net loans	2.28%	2.28%	2.21%	2.46%	2.55%		
Liquidity and Capital Ratios:							
Liquid assets (excl. securities) to total assets	10.03%	13.05%	19.50%	20.73%	26.45%		
Loans, net to total deposits	62.49%	59.46%	53.61%	50.77%	47.68%		
Average loans to average earning assets (quarterly)	56.36%	53.01%	49.50%	45.78%	46.13%		
Tier 1 leverage capital ratio	12.16%	11.21%	10.78%	10.42%	10.22%		



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

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
<i>(Dollars in thousands)</i>		
ASSETS		
Cash and due from banks	\$ 8,988	\$ 24,287
Interest-bearing deposits in other banks	43,730	95,410
Federal funds sold	7,602	11,358
Cash and cash equivalents	<u>60,320</u>	<u>131,055</u>
Investment securities:		
Available for sale, at fair value	139,871	146,294
Held to maturity, net of allowance for credit losses of \$8 and \$0 (fair value of \$38,132 and \$38,024)	43,566	44,285
Loans, gross	334,251	327,388
Unearned income	(35)	(42)
Allowance for credit losses	(7,605)	(7,239)
Net loans	<u>326,611</u>	<u>320,107</u>
Premises and equipment, net	10,076	9,993
Bank-owned life insurance, at cash surrender value	12,280	12,091
Other real estate	240	266
Deferred tax assets, net	5,315	5,208
Other assets	<u>3,243</u>	<u>2,718</u>
Total assets	<u>\$ 601,522</u>	<u>\$ 672,017</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand deposits	\$ 176,674	\$ 179,872
Interest-bearing demand, savings and time deposits	358,187	430,725
Total deposits	<u>534,861</u>	<u>610,597</u>
Other liabilities	2,731	1,745
Total liabilities	<u>537,592</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	78,376	74,716
Treasury stock, at cost	(8,471)	(8,471)
Accumulated other comprehensive loss	(11,847)	(12,442)
Total shareholders' equity	<u>63,930</u>	<u>59,675</u>
Total liabilities and shareholders' equity	<u>\$ 601,522</u>	<u>\$ 672,017</u>

SOUTHEASTERN BANKING CORPORATION

Consolidated Statements of Income

(Unaudited, dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Interest income:				
Interest and fees on loans	\$ 4,836	\$ 3,649	\$ 9,272	\$ 7,340
Interest on investment securities	1,348	937	2,687	1,714
Other interest income	712	318	1,692	376
Total interest income	6,896	4,904	13,651	9,430
Interest expense:				
Interest on deposits	370	95	612	191
Net interest income	6,526	4,809	13,039	9,239
Provision for credit losses	-	-	-	-
Net interest income after provision for credit losses	6,526	4,809	13,039	9,239
Noninterest income:				
Service charges on deposit accounts	236	252	482	504
Net gain on sales/disposition of assets	16	-	146	46
Other noninterest income	681	764	1,322	1,468
Total noninterest income	933	1,016	1,950	2,018
Noninterest expense:				
Salaries and employees benefits	2,442	2,051	4,769	4,080
Occupancy and equipment, net	711	702	1,394	1,346
Other noninterest expense	844	664	1,541	1,247
Total noninterest expense	3,997	3,417	7,704	6,673
Income before tax expense	3,462	2,408	7,285	4,584
Income tax expense	760	508	1,559	963
Net income	\$ 2,702	\$ 1,900	\$ 5,726	\$ 3,621

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis

	Three Months Ended June 30,					
	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	\$ 333,185	\$ 4,846	5.83%	\$ 289,303	\$ 3,655	5.07%
Investment securities, taxable ²	175,384	1,220	2.79%	163,673	824	2.02%
Investment securities, tax-exempt ^{2,3}	25,675	161	2.52%	24,336	143	2.36%
Other	56,966	712	5.01%	149,848	318	0.85%
Total interest earning assets	591,210	6,939	4.71%	627,160	4,940	3.16%
Noninterest earning assets	18,031			26,992		
Total assets	<u>\$ 609,241</u>			<u>\$ 654,152</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 224,431	\$ 189	0.34%	\$ 262,518	\$ 34	0.05%
Savings	108,416	137	0.51%	110,792	28	0.10%
Time deposits	30,702	44	0.57%	40,238	33	0.33%
Total interest-bearing deposits	363,549	370	0.41%	413,548	95	0.09%
Noninterest-bearing liabilities:						
Demand deposits	178,636			178,517		
Other liabilities	2,999			1,527		
Stockholders' equity	64,057			60,560		
Total liabilities and stockholders' equity	<u>\$ 609,241</u>			<u>\$ 654,152</u>		
Interest rate spread			<u>4.30%</u>			<u>3.07%</u>
Net interest income		<u>\$ 6,569</u>		<u>\$ 4,845</u>		
Net interest margin			<u>4.46%</u>			<u>3.10%</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 \$10,000 and \$6,000 for the three months ended June 30, 2023 and 2022, respectively.

² Securities are presented on an amortized cost basis.

³ Tax-equivalent adjustments totaling \$33,000 and \$30,000 for the three months ended June 30, 2023 and 2022, respectively, are included in income on tax-exempt securities.

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis

	Six Months Ended June 30,					
	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	\$ 331,939	\$ 9,286	5.64%	\$ 291,931	\$ 7,353	5.08%
Investment securities, taxable ²	176,929	2,432	2.77%	157,474	1,510	1.93%
Investment securities, tax-exempt ^{2,3}	25,713	322	2.53%	22,989	258	2.26%
Other	72,752	1,692	4.69%	149,342	376	0.51%
Total interest earning assets	607,333	13,732	4.56%	621,736	9,497	3.08%
Noninterest earning assets	17,894			31,413		
Total assets	<u>\$ 625,227</u>			<u>\$ 653,149</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 236,702	\$ 305	0.26%	\$ 269,143	\$ 69	0.05%
Savings	110,913	231	0.42%	108,262	55	0.10%
Time deposits	32,090	76	0.48%	39,941	67	0.34%
Total interest-bearing deposits	379,705	612	0.33%	417,346	191	0.09%
Noninterest-bearing liabilities:						
Demand deposits	179,931			155,149		
Other liabilities	2,648			17,838		
Stockholders' equity	62,943			62,816		
Total liabilities and stockholders' equity	<u>\$ 625,227</u>			<u>\$ 653,149</u>		
Interest rate spread			<u>4.23%</u>			<u>2.99%</u>
Net interest income		<u>\$ 13,120</u>			<u>\$ 9,306</u>	
Net interest margin			<u>4.36%</u>			<u>3.02%</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 \$14,000 and \$13,000 for the six months ended June 30, 2023 and 2022, respectively.

² Securities are presented on an amortized cost basis.

³ Tax-equivalent adjustments totaling \$67,000 and \$54,000 for the six months ended June 30, 2023 and 2022, respectively, are included in income on tax-exempt securities.