

# Quarterly Financial Update

The Company reported net income of \$863,000 for the three months ended September 30, 2014, which is a 97% increase compared to \$439,000 for the same period in 2013 and an 83% increase compared to \$472,000 for the second quarter of 2014. Year-to-date, the Company earned \$1,634,000, a 99% increase compared to net income of \$820,000 in the first three quarters of 2013. The 2014 earnings improvement is attributable to stronger operating results along with securities gains and a lower provision for loan losses.

During the first nine months of 2014, the Company provided \$150,000 to the allowance for loan losses, a significant reduction compared to \$1,625,000 provided during the same period in 2013. The reduction in provision expense is due to steady improvement in the asset quality of the loan portfolio.

Gains, losses and other expenditures associated with the Company's foreclosed properties (called "other real estate owned" or "ORE") continue to impact our earnings results. Year-to-date, the Company realized \$471,000 in net gains on ORE sales and \$923,000 in valuation write-downs. By comparison, the Company had \$1,026,000 in net sales gains offset by \$425,000 in write-downs during the same period a year ago. During the first nine months of 2014, the Company sold 25 parcels of ORE with a book value of \$2.6 million; during the same period in 2013, the Company sold 26 parcels of ORE with a book value of \$6.3 million. The fluctuations in ORE sales results are due to the sporadic nature and timing of real estate sales. The larger write-downs incurred during 2014 resulted from new appraisals obtained on various parcels of ORE.

Overall, asset quality levels improved as evidenced by a \$3.9 million (or 12.5%) decline in nonperforming assets during the first three quarters of the year. Nonperforming loans decreased \$1.5 million (or 13.6%) and ORE decreased \$2.2 million (or 12.4%). The ongoing liquidation of nonperforming assets remains the Company's top priority.

Since the end of 2013, total assets increased \$12.6 million (or 3.4%) to end the quarter at \$382.6 million. The growth in assets was funded primarily by a \$10.1 million (or 3.0%) increase in total deposits.

The year-to-date net income resulted in an increase in the Company's book value per share from \$11.39 at year-end 2013 to \$12.06 at September 30, 2014. However, the consolidated leverage capital ratio (regulatory-defined) decreased slightly from 9.97% at year-end to 9.94% at September 30, 2014 due to growth in total assets.



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## Key Financial Statistics

*(Dollars in thousands except per share data)*

### As of September 30, 2014:

Total Assets	\$382,614
Total Loans	\$175,016
Total Deposits	\$343,675
Total Equity Capital	\$37,755
Loans-to-Deposits	50.92%
Nonperforming Assets-to-Total Assets	7.21%
Capital-to-Assets	9.86%
Book Value per Share	\$12.06

### For the Quarter Ended September 30, 2014:

Net Interest Income	\$2,882
Provision for Loan Losses	\$ -
Net Income	\$863
Net Income per Share	\$0.28
Return on Average Assets	0.89%
Return on Average Equity	9.12%
Net Interest Margin	3.34%

## Quarterly Financial Data

The following tables present selected consolidated financial data for the Company. 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, 2013.

	Quarter-to-Date					Year-to-Date	
	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013	Sep. 30, 2014	Sep. 30, 2013
<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	\$ 3,062	\$ 3,107	\$ 3,018	\$ 3,069	\$ 3,050	\$ 9,187	\$ 9,163
Interest expense	180	186	184	196	209	550	686
Net interest income	2,882	2,921	2,834	2,873	2,841	8,637	8,477
Provision for loan losses	-	-	150	100	325	150	1,625
Noninterest income	743	733	1,015	784	784	2,491	2,355
Noninterest expense	2,762	3,182	3,400	3,245	2,861	9,344	8,387
Net income	\$ 863	\$ 472	\$ 299	\$ 312	\$ 439	\$ 1,634	\$ 820
<b>Per Share Ratios:</b>							
Basic and diluted earnings	\$ 0.28	\$ 0.15	\$ 0.10	\$ 0.10	\$ 0.14	\$ 0.52	\$ 0.26
Book value at end of period	12.06	11.78	11.54	11.39	11.33	12.06	11.33
Stock trading price:							
High	8.05	7.26	7.45	7.75	9.00	8.05	9.00
Low	7.21	6.50	6.69	7.00	6.85	6.50	2.05
<b>Profitability Ratios:</b>							
Return on average assets	0.89%	0.49%	0.32%	0.34%	0.49%	0.57%	0.30%
Return on average equity	9.12%	5.17%	3.33%	3.44%	4.91%	5.93%	3.02%
Net interest margin	3.34%	3.41%	3.46%	3.50%	3.58%	3.40%	3.52%
<b>Adjustments to net income to arrive at non-GAAP<sup>1</sup> core operating earnings:</b>							
Net income	\$ 863	\$ 472	\$ 299	\$ 312	\$ 439	\$ 1,634	\$ 820
+ Provision for loan losses	-	-	150	100	325	150	1,625
- Net (gain) loss on investments	49	51	(248)	-	(4)	(148)	(4)
- Net gain on sales of assets	(16)	-	-	-	(5)	(16)	(80)
- Net gain on sales of ORE	(338)	(102)	(31)	(16)	(237)	(471)	(1,026)
+ Write-downs on ORE values	72	332	519	491	202	923	425
+ Other foreclosed property expenses	127	106	83	37	166	316	504
Core operating earnings (non-GAAP <sup>1</sup> )	\$ 757	\$ 859	\$ 772	\$ 924	\$ 886	\$ 2,388	\$ 2,264

<sup>1</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, ORE gains and losses, valuation write-downs on ORE and expenses related to carrying and disposing of ORE and repossessed assets), and non-recurring gains and losses on sales of investment securities and other assets.

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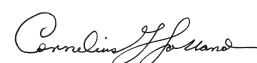
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As of and for the periods ended: <i>(Dollars in thousands)</i>	Sep. 30, 2014	Jun. 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sep. 30, 2013
<b>Selected Quarterly Average Balances:</b>					
Total assets	\$ 384,503	\$ 385,540	\$ 375,822	\$ 366,408	\$ 355,535
Earning assets	347,921	348,627	337,788	329,078	318,404
Loans, net of unearned income	174,891	173,872	174,731	176,533	177,362
Investment securities, at amortized cost	95,734	96,945	97,547	94,463	96,277
Deposits	345,826	347,899	338,674	329,178	318,211
Shareholders' equity	37,566	36,700	36,320	36,088	35,529
<b>Selected Year-to-Date Average Balances:</b>					
Total assets	\$ 381,987	\$ 380,708	\$ 375,822	\$ 367,196	\$ 367,334
Earning assets	344,815	343,237	337,788	327,181	326,537
Loans, net of unearned income	174,498	174,299	174,731	176,282	176,197
Investment securities, at amortized cost	96,735	97,244	97,547	95,144	95,370
Deposits	344,159	343,312	338,674	328,345	328,065
Shareholders' equity	36,867	36,511	36,320	36,230	36,278
<b>Selected Quarter-End Balances:</b>					
Total assets	\$ 382,614	\$ 386,453	\$ 382,367	\$ 370,058	\$ 351,924
Loans, net of unearned income	175,016	174,440	173,468	176,127	175,308
Allowance for loan losses	6,263	6,450	6,678	6,658	7,710
Investment securities, at amortized cost	94,574	97,182	97,009	92,436	96,027
Deposits	343,675	348,544	345,367	333,598	315,380
Shareholders' equity	37,755	36,859	36,104	35,647	35,452
Nonperforming assets:					
Nonperforming loans	\$ 11,758	\$ 12,186	\$ 13,049	\$ 13,481	\$ 13,512
Foreclosed properties	15,829	17,352	17,816	18,061	19,260
Other repossessed assets	1	3	-	2	2
Total nonperforming assets	\$ 27,588	\$ 29,541	\$ 30,865	\$ 31,544	\$ 32,774
<b>Asset Quality Ratios:</b>					
Net charge-offs per quarter (annualized) to quarterly average loans	0.42%	0.53%	0.30%	2.59%	0.78%
Net charge-offs year-to-date (annualized) to YTD average loans	0.42%	0.41%	0.30%	1.16%	0.67%
Nonperforming assets to total assets	7.21%	7.64%	8.07%	8.52%	9.31%
Allowance for loan losses to net loans	3.58%	3.70%	3.85%	3.78%	4.40%
Allowance to nonperforming loans	53.27%	52.93%	51.17%	49.39%	57.06%
<b>Liquidity Ratios:</b>					
Loans, net to total deposits	50.92%	50.04%	50.23%	52.80%	55.59%
Average loans to average earning assets (quarterly)	50.27%	49.87%	51.73%	53.64%	55.70%
Noninterest-bearing deposits to total deposits	21.59%	22.41%	21.49%	19.02%	20.49%
<b>Capital Adequacy Ratios:</b>					
Tier 1 risk-based capital ratio	18.39%	18.07%	17.90%	17.39%	17.16%
Total risk-based capital ratio	19.66%	19.35%	19.18%	18.67%	18.44%
Tier 1 leverage ratio	9.94%	9.68%	9.80%	9.97%	10.18%

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

We are pleased with our operating results for the third quarter of 2014 and continued liquidation of nonperforming assets on our balance sheet. Our strong liquidity and capital levels should position us for earning asset and revenue growth in the quarters ahead. We appreciate your support.

Respectfully yours,



Cornelius P. Holland III  
President & CEO

## Community Spotlight: Richmond Hill

### Southeastern Banking Corporation

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### Southeastern Bank

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Our Richmond Hill Office is located at 2004 Highway 17,  
Richmond Hill, GA 31324.  
Give them a call today at (912) 459-2323.

We are excited to see our bank grow in Richmond Hill! Although driven in part by a strong local economy, this growth is primarily due to our exceptional team of community bankers. In December 2012, Linda Bowers joined the bank and went to work building her team. Linda brought to us over 30 years of banking experience in the Richmond Hill and Savannah markets. One of her first accomplishments was to convince her good friend and long-time co-worker, Jerry Cohen, to join us.

Together, they have added \$9.32 million in outstanding loans and \$7.35 million in deposit balances since the end of 2012. They've also increased the number of deposit accounts at the branch by nearly 36% during this period of time.

Linda and Jerry are supported by a strong team who take customer service to heart. They are committed to providing professional services with a personal touch. Stop by and see why we are making a difference in Richmond Hill.



Local Lenders: Jerry Cohen (L) and Linda Bowers



## About SEBC

**Southeastern Banking Corporation** ("SEBC") is a bank holding company located in Darien, Georgia. SEBC common stock trades publicly 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).

You can view the latest version of this Quarterly Update and SEBC's Annual Report, including our audited consolidated financial statements, on the Southeastern Bank website at [www.southeasternbank.com/about](http://www.southeasternbank.com/about).

**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, its branch locations and available products and services can be obtained online at [www.southeasternbank.com](http://www.southeasternbank.com). Additional regulatory information about the Bank, including its quarterly financial call reports, can be found online at [www.fdic.gov](http://www.fdic.gov).

### 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.