

Southeastern Banking Corporation Reports Third Quarter 2022 Results



Declares Quarterly Cash Dividend of \$0.16 Per Share

Darien, Ga. — November 17, 2022 – Southeastern Banking Corporation (OTCBB:SEBC) (the “Company”), the parent of Southeastern Bank, today reported financial results for the third quarter of 2022. Financial highlights are shown below.

Additionally, the Board of Directors declared a quarterly dividend of \$0.16 per share, to be paid on December 8, 2022, to shareholders of record on December 1, 2022.

Commenting on the Company’s results, Donald “Jay” Torbert, Jr., President and Chief Executive Officer, said, “We are pleased with our results for the quarter and year-to-date. Although the rising interest rate environment causes some economic concerns, it has enabled us to restore our margins to a more profitable level. We’ll be carefully monitoring margins and inflationary pressures as we head into 2023.”

Earnings

- Net income increased to \$2.6 million (\$0.82 per diluted share) for the third quarter of 2022, compared to \$1.9 million (\$0.60 per diluted share) for the second quarter of 2022, and \$1.9 million (\$0.59 per diluted share) for the third quarter of 2021. Rising rates coupled with increased loan production led to net interest income increasing more than \$800,000 compared to the second quarter of 2022, and over \$1.0 million compared to the third quarter of 2021.
- Core operating earnings increased to \$3.0 million for the third quarter of 2022 compared to \$2.4 million for the second quarter of 2022 and \$1.8 million for the third quarter of 2021 (see Quarterly Financial Highlights).
- Return on average assets for the third quarter increased to 1.56%, compared to 1.24% for the third quarter of 2021.
- Return on average equity was 16.91% for the third quarter versus 10.72% for the third quarter of 2021.
- Net interest margin continues to improve in the rising interest rate environment, totaling 3.52% in the third quarter versus 3.10% for the second quarter of 2022.

Balance Sheet

- Total assets declined 2.9%, or \$19.0 million, during the third quarter to end at \$641.3 million. Since September 30, 2021, assets increased 6.8%, or \$41.0 million. Despite the quarterly decline, total assets remain elevated from a surge in deposits since the 2020 pandemic.
- Loans, net of unearned income, increased 3.5%, or \$9.9 million, during the third quarter to end at \$296.0 million. Loans increased 4.9%, or \$13.8 million, year-over-year.
- Deposits declined 2.8%, or \$17.0 million, during the third quarter to end at \$583.0 million. Deposits increased 9.9%, or \$52.5 million, year-over-year.

Capital

- Capital continues to exceed regulatory thresholds required to be considered as “well-capitalized.”
- Tier 1 leverage capital ratio was 10.42% as of September 30, 2022, up 20bps during the quarter.
- However, book value per share decreased to \$17.88 during the quarter from \$18.70. This decrease is from accounting adjustments to capital reflecting the decline in market value of the Company’s available for sale investment securities attributed to rising interest rates.

Asset Quality

- The Company had relatively few asset quality issues to arise in recent quarters, even as economic conditions remained volatile.
- Nonperforming assets totaled \$1.4 million, or 0.21% of total assets, as of September 30, 2022 compared to \$1.5 million, or 0.23% of total assets at the end of the second quarter of 2022.
- The allowance for loan losses was \$7.3 million, or 2.46% of total loans, at September 30, 2022, compared to \$7.3 million, or 2.55% of total loans, at June 30, 2022.
- Based on credit quality metrics, a provision for loan losses was not necessary for the first nine months of 2022. During the same period in 2021, a recovery of \$850,000 was recognized.

About Southeastern Banking Corporation

Southeastern Banking Corporation is the bank holding company for Southeastern Bank. Southeastern Bank, established in 1888, has a long history of serving its customers and communities through its 10 locations in coastal Georgia and northeast Florida, including Brunswick, Callahan, Darien, Eulonia, Folkston, Hilliard, Kingsland, Nahunta, Richmond Hill and St. Simons Island. 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, in that actual results could differ materially from those indicated in such forward-looking statements as a result of a variety of factors. 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 as 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 following 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 2021 Annual Report is available online at www.edocumentview.com/sebc.

	Quarterly Results					Year-To-Date Results	
	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Sep. 30, 2022	Sep. 30, 2021
As of and for the periods ended:							
<i>(Dollars in thousands except per share data)</i>							
Summary of Operations:							
Interest income	\$ 5,706	\$ 4,904	\$ 4,526	\$ 4,573	\$ 4,665	\$ 15,136	\$ 13,366
Interest expense	96	95	96	96	96	287	295
Net interest income	5,610	4,809	4,430	4,477	4,569	14,849	13,071
Provision for (recovery of) loan losses	-	-	-	-	-	-	(850)
Other noninterest income	1,206	1,016	1,002	1,302	972	3,224	2,982
Other noninterest expense	3,700	3,417	3,256	3,703	3,242	10,373	9,526
Net income before taxes	3,116	2,408	2,176	2,076	2,299	7,700	7,377
Income taxes	522	508	455	517	441	1,485	1,434
Net income	\$ 2,594	\$ 1,900	\$ 1,721	\$ 1,559	\$ 1,858	\$ 6,215	\$ 5,943
Core Operating Earnings¹:							
Net income before taxes	\$ 3,116	\$ 2,408	\$ 2,176	\$ 2,076	\$ 2,299	\$ 7,700	\$ 7,377
- Paycheck Protection Program loan fees	-	(29)	(122)	(238)	(518)	(151)	(1,114)
+ Provision for (recovery of) loan losses	-	-	-	-	-	-	(850)
- Net gain on sales of bank-owned properties	(272)	-	(46)	(335)	-	(318)	(95)
+ Valuation write-downs on bank-owned properties	-	-	-	90	-	-	-
+ Net noninterest expense for bank-owned properties	12	6	6	4	15	24	50
+ Donations to state programs included in noninterest expense that provide for a dollar-for-dollar state income tax credit to reduce income taxes	110	-	-	110	-	110	-
=Core operating earnings ¹	\$ 2,966	\$ 2,385	\$ 2,014	\$ 1,707	\$ 1,796	\$ 7,365	\$ 5,368
Per Share Ratios:							
Diluted earnings	\$ 0.82	\$ 0.60	\$ 0.55	\$ 0.49	\$ 0.59	\$ 1.97	\$ 1.89
Dividends	0.16	0.16	0.16	1.16	0.16	0.48	0.47
Book value at end of period	17.88	18.70	19.60	20.88	21.79	17.88	21.79
Profitability Ratios:							
Return on average assets	1.56%	1.16%	1.07%	1.00%	1.24%	1.27%	1.39%
Return on average equity	16.91%	12.58%	10.72%	9.18%	10.72%	13.37%	11.82%
Net interest margin	3.52%	3.10%	2.94%	3.06%	3.25%	3.19%	3.26%
Selected Quarter-End Balances:							
Total assets	\$ 641,332	\$ 660,359	\$ 649,883	\$ 642,105	\$ 600,303		
Loans, net of unearned income	296,022	286,107	294,165	294,439	282,183		
Allowance for loan losses	7,272	7,292	7,301	7,288	7,305		
Investment securities, at amortized cost	205,595	188,089	180,849	164,377	150,355		
Deposits	583,037	600,017	586,663	575,028	530,497		
Shareholders' equity	56,348	58,902	61,745	65,796	68,669		
Nonperforming assets:							
Nonperforming loans	\$ 1,122	\$ 971	\$ 856	\$ 864	\$ 826		
Bank-owned properties	242	531	531	679	592		
Total nonperforming assets	\$ 1,364	\$ 1,502	\$ 1,387	\$ 1,543	\$ 1,418		
Asset Quality Ratios:							
Annualized net charge-offs (recoveries) per quarter to quarterly average loans	0.03%	0.01%	-0.02%	0.02%	0.01%		
Nonperforming assets to total assets	0.21%	0.23%	0.21%	0.24%	0.24%		
Allowance for loan losses to net loans	2.46%	2.55%	2.48%	2.48%	2.59%		
Liquidity and Capital Ratios:							
Liquid assets to total assets	20.73%	26.45%	24.51%	25.27%	24.77%		
Loans, net to total deposits	50.77%	47.68%	50.14%	51.20%	53.19%		
Average loans to average earning assets (quarterly)	45.78%	46.13%	47.80%	49.51%	49.23%		
Tier 1 leverage capital ratio	10.42%	10.22%	10.15%	10.56%	11.33%		



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

	September 30, 2022	December 31, 2021
	<i>(Unaudited)</i>	<i>(Audited)</i>
<i>(Dollars in thousands)</i>		
ASSETS		
Cash and due from banks	\$ 8,499	\$ 16,434
Interest-bearing deposits in other banks	117,990	142,573
Federal funds sold	6,444	3,258
Cash and cash equivalents	<u>132,933</u>	<u>162,265</u>
Investment securities:		
Available for sale, at fair value	142,724	124,433
Held to maturity (fair value of \$38,180 and \$41,089)	45,933	40,785
Loans, gross	296,070	294,643
Unearned income	(48)	(204)
Allowance for loan losses	(7,272)	(7,288)
Net loans	<u>288,750</u>	<u>287,151</u>
Premises and equipment, net	10,139	10,616
Bank-owned life insurance, at cash surrender value	11,999	11,730
Other real estate	240	677
Deferred tax assets, net	6,089	1,953
Other assets	<u>2,524</u>	<u>2,495</u>
Total assets	<u>\$ 641,331</u>	<u>\$ 642,105</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand deposits	\$ 184,791	\$ 162,458
Interest-bearing demand, savings and time deposits	398,246	412,570
Total deposits	<u>583,037</u>	<u>575,028</u>
Other liabilities	1,946	1,280
Total liabilities	<u>584,983</u>	<u>576,308</u>
Shareholders' equity		
Common stock, \$1.25 par	4,476	4,476
Additional paid-in-capital	1,396	1,396
Retained earnings	72,370	67,669
Treasury stock, at cost	(8,471)	(8,471)
Accumulated other comprehensive income (loss)	(13,423)	727
Total shareholders' equity	<u>56,348</u>	<u>65,797</u>
Total liabilities and shareholders' equity	<u>\$ 641,331</u>	<u>\$ 642,105</u>

SOUTHEASTERN BANKING CORPORATION

Consolidated Statements of Income (Unaudited)

<i>(Dollars in thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income:				
Interest and fees on loans	\$ 3,787	\$ 3,909	\$ 11,127	\$ 11,247
Interest on investment securities	1,095	707	2,809	2,005
Other interest income	824	49	1,200	114
Total interest income	<u>5,706</u>	<u>4,665</u>	<u>15,136</u>	<u>13,366</u>
Interest expense:				
Interest on deposits	96	96	287	295
Other interest expense	-	-	-	-
Total interest expense	<u>96</u>	<u>96</u>	<u>287</u>	<u>295</u>
Net interest income	5,610	4,569	14,849	13,071
Provision for (recovery of) loan losses	-	-	-	(850)
Net interest income after provision for (recovery of) loan losses	<u>5,610</u>	<u>4,569</u>	<u>14,849</u>	<u>13,921</u>
Noninterest income:				
Service charges on deposit accounts	276	258	791	716
Net gain on sales of assets	272	-	318	95
Other noninterest income	658	714	2,115	2,171
Total noninterest income	<u>1,206</u>	<u>972</u>	<u>3,224</u>	<u>2,982</u>
Noninterest expense:				
Salaries and employees benefits	2,196	1,946	6,276	5,771
Occupancy and equipment, net	689	695	2,022	1,975
Other noninterest expense	815	601	2,075	1,780
Total noninterest expense	<u>3,700</u>	<u>3,242</u>	<u>10,373</u>	<u>9,526</u>
Income before tax expense	3,116	2,299	7,700	7,377
Income tax expense	522	441	1,485	1,434
Net income	<u>\$ 2,594</u>	<u>\$ 1,858</u>	<u>\$ 6,215</u>	<u>\$ 5,943</u>

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis (Unaudited)

	Three Months Ended September 30,					
	2022			2021		
	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
<i>(Dollars in thousands)</i>						
Assets						
Interest earning assets:						
Loans, net of unearned income ¹	\$ 291,214	\$ 3,793	5.17%	\$ 277,058	\$ 3,916	5.61%
Investment securities, taxable ²	170,476	969	2.26%	129,844	582	1.78%
Investment securities, tax-exempt ^{2,3}	25,910	159	2.43%	20,903	157	2.98%
Other	148,555	824	2.20%	135,011	49	0.14%
Total interest earning assets	636,155	5,745	3.58%	562,816	4,704	3.32%
Noninterest earning assets	22,885			32,529		
Total assets	<u>\$ 659,040</u>			<u>\$ 595,345</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 251,983	\$ 35	0.06%	\$ 229,520	\$ 32	0.06%
Savings	114,780	30	0.10%	95,834	25	0.10%
Time deposits	39,058	31	0.31%	39,753	39	0.39%
Total interest-bearing deposits	405,821	96	0.09%	365,107	96	0.10%
Noninterest-bearing liabilities						
Demand deposits	190,550			160,274		
Other liabilities	1,808			1,219		
Stockholders' equity	60,861			68,745		
Total liabilities and stockholders' equity	<u>\$ 659,040</u>			<u>\$ 595,345</u>		
Interest rate spread			<u>3.49%</u>			<u>3.21%</u>
Net interest income		<u>\$ 5,649</u>			<u>\$ 4,608</u>	
Net interest margin			<u>3.52%</u>			<u>3.25%</u>

1 Nonperforming loans are included in the average balance. 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 \$6,000 and \$7,000 for the three months ended September 30, 2022 and 2021, respectively.

2 Securities average balances are presented on an amortized cost basis.

3 Tax-equivalent adjustments totaling \$33,000 and \$32,000 for the three months ended September 30, 2022 and 2021, respectively, are included in income on tax-exempt securities.

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis (Unaudited)

	Nine Months Ended September 30,					
	2022			2021		
	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
<i>(Dollars in thousands)</i>						
Assets						
Interest earning assets:						
Loans, net of unearned income ¹	\$ 291,689	\$ 11,146	5.11%	\$ 271,398	\$ 11,269	5.55%
Investment securities, taxable ²	161,856	2,478	2.05%	122,903	1,675	1.82%
Investment securities, tax-exempt ^{2,3}	23,973	418	2.33%	20,450	418	2.73%
Other	149,083	1,200	1.08%	126,474	114	0.12%
Total interest earning assets	626,601	15,242	3.25%	541,225	13,476	3.33%
Noninterest earning assets	28,540			32,273		
Total assets	<u>\$ 655,141</u>			<u>\$ 573,498</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 263,352	\$ 104	0.05%	\$ 223,424	\$ 91	0.05%
Savings	110,458	85	0.10%	89,858	70	0.10%
Time deposits	39,643	98	0.33%	39,575	134	0.45%
Total interest-bearing deposits	413,453	287	0.09%	352,857	295	0.11%
Noninterest-bearing liabilities						
Demand deposits	177,882			152,321		
Other liabilities	1,647			1,108		
Stockholders' equity	62,159			67,212		
Total liabilities and stockholders' equity	<u>\$ 655,141</u>			<u>\$ 573,498</u>		
Interest rate spread			<u>3.16%</u>			<u>3.22%</u>
Net interest income		<u>\$ 14,955</u>			<u>\$ 13,181</u>	
Net interest margin			<u>3.19%</u>			<u>3.26%</u>

1 Nonperforming loans are included in the average balance. 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 \$19,000 and \$22,000 for the nine months ended September 30, 2022 and 2021, respectively.

2 Securities average balances are presented on an amortized cost basis.

3 Tax-equivalent adjustments totaling \$87,000 and \$88,000 for the nine months ended September 30, 2022 and 2021, respectively, are included in income on tax-exempt securities.