

Quarterly Financial Update

After three years of net losses, the Company reported positive earnings for 2013. Our net income of \$1,132,153 represented a significant improvement compared to the net loss of \$4,145,838 in 2012. For the fourth quarter of 2013, the Company reported net income of \$312,490, also an improvement compared to a \$2,192,212 net loss during the same period in 2012. Our fourth quarter 2013 results included a \$100,000 provision for loan losses and a \$15,558 net gain on sales of foreclosed properties (called "ORE") offset by \$490,100 in write-downs on the value of our ORE holdings.

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 at left

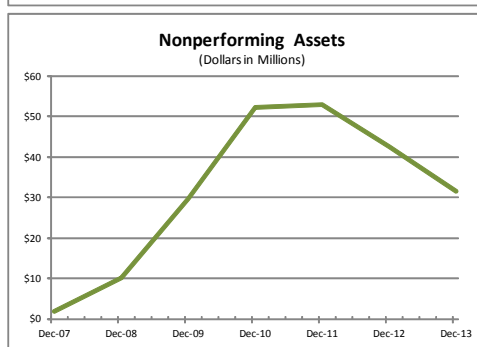
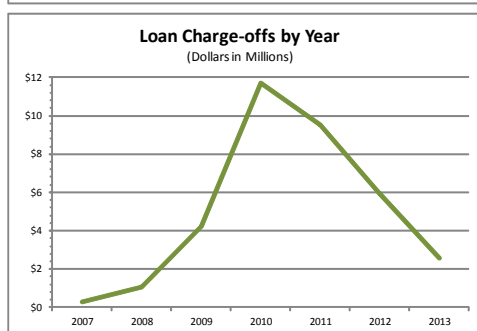
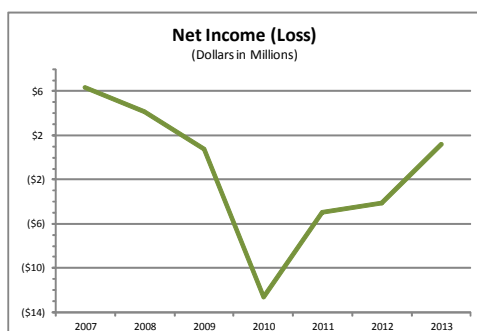
highlight the trends in our net income (loss), loan charge-offs, and nonperforming assets from 2007 to 2013.

We continue to make progress in the liquidation of problem assets on our balance sheet. During 2013, we sold \$7.27 million in ORE for a net book gain of \$1.04 million, a notable improvement compared to 2012 when we sold \$3.10 million of ORE for a net loss of \$0.01 million.

In 2013, we reduced nonperforming assets by \$11.13 million (or 26.1%) bringing the total to \$31.54 million, or 8.52% of total assets.

Loan charge-offs, net of recoveries, declined to \$2.04 million (or 1.16% of average loans) in 2013, an improvement compared to net charge-offs of \$5.64 million (or 3.01% of average loans) in 2012.

We placed \$3.65 million of loans on nonaccrual status during 2013, a decrease compared to \$8.67 million of loans placed on nonaccrual status in 2012.



Key Financial Statistics

(Dollars in thousands except per share data)

As of December 31, 2013:

Total Assets	\$370,058
Total Loans	\$176,127
Total Deposits	\$333,598
Total Equity Capital	\$35,647
Loans-to-Deposits	52.8%
Nonperforming Assets-to-Total Assets	8.5%
Capital-to-Assets	9.6%
Book Value per Share	\$11.39

For the Quarter Ended December 31, 2013:

Net Interest Income	\$2,873
Provision for Loan Losses	\$100
Net Income	\$312
Net Income per Share	\$0.10
Return on Average Assets	0.34%
Return on Average Equity	3.44%
Net Interest Margin	3.50%

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Bank-Owned Property for Sale



In the aftermath of the “Great Recession”, we’ve had to foreclose on numerous parcels of real estate in our markets. At December 31, 2013, we were carrying 108 parcels of ORE with a total book value of \$18.1 million. These properties range from raw, undeveloped land tracts to developed residential lots to completed houses and commercial buildings. In the last year, we’ve had more interest from prospective buyers, which has spurred sales. During 2013, we sold 29 parcels totaling \$7.27 million for a net book gain (really a recovery of prior losses) of \$1.04 million.

If you are interested in learning more about our properties available for sale, visit our real estate website at 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 Company¹. 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					Year-to-Date	
	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
As of and for the periods ended: <i>(Dollars in thousands except per share data)</i>							
Summary of Operations:							
Interest income	\$ 3,069	\$ 3,050	\$ 3,066	\$ 3,047	\$ 3,219	\$12,232	\$13,252
Interest expense	196	209	227	250	306	882	1,627
Net interest income	2,873	2,841	2,839	2,797	2,913	11,350	11,625
Provision for loan losses	100	325	750	550	2,450	1,725	5,840
Noninterest income	784	784	752	819	1,178	3,139	4,337
Noninterest expense	3,245	2,861	2,586	2,940	3,833	11,632	14,268
Net income (loss)	\$ 312	\$ 439	\$ 255	\$ 126	\$(2,192)	\$ 1,132	\$(4,146)
Per Share Ratios:							
Basic and diluted earnings (loss)	\$ 0.10	\$ 0.14	\$ 0.08	\$ 0.04	\$ (0.70)	\$ 0.36	\$ (1.32)
Book value at end of period	11.39	11.33	11.34	11.60	11.62	11.39	11.62
Stock trading price:							
High	7.75	9.00	8.95	4.15	3.15	9.00	4.90
Low	7.00	6.85	3.45	2.05	1.70	2.05	1.70
Profitability Ratios:							
Return on average assets	0.34%	0.49%	0.28%	0.13%	-2.23%	0.31%	-1.03%
Return on average equity	3.44%	4.91%	2.78%	1.41%	-22.64%	3.12%	-10.49%
Net interest margin	3.50%	3.58%	3.57%	3.40%	3.41%	3.51%	3.28%
Adjustments to net income (loss) to arrive at non-GAAP² core operating earnings:							
Net income (loss)	\$ 312	\$ 439	\$ 255	\$ 126	\$(2,192)	\$ 1,132	\$(4,146)
Provision for loan losses	100	325	750	550	2,450	1,725	5,840
Net (gain) loss on investments	-	(4)	-	-	(243)	(4)	(680)
Net (gain) loss on sales of assets	-	(5)	(86)	(1)	14	(92)	(6)
Net (gain) loss on sales of ORE	(16)	(237)	(522)	(267)	7	(1,042)	14
Write-downs on ORE values	491	202	226	9	761	928	1,686
Other foreclosed property expenses	37	166	153	185	123	541	683
Core operating earnings (non-GAAP ²)	\$ 924	\$ 886	\$ 776	\$ 602	\$ 920	\$ 3,188	\$ 3,391

¹ Certain amounts in prior periods have been reclassified to conform to current period presentation.

² 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 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).

As of and for the periods ended: <i>(Dollars in thousands)</i>	Dec. 31, 2013	Sep. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Selected Quarterly Average Balances:					
Total assets	\$ 366,408	\$ 355,535	\$ 364,506	\$ 381,485	\$ 390,470
Earning assets	329,078	318,404	322,739	338,693	346,953
Loans, net of unearned income	176,533	177,362	176,357	174,846	180,562
Investment securities, at amortized cost	94,463	96,277	93,420	96,415	92,599
Deposits	329,178	318,211	323,876	342,375	347,874
Shareholders' equity	36,088	35,529	36,723	36,301	38,510
Selected Year-to-Date Average Balances:					
Total assets	\$ 367,196	\$ 367,334	\$ 373,520	\$ 381,485	\$ 403,179
Earning assets	327,181	326,537	330,671	338,693	362,167
Loans, net of unearned income	176,282	176,197	175,605	174,846	187,311
Investment securities, at amortized cost	95,144	95,370	94,909	96,415	88,667
Deposits	328,345	328,065	333,075	342,375	358,169
Shareholders' equity	36,230	36,278	36,658	36,301	39,529
Selected Quarter-End Balances:					
Total assets	\$ 370,058	\$ 351,924	\$ 360,783	\$ 373,128	\$ 406,565
Loans, net of unearned income	176,127	175,308	178,142	173,997	176,335
Allowance for loan losses	6,658	7,710	7,734	7,061	6,972
Investment securities, at amortized cost	92,436	96,027	94,470	94,929	98,559
Deposits	333,598	315,380	321,694	332,978	366,410
Shareholders' equity	35,647	35,452	35,483	36,296	36,357
Nonperforming assets:					
Nonperforming loans	\$ 13,481	\$ 13,512	\$ 16,637	\$ 18,533	\$ 21,976
Foreclosed properties	18,061	19,260	19,831	21,269	20,680
Other repossessed assets	2	2	11	22	15
Total nonperforming assets	\$ 31,544	\$ 32,774	\$ 36,479	\$ 39,824	\$ 42,671
Asset Quality Ratios:					
Net charge-offs per quarter (annualized) to quarterly average loans	2.59%	0.78%	0.18%	1.07%	5.31%
Net charge-offs year-to-date (annualized) to YTD average loans	1.16%	0.67%	0.62%	1.07%	3.01%
Nonperforming assets to total assets	8.52%	9.31%	10.11%	10.67%	10.49%
Allowance for loan losses to net loans	3.78%	4.40%	4.34%	4.06%	3.95%
Allowance to nonperforming loans	49.39%	57.06%	46.49%	38.10%	31.73%
Liquidity Ratios:					
Loans, net to total deposits	52.80%	55.59%	55.38%	52.25%	48.13%
Average loans to average earning assets (quarterly)	53.64%	55.70%	54.64%	51.62%	52.04%
Noninterest-bearing deposits to total deposits	19.02%	20.49%	21.18%	22.06%	18.07%
Capital Adequacy Ratios:					
Tier 1 risk-based capital ratio	17.39%	17.16%	16.72%	16.70%	16.34%
Total risk-based capital ratio	18.67%	18.44%	18.00%	17.98%	17.61%
Tier 1 leverage ratio	9.97%	10.18%	9.87%	9.33%	9.12%

Quarterly Financial Update *(continued from Page 1)*

During 2013, we foreclosed or repossessed on \$6.09 million in loans, a significant decrease compared to \$13.68 million in 2012.

Total deposits decreased \$32.81 million (or 8.9%) during 2013. In April 2013, we closed three branches and had a resultant \$38.47 million decline in deposits from those branches over the course of the year. In our 13 remaining branches, we had a \$5.66 million (or 1.8%) net increase in deposits during 2013.

Although total loans decreased \$0.21 million (or 0.1%) during 2013, we had an \$8.29 million (or 5.4%) increase in performing loans offset by a decline of \$8.50 million (or 38.7%) in nonperforming loans. This growth in performing loans was spurred by the addition of several commercial lenders in key markets.

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Southeastern Bank

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Total assets decreased \$36.51 million (or 9.0%) during 2013 due primarily to the branch closures previously discussed. The shrinkage of our balance sheet has allowed us to maintain strong regulatory capital ratios. Our consolidated Tier 1 leverage capital ratio improved to 9.97% at December 31, 2013 from 9.12% at the end of 2012. Our "Texas ratio" – which is an industry measure of nonperforming assets compared to total capital plus the allowance for loan losses – continued to improve, dropping from 98.5% at the end of 2012 to 74.6% at December 31, 2013.

We are pleased and encouraged by our return to profitability and recent successes in selling ORE. Our management team is focused on the resolution and liquidation of the remaining problem assets on our balance sheet. We are also excited about the prospects for growth in our markets as we move forward.

Thank you for your continued support of our Company and the Bank.

Respectfully yours,

A handwritten signature in cursive script, reading "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. Although it is no longer an SEC registrant, the 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 or on the OTC Markets Group website at www.otcmarkets.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. Additional regulatory information about the Bank, including its quarterly financial call reports, can be found online at www.fdic.gov.

For more information about SEBC, contact Jay Torbert, Alyson Beasley or Wanda Pitts at 912.437.4141 or at shareholderinfo@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.