

Southeastern Banking Corporation Reports Fourth Quarter and Record Full Year 2023 Results

Celebrates 135 Years of Community Banking

Declares Quarterly Cash Dividend of \$0.19 Per Share



Darien, GA — February 15, 2024 – Southeastern Banking Corporation (OTCPINK:SEBC), the “Company”, the parent of Southeastern Bank, the “Bank”, today reported financial results for the fourth quarter and full year of 2023. Financial highlights are shown below.

The Bank recently celebrated two significant milestones in its history. On December 8, 1888, the State of Georgia issued the banking charter for The Darien Bank, making ours the oldest, active banking charter issued by the State. Shortly thereafter, on January 23, 1889, the Bank commenced operations in Darien, marking the start of 135 faithful years of community banking.

Additionally, the Board of Directors declared a quarterly dividend of \$0.19 per share, to be paid March 7, 2024, to shareholders of record on February 29, 2024. This is a one cent per share increase in the quarterly dividend, and equates to an annualized yield of 4.00% based on our year-end closing stock price of \$19.00.

Commenting on the Company’s results, Donald “Jay” Torbert, Jr., President and Chief Executive Officer, said, “We are pleased to report record earnings and a solid overall performance for 2023. Our annual earnings surpassed the \$10 million mark for the first time; we posted year-over-year loan growth of 6.4%; and we were able to expand and maintain our net interest margin by holding cost of funds at a relatively low level, all while undertaking a momentous systems conversion that drew heavily on our resources.”

Earnings

- For the year ended December 31, 2023, we posted net income of \$10.6 million, an increase of \$1.5 million, or 16.8%, compared to 2022.
- Net income was \$2.8 million (or \$0.89 per share) for the fourth quarter of 2023, compared to \$2.1 million (or \$0.65 per share) for the third quarter of 2023 and \$2.8 million (or \$0.90 per share) for the fourth quarter of 2022. Third quarter earnings included \$745 thousand (pretax) in nonrecurring charges related to our banking systems conversion.
- During the fourth quarter we repositioned a portion of our investment portfolio selling \$7.2 million in bonds yielding 1.41% with a duration of 3.9 years, incurring a pretax loss of \$1.0 million. Proceeds from the sale were reinvested in bonds yielding 5.40% with a duration of 0.7 years. This trade led to an increased yield of 399 basis points on those funds and improved liquidity in the portfolio.
- The securities loss was offset by a pretax gain of \$1.1 million on the sale of other real estate owned during the quarter.
- Core operating earnings for the fourth quarter totaled \$3.6 million compared to \$3.3 million for the third quarter of 2023 and \$3.8 million for the fourth quarter of 2022. Core operating earnings for the year totaled \$14.2 million, representing a 27.3% increase from 2022.
- The return on average assets for the fourth quarter of 2023 was 1.90%, compared to 1.39% for the third quarter of 2023 and 1.74% for the fourth quarter of 2022. The return on average assets for the year was 1.75% compared to 1.39% for 2022.
- The return on average equity was 17.43% versus 12.74% for the third quarter of 2023 and 19.72% for the fourth quarter of 2022. For the year, return on average equity was 16.69% compared to 14.87% for 2022.
- Net interest margin was 4.44% in the fourth quarter versus 4.38% for the third quarter of 2023 and 4.07% in the fourth quarter of 2022. Net interest margin for the year was 4.37%, equating to an increase of 96bps from 2022.

Balance Sheet

- Total assets increased 4.2%, or \$24.8 million, during the fourth quarter to end at \$617.4 million. This expansion is attributed to net deposit inflows, largely driven by seasonal government deposits. Over the last twelve months, however, total assets declined 8.1%, or \$54.6 million.
- Deposits rose 3.3%, or \$17.4 million, during the fourth quarter to end at \$544.5 million. Yet, deposits contracted 10.8%, or \$66.1 million, year-over-year. Net deposit placements off balance sheet to a third party network increased

\$20.1 million and deposits held by local municipalities decreased \$32.1 million, accounted for the bulk of the decline over the year.

- Loans, net of unearned income, increased by 3.0%, or \$10.1 million, during the fourth quarter to end at \$348.3 million. Year-over-year, loans outstanding increased 6.4%, or \$21.0 million.
- Total loan production through commercial and retail lending activities was \$29.1 million during the fourth quarter, down from \$32.5 million in the third quarter and the \$41.4 million generated during the fourth quarter of 2022. We continue to see softening loan demand which we attribute in large part to higher interest rates.

Capital

- Capital continues to exceed regulatory thresholds required to be considered “well-capitalized.”
- Consolidated Tier 1 leverage capital ratio was 12.79% at December 31, 2023, down 4bps during the quarter but up 201bps over the last twelve months.
- Book value per share was \$22.16 at December 31, 2023, a \$3.22 increase over the last twelve months.

Asset Quality

- Asset quality concerns remained relatively low throughout 2023.
- Nonperforming assets were \$2.1 million, or 0.34% of total assets, at December 31, 2023, up \$821 thousand compared to a year ago.
- The allowance for credit losses related to loans aggregated \$7.6 million, or 2.17% of total loans, at December 31, 2023, compared to \$7.2 million, or 2.21% of total loans, at the end of 2022.
- Based on credit quality metrics and our evaluation of expected environmental conditions, a provision for credit losses was not considered necessary during the quarter.

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 2023 Annual Report will be available in April 2024. The 2022 Annual Report is available online at www.edocumentview.com/sebc.

	Quarterly Results					Year-To-Date Results	
	Dec. 31, 2023	Sep. 30, 2023	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
As of and for the periods ended:							
<i>(Dollars in thousands except per share data)</i>							
Summary of Operations:							
Interest income	\$ 6,954	\$ 6,711	\$ 6,896	\$ 6,755	\$ 6,602	\$ 27,316	\$ 21,737
Interest expense	553	428	370	242	131	1,593	418
Net interest income	6,401	6,283	6,526	6,513	6,471	25,723	21,319
Provision for (recovery of) credit losses	-	-	-	-	-	-	-
Other noninterest income	1,950	917	933	1,017	1,017	4,817	4,241
Other noninterest expense	4,771	4,622	3,997	3,707	3,657	17,097	14,029
Net income before taxes	3,580	2,578	3,462	3,823	3,831	13,443	11,531
Income taxes	777	519	760	799	982	2,855	2,467
Net income	\$ 2,803	\$ 2,059	\$ 2,702	\$ 3,024	\$ 2,849	\$ 10,588	\$ 9,064
Core Operating Earnings¹:							
Net income before taxes	\$ 3,580	\$ 2,578	\$ 3,462	\$ 3,823	\$ 3,831	\$ 13,443	\$ 11,531
- Paycheck Protection Program loan fees	-	-	-	-	(3)	-	(154)
+ Net loss on sales of investment securities	1,024	-	-	-	-	1,024	-
- Net gain on sales/disposition of assets	(1,068)	(48)	(16)	(130)	(92)	(1,262)	(410)
+ Net noninterest expense for bank-owned properties	3	5	5	13	4	26	28
+ Nonrecurring costs of system migration	10	745	-	-	-	755	-
+ Donations related to specific community support initiatives	50	10	150	-	50	210	160
=Core operating earnings ¹	\$ 3,599	\$ 3,290	\$ 3,601	\$ 3,706	\$ 3,790	\$ 14,196	\$ 11,155
Per Share Ratios:							
Diluted earnings	\$ 0.89	\$ 0.65	\$ 0.86	\$ 0.96	\$ 0.90	\$ 3.36	\$ 2.87
Dividends	0.18	0.18	0.17	0.17	0.16	0.70	0.64
Book value at end of period	22.16	19.86	20.29	20.25	18.94	22.16	18.94
Profitability Ratios:							
Return on average assets	1.90%	1.39%	1.78%	1.91%	1.74%	1.75%	1.39%
Return on average equity	17.43%	12.74%	16.92%	19.84%	19.72%	16.69%	14.87%
Net interest margin	4.44%	4.38%	4.46%	4.26%	4.07%	4.37%	3.41%
Selected Quarter-End Balances:							
Total assets	\$ 617,437	\$ 592,610	\$ 601,522	\$ 632,514	\$ 672,017		
Loans, net of unearned income	348,333	338,222	334,217	336,172	327,346		
Allowance for credit losses (loans)	7,561	7,600	7,605	7,653	7,239		
Investment securities, at amortized cost	188,872	193,322	198,518	203,568	206,413		
Deposits	544,512	527,095	534,861	565,404	610,597		
Shareholders' equity	69,822	62,580	63,930	63,799	59,675		
Nonperforming assets:							
Nonperforming loans	\$ 2,078	\$ 1,092	\$ 1,073	\$ 992	\$ 1,026		
Bank-owned properties	40	240	240	240	271		
Total nonperforming assets	\$ 2,118	\$ 1,332	\$ 1,313	\$ 1,232	\$ 1,297		
Asset Quality Ratios:							
Annualized net charge-offs (recoveries) per quarter to quarterly average loans	0.04%	0.01%	-0.02%	-0.07%	0.04%		
Nonperforming assets to total assets	0.34%	0.22%	0.22%	0.19%	0.19%		
Allowance for credit losses (loans) to net loans	2.17%	2.25%	2.28%	2.28%	2.21%		
Liquidity and Capital Ratios:							
Liquid assets (excl. securities) to total assets	11.31%	9.36%	10.03%	13.05%	19.50%		
Loans, net to total deposits	63.97%	64.17%	62.49%	59.46%	53.61%		
Average loans to average earning assets (quarterly)	60.25%	58.98%	56.36%	53.01%	49.50%		
Tier 1 leverage capital ratio	12.79%	12.83%	12.16%	11.21%	10.78%		



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

	December 31, 2023 <i>(Unaudited)</i>	December 31, 2022 <i>(Audited)</i>
<i>(Dollars in thousands)</i>		
ASSETS		
Cash and due from banks	\$ 5,357	\$ 24,287
Interest-bearing deposits in other banks	57,184	95,410
Federal funds sold	7,280	11,358
Cash and cash equivalents	<u>69,821</u>	<u>131,055</u>
Investment securities:		
Available for sale, at fair value	134,557	146,294
Held to maturity, net of allowance for credit losses of \$8 and \$0 (fair value of \$37,161 and \$38,024)	41,982	44,285
Loans, gross	348,366	327,388
Unearned income	(33)	(42)
Allowance for credit losses	<u>(7,561)</u>	<u>(7,239)</u>
Net loans	340,772	320,107
Premises and equipment, net	10,252	9,993
Bank-owned life insurance, at cash surrender value	12,480	12,091
Other real estate	40	266
Deferred tax assets, net	4,561	5,208
Other assets	<u>2,972</u>	<u>2,718</u>
Total assets	<u>\$ 617,437</u>	<u>\$ 672,017</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing demand deposits	\$ 181,088	\$ 179,872
Interest-bearing demand, savings and time deposits	363,424	430,725
Total deposits	<u>544,512</u>	<u>610,597</u>
Other liabilities	3,103	1,745
Total liabilities	<u>547,615</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	82,104	74,716
Treasury stock, at cost	(8,471)	(8,471)
Accumulated other comprehensive loss	<u>(9,683)</u>	<u>(12,442)</u>
Total shareholders' equity	<u>69,822</u>	<u>59,675</u>
Total liabilities and shareholders' equity	<u>\$ 617,437</u>	<u>\$ 672,017</u>

SOUTHEASTERN BANKING CORPORATION

Consolidated Statements of Income

(Unaudited, dollars in thousands)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Interest income:				
Interest and fees on loans	\$ 5,183	\$ 4,215	\$ 19,379	\$ 15,342
Interest on investment securities	1,324	1,333	5,331	4,141
Other interest income	447	1,054	2,606	2,254
Total interest income	6,954	6,602	27,316	21,737
Interest expense:				
Interest on deposits	553	131	1,593	418
Net interest income	6,401	6,471	25,723	21,319
Provision for credit losses	-	-	-	-
Net interest income after provision for credit losses	6,401	6,471	25,723	21,319
Noninterest income:				
Service charges on deposit accounts	219	265	932	1,039
Net gain on sales/disposition of assets	1,068	92	1,262	410
Other noninterest income	663	660	2,623	2,792
Total noninterest income	1,950	1,017	4,817	4,241
Noninterest expense:				
Salaries and employees benefits	2,351	2,256	9,651	8,532
Occupancy and equipment, net	737	637	3,501	2,679
Loss on sale of investment securities available for sale	1,024	-	1,024	-
Other noninterest expense	659	764	2,921	2,818
Total noninterest expense	4,771	3,657	17,097	14,029
Income before tax expense	3,580	3,831	13,443	11,531
Income tax expense	777	982	2,855	2,467
Net income	\$ 2,803	\$ 2,849	\$ 10,588	\$ 9,064

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis

Three Months Ended December 31,

	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	\$ 346,526	\$ 5,196	5.95%	\$ 314,501	\$ 4,221	5.32%
Investment securities, taxable ²	165,194	1,221	2.93%	182,340	1,206	2.62%
Investment securities, tax-exempt ^{2,3}	25,526	131	2.04%	25,836	161	2.47%
Other	37,874	447	4.68%	112,635	1,054	3.71%
Total interest earning assets	575,120	6,995	4.83%	635,312	6,642	4.15%
Noninterest earning assets	10,227			16,176		
Total assets	<u>\$ 585,347</u>			<u>\$ 651,488</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 207,459	\$ 197	0.38%	\$ 252,074	\$ 54	0.08%
Savings	117,689	282	0.95%	117,465	49	0.17%
Time deposits	27,554	74	1.07%	36,500	28	0.30%
Total interest-bearing deposits	352,702	553	0.62%	406,039	131	0.13%
Noninterest-bearing liabilities:						
Demand deposits	165,544			185,902		
Other liabilities	3,298			2,222		
Stockholders' equity	63,803			57,325		
Total liabilities and stockholders' equity	<u>\$ 585,347</u>			<u>\$ 651,488</u>		
Interest rate spread			<u>4.21%</u>			<u>4.02%</u>
Net interest income		<u>\$ 6,442</u>			<u>\$ 6,511</u>	
Net interest margin			<u>4.44%</u>			<u>4.07%</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 \$13,000 and \$6,000 for the three months ended December 31, 2023 and 2022, respectively.

² Securities are presented on an amortized cost basis.

³ Tax-equivalent adjustments totaling \$28,000 and \$34,000 for the three months ended December 31, 2023 and 2022, respectively, are included in income on tax-exempt securities.

SOUTHEASTERN BANKING CORPORATION

Average Balance Sheet and Net Interest Analysis

Twelve Months Ended December 31,

	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	\$ 337,124	\$ 19,419	5.76%	\$ 297,439	\$ 15,367	5.17%
Investment securities, taxable ²	172,401	4,846	2.81%	167,019	3,684	2.21%
Investment securities, tax-exempt ^{2,3}	25,637	614	2.39%	24,443	577	2.36%
Other	57,250	2,606	4.55%	139,899	2,254	1.61%
Total interest earning assets	592,412	27,485	4.64%	628,800	21,882	3.48%
Noninterest earning assets	13,068			25,423		
Total assets	<u>\$ 605,480</u>			<u>\$ 654,223</u>		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand	\$ 223,968	\$ 709	0.32%	\$ 260,501	\$ 157	0.06%
Savings	111,731	676	0.61%	112,224	134	0.12%
Time deposits	29,856	208	0.70%	38,851	127	0.33%
Total interest-bearing deposits	365,555	1,593	0.44%	411,576	418	0.10%
Noninterest-bearing liabilities:						
Demand deposits	173,526			179,904		
Other liabilities	2,956			1,802		
Stockholders' equity	63,443			60,941		
Total liabilities and stockholders' equity	<u>\$ 605,480</u>			<u>\$ 654,223</u>		
Interest rate spread			<u>4.20%</u>			<u>3.38%</u>
Net interest income		<u>\$ 25,892</u>			<u>\$ 21,464</u>	
Net interest margin			<u>4.37%</u>			<u>3.41%</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 \$40,000 and \$25,000 for the twelve months ended December 31, 2023 and 2022, respectively.

² Securities are presented on an amortized cost basis.

³ Tax-equivalent adjustments totaling \$129,000 and \$120,000 for the twelve months ended December 31, 2023 and 2022, respectively, are included in income on tax-exempt securities.