SOUTHEASTERN BANKING CORP
Form 10-K
April 15, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2001

OR

[X] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 2-83157

SOUTHEASTERN BANKING CORPORATION

(Exact name of Registrant as specified in its charter)

GEORGIA	58-1423423
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1010 NORTHWAY STREET DARIEN, GEORGIA	31305
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (912) 437-4141

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [_]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

As of March 25, 2002, 3,385,470 shares of the Registrant's common stock, par value $1.25 per share, were outstanding. The aggregate market value of the common equity held by nonaffiliates of the Registrant on such date was

approximately $32,140,717 (based on a per share price of $14.66 which is based on over-the-counter trades executed by principal market-makers).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990 are incorporated by reference in Part IV, Item 14.

Portions of the Registrant's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 28, 2002, are incorporated by reference in Part III.

Part I

Item 1. Business.

1. History and Organization. Southeastern Banking Corporation (the Company) and its wholly-owned subsidiaries, Southeastern Bank and SBC Financial Services, Inc., provide a full array of financial services to meet the needs of individual, corporate, and government customers in southeast Georgia and northeast Florida. The Company's corporate offices are located at 1010 Northway Street, Darien, Georgia.

The Company was formed in 1980 to serve as the parent holding company of its then sole subsidiary bank, The Citizens Bank, Folkston, Georgia, which later changed its name to Southeastern Bank (SEB). In 1983, the Company acquired The Darien Bank, Darien, Georgia. Since 1983, the Company has acquired three additional financial institutions in the southeast Georgia market. These acquisitions were consummated by merging the acquired bank with SEB; the acquired banks were subsequently converted to branches of SEB. In this manner, the Company acquired The Camden County State Bank, Woodbine, Georgia, in 1984; the Jeff Davis Bank, Hazlehurst, Georgia, in 1986; and the Nicholls State Bank, Nicholls, Georgia, in 1988. In 1990, SEB merged with and into The Darien Bank, with The Darien Bank being the surviving bank in the merger operating under its 1888 Charter. Immediately, The Darien Bank changed its name to "Southeastern Bank." SEB is a state banking association incorporated under the laws of the State of Georgia.

In 1991, the Company acquired the Folkston, St. Marys, and Douglas, Georgia, offices of First Georgia Savings Bank, a savings bank in Brunswick, Georgia. Offices located in St. Marys and Douglas are now operating as branches of SEB, but the First Georgia office in Folkston was closed and merged into the existing Folkston branch. In 1993, the Company acquired the Folkston and St. Marys offices of Bank South, N.A., Atlanta, Georgia. Both of the acquired offices were closed and merged into existing offices of the Company.

On October 14, 1994, the Company acquired 100% of the outstanding common stock of United Citizens Bank of Alachua County, Alachua, Florida under the name Southeastern Bank of Florida (SEBF). The aggregate consideration paid by the Company pursuant to the transaction was approximately $5,139,000, payable in cash to the shareholders of Alachua. On February 15, 1996, the Company acquired the Callahan, Hilliard, and Yulee offices of Compass Bank in northeast Florida's Nassau County; the Company received approximately $22,982,000 in assets and assumed approximately $23,709,000 in deposit and other liabilities. Geographically, Nassau County borders Camden and Charlton Counties in southeast Georgia where the Company has other offices.

On January 16, 1998, SEBF sold its three offices in central Florida to First

National Bank of Alachua. Cash, loans, and fixed assets sold on January 16 aggregated approximately $32,159,000; deposits and other liabilities divested totaled $33,646,000. The sale of these locations has enabled the Company to concentrate its resources and strengthen its presence in its northeast Florida and southeast Georgia markets. At the close of business on June 25, 1998, SEBF merged with and into SEB. The merger of the two bank subsidiaries reduced the duplicative overhead costs associated with two separate entities.

The Company acquired the Richmond Hill office of Valdosta, Georgia-based Park Avenue Bank on January 31, 2002. Certain loans, property and equipment, and other assets with fair values of approximately $12,201,000 were acquired, while deposits and other liabilities totaling approximately $4,270,000 were assumed. Cash ballances applied towards the purchase approximated $8,000,000. Richmond Hill is located approximately ten miles outside the greater Savannah area.

SBC Financial Services, Inc. (SBCF) was formed in 1998 to sell insurance and other financial products to the public. Currently, SBCF is licensed to sell insurance and investment products in Georgia and Florida. The insurance subsidiary had minimal impact on the Company's financial condition and results of operations in 2001 and 2000.

2. Business. SEB, the Company's commercial bank subsidiary, offers a wide range of services to meet the financial needs of its customer base through its branch and atm network in northeast Florida and southeast Georgia. SEB's primary business comprises traditional deposit and credit services as well as official check services, wire transfers, and safe deposit box rentals. Deposit services offered include time certificates plus NOW, money market, savings, and individual retirement accounts. Credit services include commercial and installment loans, long-term mortgage originations, credit cards, and standby letters of credit. Commercial loans are made primarily to fund real estate construction and to meet the needs of customers engaged in the agriculture, timber, seafood, and other industries. Installment loans are made for both consumer and non-consumer purposes. At December 31, 2001, SEB operated fourteen full-service banking offices with total assets exceeding $354 million. A list of SEB offices is provided in Part I, Item 2. SBCF, the Company's insurance subsidiary, provides insurance agent and investment brokerage services with an emphasis on financial planning. In addition to traditional insurance, products offered include fixed and indexed annuities, mutual funds, retirement plans, and long-term care policies.

The Federal Reserve Bank of Atlanta is the principal correspondent of the Company's bank subsidiary. SEB also maintains accounts with other correspondent banks in Georgia, Florida, and Alabama. SBCF sells insurance and investment products primarily in association with two subagents, AXA Advisors, LLC and Palmer & Cay. In exchange for providing marketing and other support, the subagents receive a varying percentage of the commissions earned on sales.

At December 31, 2001, the Company and its subsidiaries had 152 and 15 full and part-time employees. Three of these employees are licensed to sell insurance to customers in Georgia or Florida.

3. Competition. The Company has direct competition with other commercial banks, savings and loan associations, and credit unions in each market area. Since mid-1998, intrastate branching restrictions in all of the Company's market areas have been lifted. The removal of intrastate branching restrictions has given the Company opportunities for growth but also intensified competition as other banks branch into the Company's markets.

The Company faces increasingly aggressive competition from other domestic

lending institutions and from numerous other providers of financial services. The ability of nonbanking financial institutions to provide services previously reserved for commercial banks has intensified competition. Because nonbanking financial institutions are not subject to the same regulatory restrictions as banks and bank holding companies, they can often operate with greater flexibility and lower cost structures. Recent abolishment of certain restrictions between banks, securities firms, and insurance companies will further intensify competition; refer to the Supervision and Regulation section of this Item for more details.

4. Supervision and Regulation. As a bank holding company, the Company is subject to the supervision and regulation of the Board of Governors of the Federal Reserve System (Federal Reserve). SEB, an insured state non-member bank chartered by the Georgia Department of Banking and Finance (GDBF), is subject to supervision and regulation by the GDBF and the Federal Deposit Insurance Corporation (FDIC). SEB is subject to various requirements and restrictions under federal and state law, including requirements to maintain reserves against deposits, restrictions on the types and amounts of loans that may be made and the interest that may be charged thereon, and limitations on the types of investments that may be made and the types of services that may be offered. Numerous consumer laws

and regulations also affect the operations of SEB. In addition to the impact of regulation, the Company is also significantly affected by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in order to influence the economy. The Company's nonbank subsidiary is regulated and supervised by applicable bank, insurance, and various other regulatory agencies.

Pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, bank holding companies from any state may acquire banks located in any other state, subject to certain conditions, including concentration limits. In addition, a bank may establish branches across state lines by merging with a bank in another state, subject to certain restrictions.

A number of obligations and restrictions imposed on bank holding companies and their bank subsidiaries by federal law and regulatory policy are designed to reduce potential loss exposure to bank depositors and to the FDIC insurance fund in the event of actual or possible default. For example, under Federal Reserve policy with respect to bank holding company operations, the Company is expected to serve as a source of financial strength to, and commit resources to support, its bank subsidiary where it might refuse absent such policy. The federal banking agencies have broad powers under current federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the applicable institution is "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized," as those terms are defined under regulations issued by each of the federal banking agencies. The Company and its bank subsidiary are considered "well-capitalized" by their respective federal banking regulators. The Company's capital position is delineated in Note 14 to the Consolidated Financial Statements and in the Capital Adequacy section of Part II, Item 7.

There are various legal and regulatory limits on the amount of dividends and other funds the bank subsidiary may pay or otherwise supply the Company. Additionally, federal and state regulatory agencies have the authority to prevent a bank or bank holding company from engaging in any activity that, in the opinion of the agency, would constitute an unsafe or unsound practice.

On November 12, 1999, financial modernization legislation known as the Gramm-Leach-Bliley Act (the Act) was signed into law. The Act created a new type of financial services company called a financial holding company. A bank holding company which elects to become a financial holding company may engage in expanded financial activities, including insurance and securities underwriting, and may also acquire securities and insurance companies, subject in each case to certain conditions. Securities firms and insurance companies may also choose to establish or become financial holding companies and thereby acquire banks, also subject to certain conditions. The abolishment of certain restrictions between banks, securities firms, and insurance companies provides both challenges and opportunities to the Company. The Company has no present intention to change its status from a bank holding company to a financial holding company under the Act, major provisions of which became effective in 2000.

There have been a number of legislative and regulatory proposals that would have an impact on the operation of bank holding companies and their subsidiaries. It is impossible to predict whether or in what form these proposals may be adopted in the future and, if adopted, what their effect will be on the Company.

Item 2. Properties.

Company Property. The Company's executive offices are located in SEB's main banking office at 1010 Northway Street, Darien, Georgia.

Banking Facilities. Besides its main office in Darien, SEB has thirteen branch offices in northeast Florida and southeast Georgia as shown in the table below:

Branch Locations		
Florida	1948 S. Kings Road Nassau County Callahan, Florida 32011	1376 E. State Road 200 Nassau County Yulee, Florida 32097
	7964 W. County Road 108 Nassau County Hilliard, Florida 32046	
Georgia	620 S. Peterson Street Coffee County Douglas, Georgia 31533	Highway 40 East Camden County Kingsland, Georgia 31548
	Highway 17 McIntosh County Eulonia, Georgia 31331	110 Bacon Street Brantley County Nahunta, Georgia 31553
	101 Love Street Charlton County Folkston, Georgia 31537	910 Van Streat Highway Coffee County Nicholls, Georgia 31554
	14 Hinson Street Jeff Davis County Hazlehurst, Georgia 31539	2512 Osborne Road Camden County St. Marys, Georgia 31558
	107 E. Main Street Brantley County Hoboken, Georgia 31542	Bedell Avenue & Highway 17 Camden County Woodbine, Georgia 31569

At December 31, 2001, the Company owned all of its banking facilities. See Note 5 to the Consolidated Financial Statements for further property information.

Insurance Facilities. SBCF leases office space from SEB at 1010 Northway Street, Darien, Georgia.

Item 3. Legal Proceedings.

The Parent Company and its subsidiaries are parties to claims and lawsuits arising in the course of their normal business activities. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management and counsel that none of these matters, when resolved, will have a material effect on the Company's consolidated results of operations or financial position.

Item 4. Submission Of Matters to a Vote of Security Holders.

None

PART II

Item 5. Market for the Registrant's Common Equity And Related Shareholder Matters.

The Company's stock trades publicly over-the-counter under the symbol "SEBC." The high and low sales prices shown below are based on information being posted to electronic bulletin boards by market-makers in the Company's stock. These market prices may include dealer mark-up, markdown, and/or commission. Prices paid on treasury stock purchases are excluded from these results.

The table below sets forth the high and low sales prices and the cash dividends declared on the Company's common stock during the periods indicated:

Market Sales Price & Dividends Declared	Quarter	Sales Price High	Sales Price Low	Dividends Declared
2001	4th	15 1/2	13 1/16	0.67
	3rd	15 3/4	14 19/64	0.11
	2nd	16 1/2	13	0.11
	1st	15 3/4	14 1/4	0.11
2000	4th	15 9/16	14	0.21
	3rd	16 1/4	14 1/2	0.10
	2nd	16 3/8	13 1/4	0.10
	1st	17 3/4	12	0.10
1999	4th	17 3/4	16 1/2	0.17
	3rd	20	18 1/8	0.10
	2nd	19 3/4	18 5/8	0.10
	1st	20	18 1/4	0.10

The Company had approximately 500 shareholders of record at December 31, 2001.

The Company has paid regular cash dividends on a quarterly basis every year since its inception. Additionally, in recent years, the Company has declared a

special dividend in the fourth quarter of each year. Management anticipates that the Company will continue to pay regular and special cash dividends. See the Capital Adequacy section of Part II, Item 7 for particulars on an extraordinary cash dividend declared by the Company in the 2002 fourth quarter.

The Company is a legal entity separate and distinct from its subsidiaries, and its revenues depend primarily on the payment of dividends from its subsidiaries. State banking regulations limit the amount of dividends the Company's bank subsidiary may pay without prior approval of the regulatory agencies. The amount of cash dividends available from the bank subsidiary for payment in 2002 without such prior approval is approximately $2,092,000.

Item 6. Selected Consolidated Financial Data.

Selected financial data for the last five years is provided in the table below:

Financial Data	2001	2000	1999	19
(Dollars in thousands except per share data)				
At December 31:				
Total assets	$355,215	$349,579	$340,545	$337
Loans, net of unearned income	163,348	173,802	165,994	164
Allowance for loan losses	3,135	3,160	3,223	3
Deposits	298,707	295,736	290,284	292
Long-term debt	5,000	5,000	--	
Treasury stock	3,248	2,486	--	
Realized stockholders' equity	44,656	44,710	44,028	40
For the Year:				
Net interest income	$ 14,616	$ 15,539	$ 15,084	$ 15
Provision for loan losses	1,200	1,200	1,200	1
Net income	4,097	4,935	4,849	4
Common dividends paid	1,842	1,654	1,743	1
Per Common Share:				
Basic earnings	$ 1.21	$ 1.42	$ 1.35	$
Dividends declared	1.00	0.51	0.47	
Book value	13.19	13.01	12.30	1
Financial Ratios:				
Return on average assets	1.15%	1.41%	1.43%	
Return on beginning equity	9.16	11.21	11.87	1
Tier 1 capital ratio	23.45	23.05	23.56	2
Total capital ratio	24.71	24.30	24.82	2
Tier 1 leverage ratio	12.32	12.56	12.57	1

The book value per share and equity ratios exclude the effects of mark-to-market accounting for investment securities. In accordance with generally accepted accounting principles, prior period amounts have not been restated to reflect the treasury stock purchases made in 2001 and 2000.

Business Combinations and Divestitures

The financial data in the table above reflects the following divestiture:

- On January 16, 1998, the Company sold its banking offices in Alachua, Gainesville, and Jonesville, Florida. Cash, loans, and fixed assets sold by SEB aggregated approximately $32,159,000; deposits and other liabilities divested totaled $33,646,000. The Company recognized a pretax gain of $101,908 but after-tax loss of $457,823 on the sale of these branches. The sale of these locations has enabled the Company to concentrate its resources and strengthen its presence in its northeast Florida and southeast Georgia markets.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Description of Business

Southeastern Banking Corporation (the Company), with assets of $355 million, is a financial services company with operations in southeast Georgia and northeast Florida. Southeastern Bank (SEB), the Company's principal subsidiary, offers a full line of commercial and retail services to meet the financial needs of its customer base through its fourteen branch locations and atm network. Services offered include traditional deposit and credit services, long-term mortgage originations, and credit cards. SEB also offers 24-hour delivery channels including internet and telephone banking. The Company's insurance subsidiary, SBC Financial Services, Inc. (SBCF), provides insurance agent and investment brokerage services with an emphasis on financial planning. In addition to traditional insurance, products offered include fixed and indexed annuities, mutual funds, retirement plans, and long-term care policies. SBCF had a nominal impact on the Company's financial condition and results of operations in 2001 and 2000.

Financial Condition

Consolidated assets totaled $355,214,815 at December 31, 2001, up $5,636,263 or 1.61% from year-end 2000. Investment securities were the predominant factor in the 2001 results, increasing $12,564,787. A $10,454,094 reduction in loan balances and a $2,970,516 increase in deposits, particularly noninterest-bearing balances, precipitated the majority of the growth in investment securities. Although the mix of earning assets shifted at year-end 2001 versus December 31, 2000, earning assets continued to approximate, overall, 92% of total assets. During the year-earlier period, total assets grew 2.65% or $9,033,664. More than 86%, or $7.8 million, of the 2000 growth was attributable to improvements in net loan balances. Increased deposits and other borrowings, including a $5 million advance from the Federal Home Loan Bank (FHLB) funded the 2000 growth. Additional details on FHLB advances and other funding sources are provided in the Liquidity section of this Analysis.

Investment Securities

On a carrying value basis, investment securities increased $12.6 million or 8.66% since December 31, 2000. Purchases of securities during 2001 approximated $113,886,000, and redemptions, $103,390,000. The high volume of securities transactions was attributable to various issuers' exercise of call options as a result of interest rate reductions during 2001. The effective repricing of securities at lower rates impacts current and future earnings results; refer to the Interest Rate and Market Risk/Interest Rate Sensitivity and Operations

sections of this Analysis for more details. To reduce its exposure to Agency securities with call features, the Company increased its holdings of mortgage-backed securities, corporates, and municipals to 26%, 6%, and 22% of the portfolio at year-end 2001 from 13%, 0%, and 18% at December 31, 2000. Overall, securities aggregated 48% of earning assets at December 31, 2001 versus 45% and 47% at December 31, 2000 and 1999. The amortized cost and estimated fair value of investment securities are delineated in the table on the next page.

Investment Securities by Category December 31, 2001	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
(In thousands)				
Available-for-sale:				
U. S. Government agencies	$70,317	$ 1,346	$ 193	$71,470
Mortgage-backed securities	41,021	272	79	41,214
Corporates	9,765	123	43	9,845
	121,103	1,741	315	122,529
Held-to-maturity:				
States and political subdivisions	35,091	614	254	35,451
Total investment securities	$156,194	$ 2,355	$ 569	$157,980

As shown, the market value of the securities portfolio exceeded the cost basis at December 31, 2001, an improvement from 2000 levels; refer to the Capital Adequacy section of this Analysis for more details on investment securities and related fair value. The Company does not have a concentration in the obligations of any issuer other than the U.S. Government and its agencies.

Loans

Loans, net of unearned income, declined 6.01% or $10,454,094 at year-end 2001 compared to December 31, 2000. As a percent of deposits, net loans aggregated 54.69% at year-end 2001 versus 58.77% and 57.18% at December 31, 2000 and 1999. A $14,110,318 drop in commercial loans outstanding was the chief factor in the 2001 decline. The decline in commercial loans outstanding resulted from multiple factors, including normal pay-offs, the loss of several sizable loans to competitors offering below market fixed rates over abnormally long repayment periods, and less origination due to the current economic slowdown. Basically all sectors of the commercial portfolio registered declines during 2001: Nonfarm real estate loans fell $9,459,634; agricultural loans, $3,051,345; other commercial/industrial loans, $350,625; and governmental loans, $1,248,714. Consumer loans declined $4,951,210 or 14.00% at December 31, 2001 compared to 2000. A softening of consumer demand in the Company's trade areas was the principal element in the 2001 results. Consumer loans remain the Company's highest-yielding interest-earning asset, and the Company is committed to reversing the decline in this portfolio. Balances in the real estate-construction portfolio also declined, dropping 10.21% or $791,443 since December 31, 2000. Most of the loans in the real estate-construction portfolio are preparatory to customers' attainment of permanent financing or developer's sale and are, by nature, short-term and somewhat cyclical; swings in these account balances are normal and to be expected. Although the Company, like peer

institutions of similar size, originates permanent residential mortgages for new construction, it traditionally does not hold or service long-term mortgage loans for its own portfolio. Rather, permanent residential mortgages are typically brokered through a mortgage underwriter or government agency. The Company receives mortgage origination fees for its participation in these origination transactions; refer to the disclosures provided under Results of Operations for more details. Although balances in the commercial, consumer, and real estate-construction portfolios fell, real estate-mortgage balances increased $9,103,024 during 2001.

Despite the current economic slowdown within our markets and overall declines in loan balances during 2001, management is optimistic that loan volumes will improve, albeit moderately, during 2002. Loans acquired from the Bank of Richmond Hill, as discussed in later sections of this Analysis, will add $10 million to the loan portfolio during the 2002 first quarter. Strategies implemented by management to increase loan production at other SEB locations include continuing competitive pricing on loan products, development of additional loan relationships, and purchase of loan participations from correspondent banks, all without compromising portfolio quality. During 2000, net loans grew $7,808,308 or 4.70%.

Growth in the commercial, real estate-construction, and real estate-mortgage portfolios fueled the 2000 results. Loans outstanding are presented by type in the table below:

Loans by Category December 31,	2001	2000	1999
(In thousands)			
Commercial, financial, and agricultural/1/	$ 56,065	$ 70,175	$ 67,515
Real estate - construction	6,959	7,750	3,161
Real estate - mortgage/2/	70,361	61,257	59,656
Consumer, including credit cards	30,420	35,373	37,312
Loans, gross	163,805	174,555	167,644
Unearned income	457	753	1,650
Loans, net	$163,348	$173,802	$165,994

/1/ Includes obligations of states and political subdivisions.
/2/ Typically have final maturities of 15 years or less.

The Company had no concentration of loans to borrowers engaged in any single industry that exceeded 10% of total loans for any of the periods presented. Although the Company's loan portfolio is diversified, significant portions of its loans are collateralized by real estate. At December 31, 2001 and 2000, gross loans secured by real estate approximated $109,842,000 and $113,570,000. As required by policy, real estate loans are collateralized based on certain loan-to-appraised value ratios. A geographic concentration in loans arises given the Company's operations within a regional area of southeast Georgia and northeast Florida. Commitments to extend credit and standby letters of credit approximated $17,874,000 at December 31, 2001; because a substantial amount of these contracts expire without being drawn upon, total contractual amounts do not represent future credit exposure or liquidity requirements.

Nonperforming Assets

Nonperforming assets consist of nonaccrual loans, restructured loans, and foreclosed real estate balances. Overall, nonperforming assets approximated $2,198,000, or 0.62% of total assets, at year-end 2001, down significantly, or 42.79%, from $3,842,000 at year-end 2000. Nonperforming loans fell more than 45%, or $1,564,000, while foreclosed real estate dropped a moderate $80,000 at December 31, 2001. The fluctuation in nonperforming asset balances during 2001 resulted predominantly from a single commercial real estate loan. Specifically, nonaccrual balances at December 31, 2000 included an impaired real estate loan totaling approximately $2,300,000. This loan, secured by a first lien on income-producing commercial real estate, was charged-off by $400,000 in December 2000 and prior to foreclosure in February 2001, an additional $300,000. Impairment of the loan was based on the fair value of the underlying collateral, less estimated selling expenses, as determined by a third party appraisal. During the third quarter, this property was sold to a third party; net proceeds on the sale approximated $2,025,000. To maintain and maximize collateral value, the Company engaged an operating company with expertise in managing commercial properties to handle day-to-day operations as management focused on marketing the property to potential buyers. Operating costs associated with managing the property approximated $125,000 through the closing date. Pending furtherance of various legal proceedings, management is optimistic that various costs associated with the property may ultimately be recovered.

During 2001, a single credit with principal balances aggregating $615,000 was placed on nonaccrual status. This credit, secured by timber and farmlands with accompanying tobacco and peanut allotments, was not substantially past due, and its impairment could not be reasonably measured prior to 2001. Due to a loan-to-appraised value ratio of less than 55%, no loss, other than possibly foregone interest, is expected on these loans. Foreclosure of the real estate collateral was interrupted by bankruptcy proceedings and is expected to remain stalled until at least mid-2002. Additionally, during the latter half

of 2001, loans to four other borrowers averaging $212,000 each were transferred to nonaccrual status. Due to the underlying collateral coverage, no material losses, if any, are expected on these credits. Refer to the subsection entitled Policy Note for criteria used by management in classifying loans as nonaccrual. Exclusive of the credits specifically discussed in the preceding paragraphs, the allowance for loan losses approximated 7.50X the nonperforming loans balance at year-end 2001 versus 2.76X a year ago. Management is unaware of any other material developments in nonperforming assets or large, significant potential problem loans at December 31, 2001 that should be presented or otherwise discussed.

Loans past due 90 plus days totaled $1,528,000, or less than 1% of net loans, at year-end 2001. Management is unaware of any material concentrations within these past due balances. The table below provides further information about nonperforming assets and loans past due 90 days or more:

Nonperforming Assets December 31,	2001	2000	1999
(In thousands)			
Nonaccrual loans:			
Commercial, financial, and agricultural	$1,275	$2,894	$ 492
Real estate - construction	--	--	--

Real estate - mortgage	588	189	175
Consumer, including credit cards	18	21	18
Total nonaccrual loans	1,881	3,104	685
Restructured loans/1/	--	341	357
Total nonperforming loans	1,881	3,445	1,042
Foreclosed real estate/2/	317	397	858
Total nonperforming assets	$2,198	$3,842	$1,900
Accruing loans past due 90 days or more	$1,528	$1,191	$1,467

/1/ Does not include restructured loans that yield a market rate.
/2/ Includes only other real estate acquired through foreclosure or in settlement of debts previously contracted.

Policy Note. Loans classified as nonaccrual have been placed in nonperforming, or impaired, status because the borrower's ability to make future principal and/or interest payments has become uncertain. The Company considers a loan to be nonaccrual with the occurrence of any one of the following events: a) interest or principal has been in default 90 days or more, unless the loan is well-secured and in the process of collection; b) collection of recorded interest or principal is not anticipated; or c) the income on the loan is recognized using the cash versus accrual basis of accounting due to deterioration in the financial condition of the borrower. Smaller balance consumer loans are generally not subject to the above-referenced guidelines and are normally placed on nonaccrual status or else charged-off when payments have been in default 90 days or more. Nonaccrual loans are reduced to the lower of the principal balance of the loan or the market value of the underlying real estate or other collateral net of selling costs. Any impairment in the principal balance is charged against the allowance for loan losses. Accrued interest on any loan switched to nonaccrual status is reversed. Interest income on nonaccrual loans, if subsequently recognized, is recorded on a cash basis. No interest is subsequently recognized on nonaccrual (or former nonaccrual) loans until all principal has been collected. Loans are classified as restructured when either interest or principal has been reduced or deferred because of deterioration in the borrower's financial position. Foreclosed real estate represents real property acquired by foreclosure or directly by title or deed transfer in settlement of debt. Provisions for subsequent devaluations of foreclosed real estate are charged to operations, while costs associated with improving the properties are generally capitalized. Refer to the footnotes accompanying the consolidated financial statements for more details on the Company's accounting and reporting policies on impaired loans and other real estate.

Allowance for Loan Losses

The Company maintains an allowance for loan losses available to absorb inherent losses in the loan portfolio. At year-end 2001, the Company's allowance totaled $3,134,594, or 1.92% of period-end loans. Net charge-offs totaled $1,225,000, down slightly, or $38,000, from 2000, which was down $121,000 from 1999. Approximately 24%, or $300,000, of 2001 charge-offs and 32% of 2000 charge-offs were attributable to the large nonperforming loan foreclosed in the first quarter. Long-term strategies implemented by management to reduce and minimize charge-off levels include: a) a revised loan grading system, b) periodic external loan review, c) formation of a full-time collection department, and d)

managerial and staff changes at various locations. Activity in the allowance is presented in the table below:

Allowance for Loan Losses Years Ended December 31,	2001	2000	1999
(Dollars in thousands)			
Allowance for loan losses at beginning of year	$ 3,160	$ 3,223	$ 3,407
Provision for loan losses	1,200	1,200	1,200
Charge-offs:			
Commercial, financial, and agricultural	698	557	496
Real estate - construction	--	--	351
Real estate - mortgage	132	298	213
Consumer, including credit cards	720	817	950
Total charge-offs	1,550	1,672	2,010
Recoveries:			
Commercial, financial, and agricultural	38	46	258
Real estate - construction	--	--	--
Real estate - mortgage	13	20	27
Consumer, including credit cards	274	343	341
Total recoveries	325	409	626
Net charge-offs	1,225	1,263	1,384
Allowance for loan losses at December 31	$ 3,135	$ 3,160	$ 3,223
Net loans outstanding/1/ at December 31	$163,348	$173,802	$165,994
Average net loans outstanding/1/ at December 31	$164,402	$172,768	$163,124
Ratios:			
Allowance to net loans	1.92%	1.82%	1.94%
Net charge-offs to average loans	0.75%	0.73%	0.85%
Provision to average loans	0.73%	0.69%	0.74%

/1/ Net of unearned income

The Company prepares a comprehensive analysis of the allowance for loan losses at least quarterly. SEB's Board of Directors is responsible for affirming the allowance methodology and assessing the general and specific allowance factors in relation to estimated and actual net charge-off trends. The allowance for loan losses consists of three elements: a) specific allowances for individual loans; b) general allowances for loan pools based on historical loan loss experience and current trends; and c) allowances based on economic conditions and other risk factors in the Company's markets. The specific allowance is based on a regular analysis of classified loans where the internal risk ratings are below a predetermined classification. The specific allowance established for these classified loans is based on a careful analysis of probable and potential sources of repayment, including cash flow, collateral value, and guarantor capacity. The general allowance is determined by the mix of loan products within the portfolio, an internal loan grading process, and associated allowance

factors. These general allowance factors are updated at least annually and are based on a statistical loss migration analysis and current loan

charge-off trends. The loss migration analysis examines loss experience for loan portfolio segments in relation to internal loan grades. Charge-off trends are analyzed for homogeneous loan categories (e.g., residential real estate, consumer loans, etc.). While formal loss migration and charge-off trend analyses are conducted annually, the Company continually monitors credit quality in all portfolio segments and may revise the general allowance factors whenever necessary in order to address improving or deteriorating credit quality trends or specific risks associated with a given loan category. The third element, comprised of economic conditions, concentrations, and other risk factors, is based on marketplace conditions and/or events that may affect loan repayment in the near-term. This element requires a high degree of managerial judgment to anticipate the impact that economic trends, legislative or governmental actions, or other unique market and/or portfolio issues will have on credit losses. Consideration of other risk factors typically includes such issues as recent loss experience in specific portfolio segments, trends in loan quality, changes in market focus, and concentrations of credit. These factors are based on the influence of current external variables on portfolio risk, so there will typically be some movement between this element and the specific allowance component during various stages of the economic cycle. Because of their subjective nature, these risk factors are carefully reviewed by management and revised as conditions indicate. Based on its analyses, management believes the allowance was adequate at December 31, 2001. The acquisition of the Bank of Richmond Hill, as discussed in the next section of this Analysis, did not materially affect the allowance for loan losses.

Other Commitments

On October 15, 2001, the Company signed a definitive agreement to acquire the Richmond Hill office of Valdosta, Georgia-based Park Avenue Bank. This transaction closed on January 31, 2002. Under the agreement, the Company acquired certain loans, property and equipment, and other assets with fair values of approximately $12.2 million, while assuming deposits and other liabilities totaling approximately $4.27 million. Cash balances applied towards the purchase approximated $8 million. A deposit premium of $100,000 was recorded in conjunction with the transaction.

Other than the purchase of property and equipment in conjunction with its acquisition of the Bank of Richmond Hill, management has also contracted for future branch sites in Glynn County, Georgia. Renovation of the Darien office is also planned. The total cost of these projects approximates $2.5 million, of which $1.5 million is associated with the Richmond Hill acquisition.

Liquidity

Liquidity is managed to ensure sufficient cash flow to satisfy demands for credit, deposit withdrawals, and other corporate needs. The Company meets most of its daily liquidity needs through the management of cash and federal funds sold. Additional liquidity is provided by payments and maturities, including both principal and interest, of the loan and investment securities portfolios. At December 31, 2001, loans/1/ and investment securities with carrying values exceeding $64 million and $10 million were scheduled to mature in one year or less. The investment portfolio has also been structured to meet liquidity needs prior to asset maturity when necessary. The Company's liquidity position is further strengthened by its access, on both a short- and long-term basis, to local and regional funding sources.

Funding sources primarily comprise customer-based core deposits but also include borrowed funds and cash flows from operations. Customer-based core deposits, the Company's largest and most cost-effective source of funding, comprised 88% of the funding base at year-end 2001, up 3 basis points from 2000 levels. Borrowed funds, which variously encompass U.S. Treasury demand notes, federal funds purchased, and FHLB advances, totaled $5,493,153 at year-end 2001 versus $6,001,957 at December 31, 2000. More specifically, the maximum amount of U.S. Treasury demand notes available to the Company at December 31, 2001 totaled $3,000,000, of which $493,153 was outstanding. Unused borrowings

under unsecured federal funds lines of credit from other banks, each with varying terms and expiration dates, totaled $24,000,000. Additionally, under a credit facility with the FHLB, the Company can borrow up to 16% of SEB's total assets; at year-end 2001, unused borrowings approximated $52 million. Refer to the subsection entitled FHLB Advances for details on the Company's outstanding balance with the FHLB. Cash flows from operations also constitute a significant source of liquidity. Net cash from operations derives primarily from net income adjusted for noncash items such as depreciation and amortization, accretion, and the provision for loan losses.

Management believes the Company has the funding capacity, from operating activities or otherwise, to meet its financial commitments in 2002. Refer to the Capital Adequacy section of this Analysis for details on treasury stock purchases and intercompany dividend policy.

/1/ No cash flow assumptions other than final contractual maturities have been made for installment loans. Nonaccrual loans are excluded.

Deposits

Deposits exceeded $298 million at year-end 2001, up $2,970,516 or 1.00% from December 31, 2000. The majority, or $2,700,605, of the deposit growth at year-end 2001 was attributable to noninterest-bearing balances. Overall, noninterest-bearing deposits comprised 19.36%, and interest-bearing deposits, 80.64%, of total deposits at December 31, 2001. The distribution of interest-bearing balances at December 31, 2001, 2000, and 1999 is shown in the table below:

	2001		2000		
Deposits December 31,	Balances	Percent of Total	Balances	Percent of Total	Balance
(Dollars in thousands)					
Interest-bearing demand deposits/1/	$ 54,050	22.44%	$ 50,309	20.91%	$ 45,56
Savings	84,140	34.93%	73,781	30.66%	72,34
Time certificates * $100,000	66,145	27.46%	72,207	30.01%	75,25
Time certificates *** $100,000	36,546	15.17%	44,314	18.42%	44,44
Total interest-bearing deposits	$240,881	100.00%	$240,611	100.00%	$237,61

/1/ NOW and money market accounts
* Indicates "less than" symbol
*** Indicates "greater than or equal to" symbol

The composition of average deposits and the fluctuations therein at December 31 for each of the last three years is shown in the Average Balances table included in the Operations section of this Analysis.

FHLB Advances

Advances outstanding with the FHLB totaled $5 million at year-end 2001, unchanged from 2000. The outstanding advance, which matures March 17, 2010, accrues interest at an effective rate of 6.00%, payable quarterly. The advance is convertible into a three-month Libor-based floating rate anytime at the option of the FHLB. Year-to-date, interest expense on the advance approximated $300,000. Mortgage-backed securities with aggregate carrying values of approximately $9.4 million were pledged to collateralize current and future advances under this line of credit.

Interest Rate and Market Risk/Interest Rate Sensitivity

The normal course of business activity exposes the Company to interest rate risk. Fluctuations in interest rates may result in changes in the fair market value of the Company's financial instruments, cash flows, and net interest income. The asset/liability committee regularly reviews the Company's exposure to interest rate risk and formulates strategy based on acceptable levels of interest rate risk. The overall objective of this process is to optimize the Company's financial position, liquidity, and net interest

income, while limiting volatility to net interest income from changes in interest rates. The Company uses gap analysis and simulation modeling to measure and manage interest rate sensitivity.

An indicator of interest rate sensitivity is the difference between interest rate sensitive assets and interest rate sensitive liabilities; this difference is known as the interest rate sensitivity gap. In an asset sensitive, or positive, gap position, the amount of interest-earning assets maturing or repricing within a given period exceeds the amount of interest-bearing liabilities maturing or repricing within that same period. Conversely, in a liability sensitive, or negative, gap position, the amount of interest-bearing liabilities maturing or repricing within a given period exceeds the amount of interest-earning assets maturing or repricing within that time period. During a period of rising rates, a negative gap would tend to affect net interest income adversely, while a positive gap would theoretically result in increased net interest income. In a falling rate environment, a negative gap would tend to result in increased net interest income, while a positive gap would affect net interest income adversely. The gap analysis below provides a snapshot of the Company's interest rate sensitivity position at December 31, 2001.

	Repricing Within			
Interest Rate Sensitivity December 31, 2001	0 - 3 Months	4 - 12 Months	One - Five Years	Mo Than Fi Yea
(Dollars in thousands)				

Interest Rate Sensitive Assets				
Federal funds sold	$ 7,580			
Securities/1/	4,591	$ 6,666	$ 92,525	$ 52,4
Loans, gross/2/	65,386	22,001	54,470	20,0
Total interest rate sensitive assets	77,557	28,667	146,995	72,4
Interest Rate Sensitive Liabilities				
Deposits/3/	168,276	51,398	21,120	
U.S. Treasury demand note	493	--	--	
Federal Home Loan Bank advances	--		--	5,0
Total interest rate sensitive liabilities	168,769	51,398	21,120	5,0
Interest rate sensitivity gap	$ (91,212)	$ (22,731)	$ 125,875	$ 67,3
Cumulative gap	$ (91,212)	$(113,943)	$ 11,932	$ 79,3
Ratio of cumulative gap to total rate sensitive assets	(28.01)%	(34.98)%	3.66%	24.3
Ratio of cumulative rate sensitive assets to rate sensitive liabilities	45.95%	48.24%	104.95%	132.2
Cumulative gap at December 31, 2000	$ (91,308)	$(117,955)	$ 15,283	$ 73,6
Cumulative gap at December 31, 1999	$ (99,992)	$(142,141)	$ 3,459	$ 75,4

/1/ Distribution of maturities for available-for sale-securities is based on amortized cost. Additionally, distribution of maturities for mortgage-backed securities is based on expected average lives which may be different from the contractual terms. Equity securities, if any, are excluded.

/2/ No cash flow assumptions other than final contractual maturities have been made for installment loans with fixed rates. Nonaccrual loans are excluded.

/3/ NOW, money market, and savings account balances are included in the 0-3 months repricing category.

As shown in the table above, the Company's gap position remained negative through the short-term repricing intervals at year-end 2001, totaling $(91,212) at three months and $(113,943) through one-year. Excluding traditionally nonvolatile NOW and savings balances from the gap calculation, the cumulative gap at December 31, 2001 totaled $24,125 at three months and $1,394 at twelve months. As expected,

the gap position widened moderately from earlier positions in 2001, closely resembling 2000 levels at year-end. The high volume of federal funds sold that accrued from reductions in loans and higher deposits throughout 2001 has been largely reallocated to other earning assets. Federal funds sold balances are expected to decline further, on average, in 2002 due to the purchase of the Bank of Richmond Hill and anticipated loan growth. Shortcomings are inherent in any gap analysis since certain assets and liabilities may not move proportionally as

rates change. For example, the gap analysis presumes that all loans/2/ and securities/1/ will perform according to their contractual maturities when, in many cases, actual loan terms are much shorter than the original terms and securities are subject to early redemption.

In addition to gap analysis, the Company uses simulation modeling to test the interest rate sensitivity of net interest income and the balance sheet. Contractual maturity and repricing characteristics of loans are incorporated into the model, as are prepayment assumptions, maturity data, and call options within the investment portfolio. Non-maturity deposit accounts are modeled based on past experience. Simulation results quantify interest rate risks under various interest rate scenarios. Based on the Company's latest analysis, the simulation model estimates that a gradual 200 basis points rise or decline in rates over the next twelve months would have an adverse impact of 5% or less on its net interest income for the period. In estimating the impact of these rate movements on the Company's net interest income, the following general assumptions were made: a) Spreads on all loans, investment securities, and deposit products remain constant; b) Interest rate movements occur gradually over an extended period versus rapidly; and c) Loans and deposits are projected to grow at constant speeds. Limitations inherent with these assumptions include: a) Certain deposit accounts, in particular, interest-bearing demand deposits, rarely reprice and therefore, have limited impact on net interest income from a rate perspective; b) In a down rate environment, competitive and other factors constrain timing of rate cuts on other deposit products whereas loans tied to prime and other variable indexes reprice instantaneously and, as amply demonstrated this year, securities with call or other prepayment features are likely to be redeemed prior to stated maturity and replaced at lower rates (lag effect); c) Changes in balance sheet mix, for example, unscheduled pay-offs of large commercial loans, are oftentimes difficult to forecast; and d) Rapid and aggressive rate movements by the Federal Reserve, as in 2001, can materially impact estimated results. As further discussed in the Operations section of this Analysis, net interest income declined $923,346 or 5.94% in 2001 versus 2000. Management is optimistic that initiatives taken to improve loan production and diversify the securities portfolio will gradually reduce the interest rate sensitivity of net interest income and the balance sheet.

The Company has not in the past, but may in the future, utilize interest rate swaps, financial options, financial futures contracts, or other rate protection instruments to reduce interest rate and market risks.

Impact of Inflation

The effects of inflation on the local economy and the Company's operating results have been relatively modest the last several years. Because substantially all the Company's assets and liabilities, including cash, securities, loans, and deposits, are monetary in nature, their values are less sensitive to the effects of inflation than to changing interest rates. As discussed in the preceding section, the Company attempts to control the impact of interest rate fluctuations by managing the relationship between its interest sensitive assets and liabilities.

Capital Adequacy

Federal banking regulators have established certain capital adequacy standards required to be maintained by banks and bank holding companies. These regulations define capital as either Tier 1 (primarily shareholders' equity) or Tier 2 (certain debt instruments and a portion of the allowance for loan losses).

The Company and SEB are subject to a minimum Tier 1 capital ratio (Tier 1 capital to risk-weighted assets) of 4%, total capital ratio (Tier 1 plus Tier 2 to risk-weighted assets) of 8%, and Tier 1 leverage ratio (Tier 1 to average quarterly assets) of 4%. To be considered a "well-capitalized" institution, the Tier 1 capital, total capital, and Tier 1 leverage ratios must equal or exceed 6%, 10%, and 5%, respectively. Banks and bank holding companies are prohibited from including unrealized gains and losses on debt securities in the calculation of risk-based capital but are permitted to include up to 45 percent of net unrealized pre-tax holding gains on equity securities in Tier 2 capital. The Company did not have any unrealized gains on equity securities includible in the risk-based capital calculations for any of the periods presented. The Company is committed to maintaining its well-capitalized status.

Capital ratios for the most recent periods are presented in the table below:

Capital Ratios December 31,	2001	2000	1999
(Dollars in thousands)			
Tier 1 capital:			
Realized shareholders' equity	$ 44,656	$ 44,710	$ 44,028
Intangible assets and other adjustments	(905)	(1,117)	(1,309)
Total Tier 1 capital	43,751	43,593	42,719
Tier 2 capital:			
Portion of allowance for loan losses	2,342	2,374	2,278
Allowable long-term debt	--	--	--
Total Tier 2 capital	2,342	2,374	2,278
Total risk-based capital	$ 46,093	$ 45,967	$ 44,997
Risk-weighted assets	$ 186,565	$ 189,139	$ 181,326
Risk-based ratios:			
Tier 1 capital	23.45%	23.05%	23.56%
Total risk-based capital	24.71%	24.30%	24.82%
Tier 1 leverage ratio	12.32%	12.56%	12.57%
Realized shareholders' equity to assets	12.60%	12.78%	12.82%

On a per share basis, realized book value grew $0.19 during 2001 to $13.19 at year-end. Dividends declared totaled $1.00, up 96% or $0.49 from 2000, which was up 8.51% from 1999. The most significant factor affecting comparative results was a $0.56 extraordinary dividend declared in the 2001 fourth quarter. Although the Company's continuing strong capital position enabled the payment of this dividend, management does not anticipate payment of extraordinary dividends on a regular basis. For more particulars on the Company's dividend policy, refer to the subsection immediately following. Accumulated other comprehensive income, which measures net fluctuations in the fair values of investment securities, improved $1,310,930 at year-end 2001 compared to year-end 2000. Movement in interest rates remained a dominant factor in the fair value results. Further details on investment securities and associated fair values are contained in the

Financial Condition section of this Analysis.

On March 14, 2000, the Board of Directors authorized the purchase of up to $7,000,000 in Company common stock. In 2000, the Company purchased 144,101 shares from one group of shareholders at a purchase price of $17.25 per share and in 2001, an additional 51,226 shares on the open market and through private transactions at an average price of $14.87 per share. Since inception, the treasury stock program has reduced the Company's outstanding common stock from 3,580,797 shares to 3,385,470 shares. The maximum consideration available for additional treasury purchases, at prices to be determined in the future, is $3,752,282. Any acquisition of additional shares will be dictated by market

conditions. In accordance with generally accepted accounting principles, no prior period amounts have been restated to reflect the treasury stock purchases.

Dividend Policy

The Parent Company is a legal entity separate and distinct from its subsidiaries, and its revenues and liquidity position depend primarily on the payment of dividends from its subsidiaries. State banking regulations limit the amount of dividends SEB may pay without prior approval of the regulatory agencies. In 2001, SEB paid $4,500,000 in cash dividends to the Company. A $2,000,000 special dividend approved by the regulators enabled the Company, in turn, to pay the extraordinary dividend described in the preceding section. The additional $2,500,000 payout represented regular cash dividends available to the Company in 2001 without prior regulatory approval. Cash dividends available from SEB for payment in 2002 without similar approval approximate $2,092,000. The Company uses regular dividends paid by SEB in order to pay quarterly dividends to its own shareholders. Management anticipates that the Company will continue to pay cash dividends on a recurring basis.

Results of Operations

Net income totaled $4,097,126 in 2001, down $837,968 or 16.98% from 2000. On a per share basis, income for the year declined $0.21 to $1.21 in 2001 from $1.42 in 2000. Similarly, the return on beginning equity dropped 205 basis points to 9.16% in 2001 from 11.21% in 2000. The return on average assets for the same periods totaled 1.15% and 1.41%. A 5.94%, or $923,346, drop in net interest income was the overriding factor in the 2001 results. Earnings increased $85,929 or 1.77% in 2000 compared to 1999. A 3.02%, or $455,177, improvement in net interest earnings, offset by a $379,319 increase in employee costs, was the most significant factor affecting 2000-1999 comparative results. Variations in net interest results are further discussed in the next subsection of this Analysis.

Net Interest Income

Net interest income fell $923,346 or 5.94% in 2001 compared to 2000. Likewise, the net interest margin and spread fell to 4.63% and 3.55%, respectively, from 4.98% and 3.82% a year ago. Interest income on all earning assets other than federal funds sold declined from 2000 results. Specifically, interest earnings on loans, investment securities, and other earning assets declined $1,951,716, $250,943, and $9,948 from results in 2000 while earnings on federal funds sold jumped $603,282. Shifts in earning assets and overall declines in asset yields precipitated the 2001 results. As discussed in other sections of this Analysis, the increase in average federal funds sold balances resulted from reductions in loans, early redemptions of investment securities, and higher deposit balances. Federal funds sold balances have declined from earlier levels in 2001 and are expected to further decline, on average, during 2002 as funds are reallocated to

other earning assets. Interest expense on deposits and borrowed funds declined an appreciable $685,979 or 5.85% during 2001 versus 2000. On average, cost of funds totaled 4.40%, down 34 basis points from 2000. Expected declines in yields on investment securities, as discussed in the Financial Condition section of this Analysis, will exert pressure on net interest results in 2002. Reallocation of federal funds sold balances to other earning assets, anticipated loan growth in Richmond Hill and other locations, as well as reduced pricing on deposits are expected to alleviate declines in securities yields. Additionally, because most of the loans in the variable portfolio are tied to prime and similar indexes, the portfolio is positioned to take advantage of any rate hikes promulgated by the Federal Reserve in 2002; variable loans comprised approximately 35% of total loans at year-end 2001. Net interest income grew $455,177 or 3.02% in 2000 compared to 1999. Higher loan volumes, or average asset balances, produced most of the 2000 improvement.

The intense competition for loans and deposits continued in 2001 and shows no sign of abating. The high number of new and existing financial institutions in the Company's market areas essentially guarantees downward pressure on net interest spreads and margins as all participants struggle to amass and grow market share. Volume of assets and deposits will become even more important as margins decline. Strategies implemented by management to increase average loans outstanding emphasize competitive pricing on loan products and development of additional loan relationships, all without compromising portfolio quality. Management's strategy for deposits is to reduce costs of funds and employ alternative sources of financing when feasible. Comparative details about average balances, income/expense, and average yields earned and rates paid on interest-earning assets and liabilities for each of the last three years are provided in the table on the next page.

Noninterest Income and Expense

Noninterest income grew $32,982, or 0.97%, in 2001 compared to 2000. A $109,957 increase in other operating income, negated in part by declines in service charges on deposit accounts, was the principal factor in the 2001 results. Mortgage origination fees led the 2001 improvement in other operating income, growing an appreciative $153,388. By type and amount, the chief components of other operating income in 2001 were mortgage origination fees, $345,328; commissions on the sale of credit life insurance (generated by SEB), $198,627; surcharge fees - atm, $123,368; safe deposit box rentals, $74,828; and income on sale of check products, $62,698. Combined, these five income items comprised 73.01% of other operating income in 2001. In 2000, these same five income components comprised approximately 65% of other operating income. Salaries and employee benefits increased less than 1%, or $60,763, in 2001. The vast majority, or 83%, of employee expenses remained concentrated in salaries and other direct compensation, including related payroll taxes, in 2001. Profit-sharing accruals and other fringe benefits constituted the remaining 7% and 10% of employee expenses. The division of employee expenses between compensation, profit-sharing, and other fringe benefits remained consistent with historical norms in 2001 and 2000. When compared to the prior year, net occupancy and equipment expense increased 6.34% or $123,302 in 2001 and 5.46% in 2000. The increase both periods resulted largely from higher computer costs, including depreciation expense associated with check imaging, internet banking, and voice banking systems. Other operating expenses climbed $189,880 or 6.94% in 2001. Operating costs associated with a major parcel of foreclosed commercial real estate, as discussed in earlier sections of this Analysis, accounted for the bulk of the 2001 fluctuation. Other operating expenses fell $192,692 or 6.58% in 2000 compared to 1999. A net improvement on sales of foreclosed real estate was the key element in the 2000 results. Besides marketing and supplies

expense, which in 2001 approximated $234,000 and $314,000, and in 2000, $293,000 and $280,000, no individual component of other operating expenses aggregated or exceeded 10% of the total in 2001 or 2000.

Average Balances/5/ Years Ended December 31,	2001 Average Balances	2001 Income/ Expense	2001 Yields/ Rates	2000 Average Balances	2000 Income/ Expense	2000 Yie R
(Dollars in thousands)						
Assets						
Cash and due from banks	$ 13,673			$ 13,099		
Interest-earning assets:						
Loans, net/1/, /2, /3/	164,402	$16,311	9.92%	172,768	$18,325	10
Federal funds sold	20,568	829	4.03%	3,727	227	6
Taxable investment securities	118,160	7,116	6.02%	124,702	7,487	6
Tax-exempt investment securities/3/	27,783	2,065	7.43%	24,787	1,883	7
Other interest-earning assets	1,281	80	6.25%	1,281	90	7
Total interest-earning assets	332,194	26,401	7.95%	327,265	28,012	8
Allowance for loan losses	(2,993)			(3,500)		
Premises and equipment, net	6,581			6,885		
Intangible and other assets	6,346			7,555		
Unrealized gains (losses) on investment securities	956			(3,733)		
Total Assets	$356,757			$347,571		
Liabilities and Shareholders' Equity						
Noninterest-bearing deposits	$ 56,445			$ 55,487		
Interest-bearing liabilities:						
Interest-bearing demand deposits/4/	51,472	$ 1,460	2.84%	46,539	$ 1,325	2
Savings	79,062	2,756	3.49%	75,728	3,255	4
Time deposits	114,345	6,491	5.68%	116,869	6,620	5
Federal funds purchased	--			801	52	6
U. S. Treasury demand note	846	30	3.55%	846	53	6
Federal Home Loan Bank advances	5,000	300	6.00%	6,452	418	6
Total interest-bearing liabilities	250,725	11,037	4.40%	247,235	11,723	4
Other liabilities	3,501			3,169		
Realized shareholders' equity	45,455			44,144		
Unrealized gains (losses) on investment securities, net of tax	631			(2,464)		
Total Liabilities and Shareholders' Equity	$356,757			$347,571		
Excess of interest-earning assets over interest-bearing liabilities	$ 81,469			$ 80,030		

Interest rate spread	3.55%	3
Net interest income	$15,364	$16,289
Net interest margin	4.63%	4

/1/ Average loans are shown net of unearned income. Nonperforming loans are included.
/2/ Interest income includes loan fees of approximately $1,218,000, $1,316,000, and $1,431,000 in 2001, 2000, and 1999.
/3/ Interest income on tax-exempt loans and securities is presented on a taxable-equivalent basis, using a federal income tax rate of 34%. The taxable-equivalent amounts included in the above table aggregated approximately $748,000, $749,000, and $711,000 in 2001, 2000, and 1999. No adjustment has been made for any state tax benefits.
/4/ NOW and money market accounts.
/5/ Averages presented generally represent average daily balances.

Quarterly Results (Unaudited)

The following tables set forth certain consolidated quarterly financial information. This information is derived from unaudited consolidated financial statements which include, in the opinion of management, all normal recurring adjustments necessary for a fair presentation. The results for any quarter are not necessarily indicative of trends or results for any future period.

Selected Quarterly Financial Data 2001 Quarter Ended	December 31	September 30	June 30
(Dollars in thousands except per share data)			
Interest income	$5,987	$6,303	$6,625
Interest expense	2,339	2,746	2,932
Net interest income	3,648	3,557	3,693
Provision for loan losses	300	300	300
Investment securities gains	10	5	--
Income before income taxes	1,410	1,414	1,404
Net income	1,052	1,025	1,008
Basic earnings per share	$ 0.31	$ 0.31	$ 0.29

Selected Quarterly Financial Data 2000 Quarter Ended	December 31	September 30	June 30
(Dollars in thousands except per share data)			
Interest income	$6,853	6,906	$6,871
Interest expense	3,079	3,064	2,881
Net interest income	3,774	3,842	3,990
Provision for loan losses	300	300	300

Investment securities gains	--	--	--
Income before income taxes	1,683	1,633	1,799
Net income	1,245	1,153	1,270
Basic earnings per share	$ 0.36	$ 0.34	$ 0.37

Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination, and SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination whether acquired individually or with a group of other assets. These standards require all future business combinations to be accounted for using the purchase method of accounting. With the adoption of these standards, goodwill is no longer amortized but instead is subject to impairment tests at least annually. At December 31, 2001, goodwill balances totaled $256,775; related amortization for the year totaled $49,288. The Company adopted SFAS 141 and 142, in entirety, effective January 1, 2002. Adoption of these standards did not have a material impact on the Company's financial position or results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes both SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which previously governed impairment of

long-lived assets, and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," which addressed the disposal of a business segment. This standard improves financial reporting by requiring one accounting model be used for long-lived assets to be disposed by sale and by broadening the presentation of discontinued operations to include more disposal transactions. The Company adopted SFAS 144 effective January 1, 2002. SFAS 144 did not have a material impact on the consolidated financial statements. Various other accounting proposals affecting the banking industry are pending with the Financial Accounting Standards Board. Given the inherent uncertainty of the proposal process, the Company cannot assess the impact of any such proposals on its financial condition or results of operations.

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Act) provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives have made, and may continue to make, various written or oral forward-looking statements with respect to business and financial matters, including statements contained in this report, filings with the Securities and Exchange Commission, and reports to shareholders. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will," "should," and similar expressions identify forward-looking statements. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future, including statements related to loan growth, deposit growth, per share growth, and statements expressing general sentiment about future operating results and non-historical information, are forward-looking statements within the meaning of the Act. The

forward-looking statements are and will be based on management's then current views and assumptions regarding future events and operating performance. The Company undertakes no obligation to publicly update or revise any forward-looking statements in light of new information or future events.

Certain factors that could affect financial performance or cause actual results to vary significantly from estimates contained in or underlying forward-looking statements include:

- Interest rate fluctuations and other market conditions.
- Strength of the consumer and commercial credit sectors as well as real estate markets.
- Changes in laws and regulations, including changes in accounting standards, monetary policies, and taxation requirements (including tax rate changes, new tax laws, and revised tax law interpretations).
- Competitive pricing and other pressures on loans and deposits and the Company's ability to maintain market shares in its trade areas.
- Management of costs associated with expansion of existing and development of new distribution channels, and ability to realize increased revenues from these distribution channels.
- The outcome of litigation which depends on judicial interpretations of law and findings of juries.
- Other risks and uncertainties as detailed from time to time in Company filings with the Securities and Exchange Commission.

The foregoing list of factors is not exclusive. This Analysis should be read in conjunction with the consolidated financial statements and related notes.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk.

The discussion on market risk is included in the Interest Rate and Market Risk/Interest Rate Sensitivity section of Part II, Item 7.

Item 8. Financial Statements and Supplementary Data.

The response to this Item commences on page 32. Selected Statistical Information begins on page 23. Both the financial statements and statistical information presented should be read in conjunction with the accompanying management discussion of Southeastern Banking Corporation and subsidiaries.

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Southeastern Banking Corporation

Selected Statistical Information

Analysis of Changes in Net Interest Income

The average balances table included in the Operations section of Part II, Item 7 provides detailed information about average balances, income/expense, and average yields earned and rates paid on interest-earning assets and interest-bearing liabilities for each of the last three years. The table below summarizes the changes in interest income and interest expense attributable to

volume and rates in 2001 and 2000.

Interest Differential/1/	2001 Compared to 2000 Increase (Decrease) Due to Volume	Rate	Net	2000 Compared to 19 Increase (Decrease) Du Volume	Rate	
(In thousands)						
Interest income						
Loans/2/, /3/	$(863)	$(1,151)	$(2,014)	$1,022	$143	$
Federal funds sold	703	(101)	602	(173)	75	
Taxable investment securities	(371)	--	(371)	177	115	
Tax-exempt investment securities/3/	223	(41)	182	(7)	(33)	
Other interest-earning assets	--	(10)	(10)	19	(23)	
Total interest income	(308)	(1,303)	(1,611)	1,038	277	
Interest expense						
Interest-bearing demand deposits/4/	140	(5)	135	86	21	
Savings	138	(637)	(499)	50	231	
Time deposits	(143)	14	(129)	(204)	183	
Federal funds purchased/5/	(52)	--	(52)	15	7	
U. S. Treasury demand note	--	(23)	(23)	1	13	
Federal Home Loan Bank Advances/5/	(89)	(29)	(118)	418	--	
Total interest expense	(6)	(680)	(686)	366	455	
Net change in net interest income	$(302)	$(623)	$(925)	$672	$(178)	

/1/ Changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as change in volume times the previous rate while rate change is change in rate times the previous volume. The rate/volume change, change in rate times change in volume, is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

/2/ Includes loan fees. See the average balances table included in the Operations section of Part II, Item 7 for more details.

/3/ Interest income on tax-exempt loans and securities is presented on a taxable-equivalent basis, using a federal income tax rate of 34%. No adjustments have been made for any state tax benefits or the nondeductible portion of interest expense.

/4/ NOW and money market accounts.

/5/ The entire change in net interest income attributable to the Company's initial borrowings under these credit facilities has been allocated to the change in volume. Similarly, when these facilities are unutilized in subsequent years, the change in net interest income is allocated to the change in volume.

Selected Statistical Information

Investment Securities

Investment securities available-for-sale (carried at estimated fair value) and held-to-maturity (carried at amortized cost) for each of the last three years are presented in the table below. The maturity distribution of these securities and their weighted average yields are presented in an additional table on the next page.

Investment Securities by Category At December 31,	Amortized Cost	Fair Value	Unrealized Gains	Unrealized Losses
(In thousands)				
Available-for-sale				
U. S. Treasury and U.S. Government agencies				
2001	$ 70,317	$ 71,470	$1,346	$ 193
2000	100,085	99,840	275	520
1999	98,408	95,151	7	3,264
Mortgage-backed securities				
2001	41,021	41,214	272	79
2000	18,850	18,535	11	326
1999	22,753	21,655	9	1,107
Corporates				
2001	9,765	9,845	123	43
2000	--	--	--	--
1999	--	--	--	--
Total available-for-sale				
2001	121,103	122,529	1,741	315
2000	118,935	118,375	286	846
1999	121,161	116,806	16	4,371
Held-to-maturity				
States and political subdivisions				
2001	35,091	35,451	614	254
2000	26,679	26,940	444	183
1999	28,018	27,476	250	792
Total investment securities				
2001	$156,194	$157,980	$2,355	$ 569
2000	145,614	145,315	730	1,029
1999	149,179	144,282	266	5,163

The distribution of maturities and the weighted average yields of debt securities at December 31, 2001 are shown in the table below:

Maturity Distribution of Investment Securities December 31, 2001	1 Year or Less	1 - 5 Years	5 - 10 Years	After 10 Years	
(Dollars in thousands)					
Distribution of maturities					
Amortized cost:					
U.S. Treasury and U.S. Government agencies	$ 8,239	$49,407	$12,671	--	$
Mortgage-backed securities/1/	164	33,819	7,038	--	
Corporates	760	4,405	4,600	--	
States and political subdivisions	1,934	5,053	12,295	$15,809	
Total debt securities	$11,097	$92,684	$36,604	$15,809	$1
Fair value:					
U.S. Treasury and U.S. Government agencies	$ 8,341	$50,255	$12,874	--	$
Mortgage-backed securities/1/	165	34,006	7,043	--	
Corporates	772	4,425	4,648	--	
States and political subdivisions	1,952	5,174	12,545	$15,780	
Total debt securities	$11,230	$93,860	$37,110	$15,780	$1
Weighted average yield:					
U.S. Treasury and U.S. Government agencies	5.61%	5.07%	6.01%	--	
Mortgage-backed securities/1/	5.19%	5.77%	5.91%	--	
Corporates	5.20%	5.46%	6.72%	--	
States and political subdivisions/2/	6.96%	7.31%	7.18%	7.01%	
Total debt securities	5.80%	5.46%	6.48%	7.01%	

/1/ Distribution of maturities for mortgage-backed securities is based on expected average lives which may be different from the contractual terms.

/2/ The weighted average yields for tax-exempt securities have been calculated on a taxable-equivalent basis, using a federal income tax rate of 34%. No adjustments have been made for any state tax benefits or the nondeductible portion of interest expense pertaining to tax-exempt income.

The Company had no investments in the obligations of any state or municipality which exceeded 10% of shareholders' equity at December 31, 2001.

Loans

Loans outstanding are presented by type below:

Loans by Category At December 31, (In thousands)	2001	2000	1999	1998	
Commercial, financial, and agricultural/1/	$ 56,065	$ 70,175	$ 67,515	$ 69,125	$ 9
Real estate - construction	6,959	7,750	3,161	2,318	
Real estate - mortgage/2/	70,361	61,257	59,656	60,035	5
Consumer, including credit cards	30,420	35,373	37,312	36,566	3
Loans, gross	163,805	174,555	167,644	168,044	19
Unearned income	457	753	1,650	3,283	
Loans, net	$163,348	$173,802	$165,994	$164,761	$18

/1/ Includes obligations of states and political subdivisions.
/2/ Typically have maturities of 15 years or less.

The amount of certain gross loans outstanding at December 31, 2001, based on remaining contractual repayments of principal, are shown by maturity and interest rate sensitivity in the table below:

Loan Maturity and Interest Rate Sensitivity December 31, 2001 (In thousands)	Total	Remaining Maturities of Selected Loans: Within One Year	One - Five Years	More Than Five Years
Loan maturity				
Commercial, financial, and agricultural/1/	$54,790	$21,516	$28,954	$4,320
Real estate - construction	6,959	5,823	1,032	104
Total	$61,749	$27,339	$29,986	$4,424
Interest rate sensitivity				
Selected loans with:				
Predetermined interest rates			$15,739	$3,548
Floating or adjustable interest rates			14,247	876
Total			$29,986	$4,424

/1/ Excludes nonaccrual loans totaling approximately $1,275.

The above maturity schedule is not necessarily indicative of future principal

reductions since each loan is evaluated at maturity and, in many instances, is renewed in part or total.

Southeastern Banking Corporation

Selected Statistical Information

Nonperforming Assets

Nonperforming assets for each of the last five years are presented in the table below:

Nonperforming Assets At December 31,	2001	2000	1999	1998	1997
(Dollars in thousands)					
Nonaccrual loans	$1,881	$3,104	$ 685	$ 872	$ 775
Restructured loans/1/	--	341	357	374	389
Total nonperforming loans	1,881	3,445	1,042	1,246	1,164
Foreclosed real estate/2/	317	397	858	778	722
Total nonperforming assets	$2,198	$3,842	$1,900	$2,024	$1,886
Accruing loans past due 90 days or more	$1,528	$1,191	$1,467	$1,607	$1,767
Ratios:					
Nonperforming loans to net loans	1.15%	1.98%	0.63%	0.76%	0.62%
Nonperforming assets to net loans plus foreclosed real estate	1.34%	2.21%	1.14%	1.22%	1.01%

/1/ Does not include restructured loans that yield a market rate.
/2/ Includes only other real estate acquired through foreclosure or in settlement of debts previously contracted.

The Company's nonperforming loans and assets for the three years ended December 31, 2001 are discussed and policies pertaining to same are delineated in the Loan section of Part II, Item 7 (management discussion); accordingly, the discussion below is limited to nonperforming asset levels at year-end 1998 and 1997 unless otherwise indicated:

a) Unrecognized income on nonaccrual and restructured loans totaled approximately $146,000, $127,000, $114,000, $49,000, and $143,000 in 2001, 2000, 1999, 1998, and 1997.
b) All known potential problem loans were included in nonperforming loans at December 31, 1997. Potential problem loans not included in nonperforming loans at December 31, 1998 totaled approximately $1,295,000; subsequent to year-end 1998, these potential problem loans were placed on nonaccrual

status and charged-off to their estimated collectible values.

c) The Company had no concentration of loans to borrowers engaged in any single industry that exceeded 10% of total loans at year-end 1998 and 1997.

Southeastern Banking Corporation

Selected Statistical Information

Allowance for Loan Losses

As further discussed in the loan section of Part II, Item 7, the Company maintains an allowance for loan losses available to absorb inherent losses in the loan portfolio. Activity in the allowance for each of the last five years is presented in the table below:

Allowance for Loan Losses Years Ended December 31,	2001	2000	1999	
(Dollars in thousands)				
Allowance for loan losses at beginning of year	$ 3,160	$ 3,223	$ 3,407	$
Provision for loan losses	1,200	1,200	1,200	
Charge-offs:				
Commercial, financial, and agricultural	698	557	496	
Real estate - construction	--	--	351	
Real estate - mortgage	132	298	213	
Consumer, including credit cards	720	817	950	
Total charge-offs	1,550	1,672	2,010	
Recoveries:				
Commercial, financial, and agricultural	38	46	258	
Real estate - construction	--	--	--	
Real estate - mortgage	13	20	27	
Consumer, including credit cards	274	343	341	
Total recoveries	325	409	626	
Net charge-offs	1,225	1,263	1,384	
Allowance for loan losses at December 31	$ 3,135	$ 3,160	$ 3,223	$
Net loans outstanding/1/ at December 31	$163,348	$173,802	$165,994	$1
Average loans outstanding at December 31	$164,402	$172,768	$163,124	$1
Ratios:				
Allowance to net loans	1.92%	1.82%	1.94%	
Net charge-offs to average loans	0.75%	0.73%	0.85%	
Provision to average loans	0.73%	0.69%	0.74%	
Recoveries to total charge-offs	20.97%	24.46%	31.14%	

/1/ Net of unearned income.

See the table on the next page and the accompanying management discussion for additional information on the allowance for loan losses.

Southeastern Banking Corporation

Selected Statistical Information

The Company has allocated the allowance for loan losses according to the amount deemed to be reasonably necessary to absorb potential losses within the loan categories summarized in the table below:

Allocation of Allowance for Loan Losses At December 31,	2001	2000	1999	1998	1997
(Dollars in thousands)					
Allocation of allowance by loan category					
Commercial, financial, and agricultural	$ 909	$1,054	$1,286	$1,135	$1,132
Real estate - construction	140	117	117	--	--
Real estate - mortgage	931	707	651	861	368
Consumer, including credit cards	841	755	675	678	553
Unallocated	314	527	494	733	1,652
Total	$3,135	$3,160	$3,223	$3,407	$3,705
Allocation of allowance as a percent of total allowance					
Commercial, financial, and agricultural	29%	33%	40%	33%	30%
Real estate - construction	4%	4%	4%	--	--
Real estate - mortgage	30%	22%	20%	25%	10%
Consumer, including credit cards	27%	24%	21%	20%	15%
Unallocated	10%	17%	15%	22%	45%
Total	100%	100%	100%	100%	100%
Year-end loan categories as a percent of total loans					
Commercial, financial, and agricultural	34%	40%	40%	41%	49%
Real estate - construction	4%	5%	2%	1%	2%
Real estate - mortgage	43%	35%	36%	36%	31%
Consumer, including credit cards	19%	20%	22%	22%	18%
Total	100%	100%	100%	100%	100%

29

Southeastern Banking Corporation

Selected Statistical Information

Deposits

The average balances table included in the Operations section of Part II, Item 7 provides detailed information about income/expense and rates paid on deposits for the three most recent years. The composition of average deposits for these same periods is shown below:

Composition of Average Deposits	Balances			Percent of Tot	
Years Ended December 31,	2001	2000	1999	2001	2000
(Dollars in thousands)					
Noninterest-bearing deposits	$ 56,445	$ 55,487	$ 54,438	18.73%	18.83%
Interest-bearing demand deposits	51,472	46,539	43,510	17.08%	15.80%
Savings	79,062	75,728	74,495	26.24%	25.70%
Time deposits	114,345	116,869	120,523	37.95%	39.67%
Total	$301,324	$294,623	$292,966	100.00%	100.00%

The maturities of certificates of deposit totaling $100,000 or more at year-end 2001 are presented below:

Maturities of Certificates Of Deposit of $100,000 or More December 31, 2001	Certificates of Deposit
(In thousands)	
Months to maturity:	
3 or less	$ 30,066
Over 3 through 6	19,154
Over 6 through 12	32,240
Over 12	21,231
Total	$102,691

Selected Ratios for Measurement of Net Income and Equity

Selected ratios for the measurement of net income and equity are presented below:

Return on Equity and Assets

Years Ended December 31,/1/	2001	2000	1999
Return on average assets	1.15%	1.41%	1.43%
Return on average equity	9.01%	11.18%	11.38%
Dividend payout ratio/2/	82.71%	35.81%	34.71%
Average equity to average assets ratio	12.76%	12.57%	12.53%

/1/ These ratios exclude the effects of mark-to-market accounting for investment securities.
/2/ Refer to the Capital Adequacy section of Part II, Item 7 (management discussion) for particulars on the Company's dividend policy and the 2001 dividend payout.

Report of Independent Certified Public Accountants

The Shareholders
Southeastern Banking Corporation
Darien, Georgia

We have audited the accompanying consolidated balance sheets of Southeastern Banking Corporation and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southeastern Banking Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO SEIDMAN, LLP
Atlanta, Georgia
March 7, 2002

Southeastern Banking Corporation

Consolidated Balance Sheets

December 31,	2001	
Assets		
Cash and due from banks, including reserve requirements of approximately $6,464,000 and $5,805,000 at December 31, 2001 and 2000	$ 16,787,021	$ 15
Federal funds sold	7,580,000	3
Cash and cash equivalents	24,367,021	19
Investment securities		
Held-to-maturity (market value of approximately $34,451,000 and $26,941,000 at December 31, 2001 and 2000)	35,090,649	26
Available-for-sale, at market value	122,529,275	118
Total investment securities	157,619,924	145
Loans, gross	163,805,412	174
Unearned income	(457,087)	
Allowance for loan losses	(3,134,594)	(3
Loans, net	160,213,731	170
Premises and equipment, net	6,675,354	6
Intangible assets	904,836	1
Other assets	5,433,949	6
Total Assets	$355,214,815	$349
Liabilities and Shareholders' Equity		
Liabilities		
Noninterest-bearing deposits	$ 57,826,266	$ 55
Interest-bearing deposits	240,880,561	240
Total deposits	298,706,827	295
U.S. Treasury demand note	493,153	1
Federal Home Loan Bank advances	5,000,000	5
Other liabilities	5,417,508	3
Total liabilities	309,617,488	305
Commitments and Contingencies (Notes 15 and 16)		
Shareholders' Equity		
Common stock ($1.25 par value; 10,000,000 shares authorized; 3,580,797 shares issued; 3,385,470 and 3,436,696 shares outstanding at December 31, 2001 and 2000)	4,475,996	4
Additional paid-in capital	1,391,723	1
Retained earnings	42,035,982	41
Treasury stock, at cost (195,327 and 144,101 shares at December 31, 2001 and 2000)	(3,247,718)	(2
Realized shareholders' equity	44,655,983	44

Accumulated other comprehensive income - unrealized gains (losses) on investment securities, net of tax	941,344	
Total shareholders' equity	45,597,327	44
Total Liabilities and Shareholders' Equity	$355,214,815	$349

See accompanying notes to consolidated financial statements.

Southeastern Banking Corporation

Consolidated Statements of Income

Years ended December 31,	2001	2000	1999
Interest income			
Loans, including fees	$16,263,390	$18,215,106	$17,100,365
Federal funds sold	829,442	226,160	323,975
Investment securities			
Taxable	7,116,022	7,487,002	7,195,796
Tax-exempt	1,364,028	1,243,991	1,271,925
Other assets	80,457	90,405	93,967
Total interest income	25,653,339	27,262,664	25,986,028
Interest expense			
Deposits	10,707,104	11,200,883	10,832,888
Federal funds purchased	--	51,705	29,578
U.S. Treasury demand note	30,076	53,050	39,345
Federal Home Loan Bank advances	300,111	417,632	--
Total interest expense	11,037,291	11,723,270	10,901,811
Net interest income	14,616,048	15,539,394	15,084,217
Provision for loan losses	1,200,000	1,200,000	1,200,000
Net interest income after provision for loan losses	13,416,048	14,339,394	13,884,217
Noninterest income			
Service charges on deposit accounts	2,306,877	2,391,950	2,542,076
Investment securities gains, net	14,942	6,844	3,738
Other operating income	1,102,410	992,453	922,965
Total noninterest income	3,424,229	3,391,247	3,468,779

Noninterest expense			
Salaries and employee benefits	6,187,339	6,126,576	5,747,257
Occupancy and equipment, net	2,067,672	1,944,370	1,843,734
Other operating expense	2,927,190	2,737,310	2,930,002
Total noninterest expense	11,182,201	10,808,256	10,520,993
Income before income tax expense	5,658,076	6,922,385	6,832,003
Income tax expense	1,560,950	1,987,291	1,982,838
Net income	$ 4,097,126	$ 4,935,094	$ 4,849,165
Basic earnings per common share	$ 1.21	$ 1.42	$ 1.35

See accompanying notes to consolidated financial statements.

Southeastern Banking Corporation

Consolidated Statements of Shareholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treas St
Balance, December 31, 1998	$4,475,996	$1,391,723	$ 34,993,625	$
Comprehensive income:				
Net income	--	--	4,849,165	
Other comprehensive income, net of tax effect of $1,629,709:				
Change in unrealized gains (losses) on available-for-sale securities	--	--	--	
Comprehensive income				
Cash dividends declared ($0.47 per share)	--	--	(1,682,975)	
Balance, December 31, 1999	4,475,996	1,391,723	38,159,815	
Comprehensive income:				
Net income	--	--	4,935,094	
Other comprehensive income, net of tax effect of $1,290,463:				
Change in unrealized gains (losses) on available-for-sale				

securities	--	--	--	
Comprehensive income				
Cash dividends declared ($0.51 per share)	--	--	(1,767,125)	
Purchase of treasury stock	--	--	--	(2,485,
Balance, December 31, 2000 (consistency w/presentation other years)	4,475,996	1,391,723	41,327,784	(2,485,
Comprehensive income:				
Income	--	--	4,097,126	
Other comprehensive income, net of tax effect of $675,328:				
Change in unrealized gains (losses) on available-for-sale securities	--	--	--	
Comprehensive income				
Cash dividends declared ($1.00 per share)	--	--	(3,388,928)	
Purchase of treasury stock	--	--	--	(761,
Balance, December 31, 2001	$4,475,996	$1,391,723	$ 42,035,982	$(3,247,

See accompanying notes to consolidated financial statements.

Southeastern Banking Corporation

Consolidated Statements of Cash Flows

Years ended December 31,	2001	200
Operating activities		
Net income	$ 4,097,126	$ 4,935,09
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,200,000	1,200,00
Depreciation	767,170	702,02
Amortization and accretion, net	123,228	177,14
Deferred income tax (benefit) expense	(29,353)	96,15
Investment securities gains, net	(14,942)	(6,84
Net losses (gains) on sales of other real estate	37,157	(25,98
Changes in assets and liabilities:		
Decrease (increase) in other assets	813,755	(855,98
Increase in other liabilities	370,840	138,94
Net cash provided by operating activities	7,364,981	6,360,56

Investing activities		
Principal collections and maturities of investment securities:		
Held-to-maturity	3,514,700	3,173,40
Available-for-sale	99,875,547	7,501,14
Proceeds from sales of investment securities available-for-sale	--	2,996,71
Purchases of investment securities held-to-maturity	(11,958,805)	(1,856,58
Purchases of investment securities available-for-sale	(101,927,535)	(8,229,34
Net (decrease) increase in loans	9,050,120	(8,890,48
Proceeds from sales of other real estate	247,753	452,56
Capital expenditures, net	(719,389)	(716,34
Net cash used in investing activities	(1,917,609)	(5,568,92
Financing activities		
Net increase (decrease) in deposits	2,970,516	5,452,05
Net (decrease) increase in federal funds purchased	--	(3,950,00
Net (decrease) increase in U.S. Treasury demand note	(508,804)	(907,54
Proceeds from Federal Home Loan Bank advances	--	10,000,00
Repayment of Federal Home Loan Bank advances	--	(5,000,00
Purchase of treasury stock	(761,976)	(2,485,74
Dividends paid	(1,842,370)	(1,654,15
Net cash (used in) provided by financing activities	(142,634)	1,454,61
Net increase (decrease) in cash and cash equivalents	5,304,738	2,246,24
Cash and cash equivalents at beginning of year	19,062,283	16,816,03
Cash and cash equivalents at end of year	$ 24,367,021	$ 19,062,28

See accompanying notes to consolidated financial statements.

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting and Reporting Policies

Description of Business

Southeastern Banking Corporation and its subsidiaries, Southeastern Bank and SBC Financial Services, Inc. (collectively, the Company), provide a full array of financial services to meet the financial needs of individual, commercial, and government customers in southeast Georgia and northeast Florida. The consolidated financial statements include the accounts of Southeastern Banking Corporation and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period, the most significant of which pertain to the allowance for loan losses. Actual results could vary from these estimates.

Reclassifications

Certain prior year amounts have been restated to conform with the current year financial statement presentation.

Cash Equivalents

Cash equivalents include due from banks and federal funds sold. Generally, federal funds are sold for one day periods.

Investment Securities

Investment securities are classified as held-to-maturity or available-for-sale. Securities which the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity and are carried at amortized cost. Securities not classified as held-to-maturity are classified as available-for-sale and are carried at market value with unrealized gains and losses excluded from earnings and reported net of tax as a separate component of shareholders' equity until realized. Premiums and discounts are recognized in interest income using the interest method over the period to maturity. Gains and losses on sales of investment securities are recognized based on the adjusted costs of the specific securities at disposition.

Loans

Loans are reported at the principal amount outstanding, net of unearned income and the allowance for loan losses. Interest income on loans is generally recognized on a level-yield basis.

Loans are changed to nonaccrual status when the full timely collection of principal or interest becomes doubtful or the loans become contractually past due 90 days or more as to either principal or interest, unless the loans are both well-secured and in the process of collection. Accrued interest on any loan changed to nonaccrual status is reversed. Cash receipts on nonaccrual loans are applied first to outstanding principal balances and secondly to interest.

The Company typically measures the impairment of a loan based on the present value of expected future cash flows discounted at the loan's effective interest rate. The exception to this policy is real estate loans whose impairment is based on the estimated fair value of the collateral. If the fair value of the underlying collateral is less than the recorded balance of the loan, the Company includes this deficiency in evaluating the overall adequacy of the allowance for loan losses.

Allowance for Loan Losses

The Company's allowance for loan losses is that amount considered adequate to absorb potential losses in the loan portfolio based on management's evaluation of the size and current risk characteristics of the portfolio. Such evaluations

consider the balance of impaired loans and prior loan loss experience as well as the impact of current economic conditions. Management considers a loan to be impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan. Specific allowances are established for impaired loans based on a comparison of the recorded carrying value of the loan to either the present value of the loan's expected cash flow, the loan's estimated market price, or the estimated fair value of the underlying collateral. Prior loss experience is based on a statistical loss migration analysis that examines loss experience and the related internal risk ratings of loans charged-off. The general economic conditions and other risk elements are based on marketplace conditions that are impacting borrowers and could affect the collectibility of loans.

Loan Origination Fees and Costs

Loan origination fees and certain direct loan origination costs are normally capitalized and recognized as an adjustment to the yields on the related loans. As the net amount of loan origination fees for the years ended December 31, 2001, 2000 and 1999 was not significant, no amounts have been capitalized or deferred.

Premises and Equipment

Premises and equipment are reported at cost less accumulated depreciation and amortization. Depreciation is calculated primarily using the straight-line method over the assets' estimated useful lives. Expenditures for maintenance and repairs are charged to operations as incurred, while betterments are capitalized.

Intangible Assets

Intangible assets consist of deposit base premiums and goodwill. The deposit base premiums are being amortized using the straight-line method over estimated useful lives ranging from 11 to 15 years. Goodwill is being amortized using the straight-line method over periods of 20 years or less. Due to the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, goodwill will no longer be amortized effective January 1, 2002.

Long-lived assets, including certain fixed assets and intangibles, are evaluated regularly for other-than-temporary impairment. If circumstances suggest that the value of such assets may be impaired and a write-down would be material, an assessment of recoverability is performed prior to any write-down. Impairment of intangibles is evaluated at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount should be assessed. Impairment, if any, is recognized through a valuation allowance with a corresponding charge recorded in the income statement. The Company did not consider any of its long-lived assets to be impaired at December 31, 2001 and 2000.

Other Real Estate

Other real estate represents property acquired through foreclosure or in settlement of loans and is recorded at the lower of cost or fair value less estimated selling expenses. Other real estate also includes any property owned

that was formerly used as a branch facility. Provisions for subsequent devaluation of other real estate are charged to operations, while costs associated with improving the property are capitalized. Gains and losses on sales of other real estate are recognized at disposition based on adjusted carrying values.

Income Taxes

The Company files consolidated income tax returns where permissible. Income tax expense (benefit) is allocated to each member of the consolidated group on the basis of their respective taxable income or loss included in the consolidated income tax returns. Deferred income tax assets and liabilities result from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

Off-Balance Sheet Financial Instruments

In the normal course of business, the Company originates financial instruments with off-balance sheet risk to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These commitments involve varying degrees of risk in excess of the amounts recognized in the consolidated balance sheets. Commitments to extend credit represent legally binding agreements to lend to a customer with fixed expiration dates or other termination clauses. Since many commitments expire without being funded, total commitment amounts do not necessarily represent future liquidity requirements. The amount of collateral obtained is based on management's credit evaluation of the customer. Collateral held varies but may include accounts receivable, inventory, and property, plant and equipment. Standby letters of credit are conditional commitments issued by the Company guaranteeing the performance of a customer to a third party.

The Company does not invest in off-balance sheet derivative financial instruments such as swaps, options or forward contracts.

Basic Earnings Per Common Share

Basic earnings per common share are based on the weighted average number of common shares outstanding during each period. Shares outstanding totaled 3,397,823 in 2001, 3,474,887 in 2000 and 3,580,797 in 1999.

Recent Accounting Pronouncements

Accounting for Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS 137 and SFAS 138 in June 1999 and June 2000, respectively. These statements were required to be adopted for fiscal years beginning after June 15, 2000 and require all derivatives to be recorded on the balance sheet at fair value and establish new accounting rules for hedging instruments. The transition provisions of SFAS 133 permit a one-time transfer of debt securities categorized as held-to-maturity into the available-for-sale category without calling into question the entity's intent to hold other debt securities to maturity in the future. The Company adopted the provisions of SFAS 133, as amended, on January 1, 2001. SFAS 133 did not have a material impact on the

Notes to Consolidated Financial Statements

Company's financial position or results of operations.

Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

In October 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of SFAS No. 125." The new statement revises accounting criteria for securitizations, other financial asset transfers, and collateral and introduces new disclosures, but otherwise carries forward most of SFAS No. 125's provisions without amendment. Adoption of this statement did not have a significant impact on the consolidated financial statements.

Business Combinations/Goodwill and Other Intangible Assets

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination, and SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination whether acquired individually or with a group of other assets. These standards require all future business combinations to be accounted for using the purchase method of accounting. With the adoption of these standards, goodwill is no longer amortized but instead is subject to impairment tests at least annually. At December 31, 2001, goodwill balances totaled $256,775; related amortization for the year totaled $49,288. The Company adopted SFAS 141 and 142, in entirety, effective January 1, 2002. Adoption of these standards did not have a material impact on the Company's financial position or results of operations.

Accounting for the Impairment or Disposal of Long-Lived Assets

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes both SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." This standard improves financial reporting by requiring one accounting model be used for long-lived assets to be disposed by sale and by broadening the presentation of discontinued operations to include more disposal transactions. The Company adopted SFAS 144 effective January 1, 2002. SFAS 144 did not have a material impact on the consolidated financial statements.

2. Supplemental Cash Flow Information

Certain supplemental disclosure of cash flow information and noncash investing and financing activities follows:

Years ended December 31,	2001	2000	
Cash paid during the year			
Interest	$11,081,691	$11,666,270	$1
Income taxes	1,360,000	2,045,000	
Noncash investing and financing activities			
Loans foreclosed	$ 2,305,441	$ 488,810	$

Loans made in connection with sales of foreclosed real estate	2,126,038	545,156

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

3. Investment Securities

The amortized cost and estimated fair value of investment securities were as follows:

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale			
U.S. Treasury and U.S. Government agencies	$ 70,316,658	$1,345,778	$192,239
Mortgage-backed securities	41,021,456	271,591	79,369
Corporates	9,764,882	123,192	42,674
	121,102,996	1,740,561	314,282
Held-to-maturity			
States and political subdivisions	35,090,649	614,405	253,774
	35,090,649	614,405	253,774
Total investment securities	$156,193,645	$2,354,966	$568,056

December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
Available-for-sale			
U.S. Treasury and U.S. Government agencies	$100,086,039	$274,753	$ 519,764
Mortgage-backed securities	18,849,826	11,405	326,372
	118,935,865	286,158	846,136
Held-to-maturity			
States and political subdivisions	26,679,250	443,913	182,634
	26,679,250	443,913	182,634
Total investment securities	$145,615,115	$730,071	$1,028,770

The amortized cost and estimated fair value of debt securities at December 31, 2001, by contractual maturity, are shown in the next table. Expected maturities

may differ from contractual maturities because borrowers may in many instances exercise early redemption features inherent in these securities with or without prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
December 31, 2001	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due within one year	$ 8,999,033	$ 9,113,380	$ 1,933,782	$ 1,951,199
Due after one year through five years	53,811,657	54,679,822	5,052,807	5,174,758
Due after five years through ten years	17,270,850	17,522,395	12,295,062	12,545,359
Due after ten years	--	--	15,808,998	15,779,964
	80,081,540	81,315,597	35,090,649	35,451,280
Mortgage-backed securities	41,021,456	41,213,678	--	--
	$121,102,996	$122,529,275	$35,090,649	$35,451,280

Gross realized gains were $14,942, $6,900 and $3,738, and gross realized losses were $0, $56 and $0 on sales and other redemptions of investment securities in 2001, 2000 and 1999, respectively.

Investment securities with carrying values of approximately $62,721,000 and $70,335,000 were pledged to secure public deposits and other funds, including advances from the Federal Home Loan Bank of Atlanta (Note 8), at December 31, 2001 and 2000.

4. Loans

The composition of the Company's loan portfolio is summarized as follows:

December 31,	2001	2000
Commercial, financial and agricultural	$ 56,064,795	$ 70,175,113
Real estate - construction	6,958,547	7,749,990
Real estate - mortgage	70,360,558	61,257,534
Consumer, including credit cards	30,421,512	35,372,722
Loans, gross	$163,805,412	$174,555,359

Activity in the allowance for loan losses is summarized below:

	2001	2000	1999
Balance at beginning of year	$ 3,159,165	$ 3,222,889	$ 3,406,626
Provision for loan losses	1,200,000	1,200,000	1,200,000
Charge-offs	(1,550,351)	(1,672,463)	(2,010,066)
Recoveries	325,780	408,739	626,329
Net charge-offs	(1,224,571)	(1,263,724)	(1,383,737)
Balance at end of year	$ 3,134,594	$ 3,159,165	$ 3,222,889

The Company's primary lending area is southeast Georgia and northeast Florida. Although the Company's loan portfolio is diversified, a significant portion of its loans is collateralized by real estate. Loans secured by real estate aggregated approximately $109,842,000 and $113,570,000 at December 31, 2001 and 2000. Real estate loans are collateralized based on certain loan-to-appraised value ratios.

Nonaccrual and restructured loans totaled approximately $1,881,000, $3,445,000 and $1,042,000 at December 31, 2001, 2000 and 1999, respectively. Unrecognized interest income on such loans during the years ended December 31, 2001, 2000 and 1999 totaled approximately $146,000, $127,000 and $114,000.

In the normal course of business, the bank subsidiary has made loans at prevailing interest rates and terms to directors, executive officers, and principal shareholders of the Company and its subsidiaries, and to their affiliates. The aggregate dollar amount of these loans, as defined, approximated $2,525,000 at December 31, 2001 and $3,001,000 at December 31, 2000. During 2001, approximately $1,117,000 of such loans were made and $1,593,000 were repaid. None of these loans have been restructured, nor were any related party loans charged-off during 2001 and 2000.

5. Premises and Equipment

Premises and equipment are summarized as follows:

December 31,	2001	2000
Land	$ 1,449,614	$ 1,224,507
Buildings	6,725,557	6,767,214
Furniture and equipment	6,232,099	5,760,365
	14,407,270	13,752,086
Accumulated depreciation and amortization	(7,731,916)	(7,028,951)
Premises and equipment, net	$ 6,675,354	$ 6,723,135

Depreciation and amortization of premises and equipment totaled $767,170, $702,023 and $672,934 in 2001, 2000 and 1999, respectively.

6. Interest-Bearing Deposits

Interest-bearing deposits consisted of the following:

December 31,	2001	2000
Interest-bearing demand deposits	$ 54,049,567	$ 50,308,816
Savings	84,140,099	73,781,134
Time certificates under $100,000	66,145,141	72,206,555
Time certificates $100,000 or more	36,545,754	44,314,145
Total interest-bearing deposits	$240,880,561	$240,610,650

Interest expense on time certificates of $100,000 or more approximated $2,518,000, $2,525,000 and $2,381,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

The maturity distribution of the Company's time certificates over $100,000 was as follows:

December 31,	2001
Due in one year or less	$ 81,460,111
Over one year through three years	17,648,720
Over three years	3,582,064
	$102,690,895

7. Short-Term Borrowings

The Company utilizes short-term borrowings as needed for liquidity purposes in the form of U.S. Treasury demand notes and federal funds purchased. At December 31, 2001, the maximum amount of U.S. Treasury demand notes available to the Company was $3,000,000, of which $493,153 was outstanding. Unsecured lines of credit for federal funds purchased from third party banks totaled $24,000,000. No amounts were drawn against these lines at December 31, 2001 and 2000.

8. Other Borrowings

The Company has a line of credit from the Federal Home Loan Bank of Atlanta (FHLB) to meet general liquidity and other needs. Under this line, the Company can borrow, in total or increments, up to 16% of the bank subsidiary's total assets; at December 31, 2001, maximum borrowings totaled approximately $51,700,000. Advances outstanding with the FHLB totaled $5,000,000 at December 31, 2001 and 2000. The outstanding advance, which matures March 17, 2010, accrues interest at an effective rate of 6.00%, payable quarterly. The $5,000,000 advance is convertible into a three-month Libor-based floating rate anytime at the option of the FHLB.

9. Income Tax Expense

The components of income tax expense were as follows:

Years ended December 31,	2001	2000	1999
Federal			
Current tax expense	$1,513,718	$1,811,896	$1,836,977
Deferred tax (benefit) expense	(29,353)	96,159	49,101
	1,484,365	1,908,055	1,886,078
State			
Current tax expense	76,585	79,236	96,760
	$1,560,950	$1,987,291	$1,982,838

The Company's provisions for income taxes differ from the amounts computed by applying the statutory federal income tax rate of 34% to income before income taxes. A reconciliation of this difference follows:

Years ended December 31,	2001	2000	1999
Taxes at federal statutory rate	$ 1,923,746	$ 2,353,611	$ 2,322,881
Increase (decrease) resulting from:			
Tax-exempt interest income, net	(434,627)	(432,300)	(411,273)
State income taxes, net of federal benefit	50,546	52,296	63,863
Other, net	21,285	13,684	7,367
Total income tax expense	$ 1,560,950	$ 1,987,291	$ 1,982,838

The following schedule summarizes the temporary differences which comprised the net deferred tax asset:

December 31,	2001	2000
Deferred tax assets (liabilities)		
Allowance for loan losses	$ 622,356	$ 632,258
Other real estate	73,786	52,207
Unrealized (gains) losses on investment securities available-for-sale, net	(484,936)	190,392
Accretion of discounts on investment securities	(11,621)	(33,377)
Other	--	4,080
Net deferred tax asset	$ 199,585	$ 845,560

The Company has not recorded any valuation allowances for deferred tax assets.

10. Employee Benefit Plan

The Company has a noncontributory profit-sharing plan which covers substantially all employees. Under the terms of the plan, the Company's contributions are discretionary but are not to exceed an amount determined by a formula provided in the plan or the amount deductible for income tax purposes. Total contributions expensed under this plan totaled $450,000 in both 2001 and 2000 and $415,000 in 1999.

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

11. Disclosures About Fair Value of Financial Instruments

The following disclosures of the estimated fair value of financial instruments are made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts shown.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investment Securities - For investment securities, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans - For variable rate loans that reprice frequently with no significant change in credit risk, fair value approximates carrying value. The fair value of all other loans is estimated based upon a discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Deposit Liabilities - The fair value of demand and savings deposits is the amount payable on demand at the reporting date. The fair value of certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. The estimate of fair value is not intended to represent market value, deposit base premium or portfolio liquidation value.

Short-Term and Other Borrowings - The carrying value of federal funds purchased and U.S. Treasury demand notes approximates fair value. The fair value of Federal Home Loan Bank advances is estimated using the Company's incremental borrowing rate at December 31, 2001.

Commitments to Extend Credit and Standby Letters of Credit - Because the Company generally offers lending commitments and standby letters of credit to its customers for only short periods of time and the rates underlying such commitments therefore approximate market rates, the fair value of such commitments and standby letters of credit is equal to the amount outstanding at December 31, 2001 and 2000.

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

The following table presents the carrying values and estimated fair values of

the Company's financial instruments:

	2001		2000	
December 31,	Carrying Value	Fair Value	Carrying Value	Fa Val
Financial assets				
Cash and cash equivalents	$ 24,367,021	$ 24,367,021	$ 19,062,283	$ 19,062,2
Investment securities	157,619,924	157,980,555	145,055,137	145,316,4
Loans, net	160,213,731	161,954,701	170,643,254	173,642,2
Financial liabilities				
Deposits	$298,706,827	$299,368,317	$295,736,311	$295,673,3
U.S. Treasury demand note	493,153	493,153	1,001,957	1,001,9
Federal Home Loan Bank advances	5,000,000	5,934,592	5,000,000	5,028,0
Off-balance sheet financial instruments				
Commitments to extend credit		$ 16,492,000		$ 17,975,0
Standby letters of credit		1,382,000		320,0

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

12. Condensed Financial Information of Southeastern Banking Corporation (Parent Company Only)

Parent Company only financial information is presented below:

Condensed Balance Sheets

December 31,	2001	2000
Assets		
Cash	$ 2,810,693	$ 1,106,966
Investment in subsidiaries, at equity	44,204,769	43,221,928
Premises and equipment, net	54,430	64,465
Other assets	795,700	668,522
Total Assets	$47,865,592	$45,061,881
Liabilities and Shareholders' Equity		
Liabilities		
Other liabilities	$ 2,268,265	$ 721,706
Shareholders' Equity		

Common stock	4,475,996	4,475,996
Additional paid-in capital	1,391,723	1,391,723
Retained earnings	42,035,982	41,327,784
Treasury stock, at cost	(3,247,718)	(2,485,742)
Realized shareholders' equity	44,655,983	44,709,761
Accumulated other comprehensive income - unrealized gains (losses) on investment securities, net of tax	941,344	(369,586)
Total shareholders' equity	45,597,327	44,340,175
Total Liabilities and Shareholders' Equity	$47,865,592	$45,061,881

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

Condensed Statements of Income

Years ended December 31,	2001	2000	1999
Income			
Dividends	$ 4,500,000	$ 3,962,000	$2,232,000
Interest income	27,170	41,428	52,785
Equity in undistributed income of subsidiaries	(328,088)	1,025,881	2,656,047
Other income	74	--	--
Total income	4,199,156	5,029,309	4,940,832
Operating expenses			
Occupancy and other expenses	115,452	95,872	88,608
Income before income tax (benefit) expense	4,083,704	4,933,437	4,852,224
Income tax (benefit) expense	(13,422)	(1,657)	3,059
Net income	$ 4,097,126	$ 4,935,094	$4,849,165

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

Condensed Statements of Cash Flows

Years ended December 31,	2001	2000	19

Operating activities			
Net income	$ 4,097,126	$ 4,935,094	$ 4,849,1
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	328,088	(1,025,881)	(2,656,0
Depreciation and amortization	59,322	59,322	59,3
Changes in assets and liabilities:			
Increase in other assets	(176,463)	(72,467)	(183,1
Decrease in other liabilities	--	(2,110)	(3,8
Net cash provided by operating activities	4,308,073	3,893,958	2,065,4
Investing activities			
Investment in subsidiaries	--	--	(50,0
Financing activities			
Purchase of treasury stock	(761,976)	(2,485,742)	
Dividends paid	(1,842,370)	(1,654,154)	(1,742,7
Net cash used in financing activities	(2,604,346)	(4,139,896)	(1,742,7
Net increase (decrease) in cash and cash equivalents	1,703,727	(245,938)	272,6
Cash and cash equivalents at beginning of year	1,106,966	1,352,904	1,080,2
Cash and cash equivalents at end of year	$ 2,810,693	$ 1,106,966	$ 1,352,9

Southeastern Banking Corporation

Notes to Consolidated Financial Statements

13. Treasury Stock

In March 2000, the Board of Directors authorized the purchase of up to $7,000,000 in treasury stock. In 2000, the Company purchased 144,101 shares of its common stock from one group of shareholders at a purchase price of $17.25 per share and in 2001, an additional 51,226 shares on the open market and through private transactions at an average price of $14.87 per share. The treasury stock purchases have decreased the Company's outstanding stock from 3,580,797 shares to 3,385,470 shares. The maximum consideration available for additional treasury purchases, at prices to be determined in the future, is $3,752,282. Any acquisition of additional shares will be dictated by market conditions.

14. Regulatory Requirements

The Company and its bank subsidiary are subject to various regulatory capital requirements. Failure to meet adequate or minimum capital requirements can initiate certain mandatory and additional discretionary actions by regulators that could have a material effect on the Company's financial statements. The Company and its bank subsidiary must meet specific capital adequacy guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classifications are also subject to qualitative judgments about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of Tier 1 (primarily shareholders' equity less intangible assets) and total (Tier 1, certain debt instruments, and a portion of the allowance for loan losses) capital to risk-weighted assets and a leverage ratio of Tier 1 capital to average quarterly assets. As of December 31, 2001, the most recent notification from the Georgia Department of Banking and Finance categorized the bank subsidiary as well capitalized under the regulatory framework for prompt corrective action. Management believes that the Company and its bank subsidiary meet all applicable capital requirements as of December 31, 2001. Actual capital amounts and ratios for 2001 and 2000 are presented in the following tables:

December 31, 2001	Regulatory Definition of Well Capitalized (Ratio)	Regulatory Definition of Adequately Capitalized (Ratio)	Actual (Capital Amount/Ratio)	
Tier 1 Capital Ratio				
Consolidated	6.00%	4.00%	43,751,000	23.45%
Southeastern Bank	6.00%	4.00%	42,592,000	22.86%
Total Capital Ratio				
Consolidated	10.00%	8.00%	46,093,000	24.71%
Southeastern Bank	10.00%	8.00%	44,930,000	24.12%
Tier 1 Leverage Ratio				
Consolidated	5.00%	4.00%	43,751,000	12.32%
Southeastern Bank	5.00%	4.00%	42,592,000	12.01%

December 31, 2000	Regulatory Definition of Well Capitalized (Ratio)	Regulatory Definition of Adequately Capitalized (Ratio)	Actual (Capital Amount/Ratio)	
Tier 1 Capital Ratio				
Consolidated	6.00%	4.00%	$43,593,000	23.05%
Southeastern Bank	6.00%	4.00%	42,744,000	22.65%
Total Capital Ratio				
Consolidated	10.00%	8.00%	45,967,000	24.30%
Southeastern Bank	10.00%	8.00%	45,113,000	23.91%
Tier 1 Leverage Ratio				
Consolidated	5.00%	4.00%	43,593,000	12.56%
Southeastern Bank	5.00%	4.00%	42,744,000	12.33%

State banking regulations limit the amount of dividends the bank subsidiary may pay without prior approval. The amount of cash dividends available from the bank subsidiary for payment in 2002 without such prior approval is approximately $2,092,000.

15. Commitments

Commitments to extend credit totaled approximately $16,492,000 and $17,975,000 at December 31, 2001 and 2000. Standby letters of credit totaled approximately $1,382,000 and $320,000 for the same periods, respectively. A substantial amount of these contracts expire without being drawn upon. As a result, total contractual amounts do not represent future credit exposure or liquidity requirements.

16. Contingencies

The Parent Company and its subsidiaries are parties to claims and lawsuits arising in the course of their normal business activities. Although the ultimate outcome of these suits cannot be ascertained at this time, it is the opinion of management and counsel that none of these matters, when resolved, will have a material effect on the Company's consolidated results of operations or financial position.

17. Subsequent Event

On October 15, 2001, the Company signed a definitive agreement to acquire the Richmond Hill office of Valdosta-Georgia based Park Avenue Bank. This transaction closed on January 31, 2002. Under the agreement, the Company acquired certain loans, property and equipment, and other assets with fair values of approximately $12,201,000, while assuming deposits and other liabilities totaling approximately $4,270,000. Cash balances applied towards the purchase approximated $8,000,000. A deposit premium of $100,000 was recorded in conjunction with the transaction.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this Item is incorporated by reference to the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 28, 2002 (Proxy Statement).

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

Supplemental Disclosure/Compensation Pursuant to Plans. The Company maintains an Employee Profit-Sharing Plan (the Plan). The purpose of the Plan is to provide employees with an opportunity to share in the profits generated by participating subsidiaries. A participating employee's (the Participant) eligibility for benefits is determined by his or her period of service. A Participant's period of service begins on the commencement date of his employment and continues

through (i) periods of temporary illness; (ii) periods of temporary lay-off; (iii) authorized leaves of absence; (iv) periods of termination of employment lasting less than one year; and (v) certain periods of transfer to a member of the controlled group of corporations of which the Company may become a part, as defined by the Employee Retirement Income Security Act and regulations issued thereunder.

Contributions are made each year in an amount determined by each participating subsidiary's Board of Directors, subject to certain limitations regarding earnings. No contributions by Participants are required or permitted. Contributions are placed in a trust account, which is administered by a corporate entity determined by the Company's Board of Directors.

Although records of the trust are maintained for each Participant's account for accounting purposes, the assets of the trust are not segregated as to individual Participant's accounts. The balances in a Participant's account are adjusted annually to reflect contributions to the trust, income received from trust assets, and any forfeitures which become available during the year.

A Participant's interest in his account vests 100% when his employment is terminated (i) at or after the Participant attains the normal retirement age of 65; (ii) at or after the Participant attains age 59 1/2, has 10 years of service, and early retirement is approved by the Board of Directors; or (iii) due to disability. If termination is caused by a Participant's death, the Participant's beneficiary becomes vested in the Participant's account as of the date of the Participant's death. If a Participant's employment is terminated for any reason other than those set out above, vesting in the Participant's account is determined according to the schedule on the next page.

Years of Service	Vested Percentages	Forfeited Percentages
Less than 3	0%	100%
3 but less than 4	20	80
4 but less than 5	40	60
5 but less than 6	60	40
6 but less than 7	80	20
7 or more	100	0

A Participant may choose to receive his benefits in a lump sum, in periodic payments, or by the purchase of an annuity contract.

The Plan is administered solely by the Profit-Sharing Committee appointed by the Board of Directors. A trustee appointed by the Company has the sole responsibility to administer the trust assets. Both the Profit-Sharing Committee and the trustee are considered fiduciaries of the Plan and have the corresponding duties, obligations, and responsibilities.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

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PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. and 2. - Financial Statements and Schedules

Index to Financial Statements & Schedules	Page Number in Annual Report
Audited Financial Statements	
Independent auditors' report	31
Consolidated balance sheets at December 31, 2001 and 2000	32
Consolidated statements of income for each of the three years ended December 31, 2001	33
Consolidated statements of shareholders' equity for each of the three years ended December 31, 2001	34
Consolidated statements of cash flows for each of the three years ended December 31, 2001	35
Notes to consolidated financial statements	36

(b) Reports on Form 8-K - NONE

(c) Index to Exhibits:

Exhibit Table	Page
Articles of Incorporation and By-Laws	Incorporated by reference from Form 10-K filed for year ended December 31, 1990.
Exhibit 22 Subsidiaries of Registrant	54

Exhibit 22.

Subsidiaries of the Company:
Southeastern Bank, Darien, Georgia
SBC Financial Services, Inc., Darien, Georgia

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHEASTERN BANKING CORPORATION
(Registrant)

By: /s/ ALYSON G. BEASLEY

Alyson G. Beasley, Vice President

Date: April 9, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Directors	Date
/s/ ALYSON G. BEASLEY Alyson G. Beasley	April 9, 2002
/s/ LESLIE H. BLAIR Leslie H. Blair	April 9, 2002
David H. Bluestein	
/s/ GENE F. BRANNEN Gene F. Brannen	April 9, 2002
/s/ WILLIAM DOWNEY William Downey	April 9, 2002
/s/ CORNELIUS P. HOLLAND, III Cornelius P. Holland, III	April 9, 2002
/s/ ALVA J. HOPKINS, III Alva J. Hopkins, III	April 9, 2002
/s/ G. NORRIS JOHNSON G. Norris Johnson	April 9, 2002