Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Robert W. Jonte, Jr.
Name of the Holding Company Director and Official

Chairman of Southeastern Bancorp, Inc.
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

03/16/2020
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:

☒ is included with the FR Y-6 report
☐ will be sent under separate cover
☐ is not prepared

For Federal Reserve Bank Use Only

RSSD ID ____________
C.I. ____________

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2019
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

SOUTHEASTERN BANCORP, INC.
Legal Title of Holding Company

P O BOX 278
(Mailing Address of the Holding Company) Street / P.O. Box

GREELEYVILLE	SC	29056
City	State	Zip Code

223 VARNER AVENUE
Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

DIANE W NEXSEN	SVP
Name	Title

843 426 2161
Area Code / Phone Number / Extension

843 426 4357
Area Code / FAX Number

dnexsen@bog1.com
E-mail Address

www.bog1.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? .... 0=No 1=Yes **0**

In accordance with the General Instructions for this report (check only one),

1. a letter justifying this request is being provided along with the report .... ☐
2. a letter justifying this request has been provided separately ... ☐

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

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City State Zip Code

Physical Location (if different from mailing address)

Southeastern Bancorp, Inc.
Greeleyville SC 29056
Fiscal Year Ending December 31, 2019

REPORT ITEM 1:
Annual Report to Shareholders

Southeastern Bancorp, Inc.

Bank of Greeleyville

Annual Report 2019

Southeastern Bancorp, Inc. and Subsidiary

Report on Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

To our Valued Shareholders:

We are pleased to report that 2019 was another successful year for Southeastern Bancorp Inc and its wholly owned subsidiary, Bank of Greeleyville.

For the twelve month period ending December 2019, Bank of Greeleyville experienced a slight increase in Total Assets 0.17% to $93,011,000.00. Total Loans also increased modestly 2.21% to $61,459,000.00. Total Deposits declined 1.46% to $81,256,000.00. The bank recorded pre-tax earnings of $1,328,000.00 compared to 2018 pre-tax earnings of $1,389,000.00, a decline of 4.39%. A large portion of this was contributed to a one-time, year-end depreciation expense adjustment. Most importantly, the Bank's Capital position improved $1,372,000.00 to $11,621,000.00, an increase of 13.39% from year end 2018. As noted on Page 24, the bank is considered "well capitalized" by regulatory standards.

The Bank's Net Interest Margin showed improvement in 2019 to 4.17% from 3.92% in 2018. This margin represents the yield on assets less the expenses required to fund those assets. Our Net Non-Interest Margin declined from -2.32 in 2018 to -2.58 in 2019. This margin represents non-interest income less non-interest expense. Bank made total loan loss provisions in 2019 of $76,500.00 compared to $20,000.00 in 2018. Finally, Bank of Greeleyvile's 2019 Return on Assets (ROA) was 1.42% compared to 1.52% in 2018. Return on Equity for 2019 was 11.56% compared to 13.95% for year ending 2018.

We are proud to announce the addition of Mrs. Bridgett Tisdale (teller) and Mrs. Whitley Graham (CSR) to our Greeleyville office. Ken Kellahan (loan officer) has joined our Kingstree office. We are fortunate to have found these three "local's" who have complimented our existing staff.

I was recently provided with information that eluded to the fact that in the time frame 1901 to 1920, there were 10 different financial institutions operating in Williamsburg County. As you may be aware, the number of banks/financial institutions operating in rural areas continues to decline all across our nation. The "larger" institutions are simply seeking higher profitability in metropolitan area. It seems they have forgott ı "where they came from". Rest assured, we have not nor will we ever "forget" the reason we are in business nor those who grant us the opportunity to be here.

You, our shareholders, are represented by an engaged Board of Directors and a dedicated group of loyal employees who strive each day to make your bank "the best around".

Thankyou for your continued support!

Very truly yours,

Samuel S Williamson
President

Robert W. Jonte, Jr.
Chairman and CEO

Contents

elliott davis

Independent Accountant's Compilation Report

The Board of Directors
Southeastern Bancorp, Inc. and Subsidiary
Greeleyville, South Carolina

Management is responsible for the accompanying consolidated financial statements of Southeastern Bancorp Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements") in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Supplementary Information

The accompanying supplementary information in the form of Financial Highlights included herein is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Elliott Davis, LLC

Columbia, South Carolina
February 10, 2020

Southeastern Bancorp, Inc. and Subsidiary
Consolidated Balance Sheets
As of December 31, 2019 and 2018

(Dollars in thousands, except per share amounts)	2019	2018
Assets		
Cash and cash equivalents		
Cash and due from banks	$ 3,151	$ 4,290
Federal funds sold	9,046	9,790
Total cash and cash equivalents	12,197	14,080
Investment securities		
Securities available-for-sale	17,796	17,371
Nonmarketable equity securities	153	151
Total investment securities	17,949	17,522
Loans receivable	61,459	60,131
Less allowance for loan losses	(641)	(584)
Loans, net	60,818	59,547
Premises, furniture and equipment, net	1,093	974
Accrued interest receivable	707	545
Other assets	247	185
Total assets	$ 93,011	$ 92,853
Liabilities		
Deposits		
Demand	$ 25,465	$ 24,820
Interest-bearing transaction accounts	23,927	25,015
Savings	8,916	8,943
Certificates of deposit $250 and over	5,913	5,406
Other time deposits	17,035	18,301
Total deposits	81,256	82,485
Accrued interest payable	52	35
Other liabilities	82	84
Total liabilities	81,390	82,604
Commitments and contingencies (Notes 8 and 11)		
Shareholders' Equity		
Common stock, $1.00 par value, 150,000 shares authorized; 150,000 shares issued and outstanding	150	150
Capital surplus	552	552
Retained earnings	10,559	9,798
Accumulated other comprehensive income (loss)	360	(251)
Total shareholders' equity	11,621	10,249
Total liabilities and shareholders' equity	$ 93,011	$ 92,853

See Independent Accountant's Compilation Report

Southeastern Bancorp, Inc. and Subsidiary

Consolidated Statements of Income

For the years ended December 31, 2019 and 2018

(Dollars in thousands, except per share amounts)	2019	2018
Interest income		
Loans, including fees	$ 3,808	$ 3,444
Investment securities		
Taxable	438	393
Federal funds sold	117	172
Total interest income	4,363	4,009
Interest expense		
Deposits	435	306
Total interest expense	435	306
Net interest income	3,928	3,703
Provision for loan losses	77	20
Net interest income after provision for loan losses	3,851	3,683
Noninterest income		
Service charges on deposit accounts	404	419
Other	512	510
Total noninterest income	916	929
Noninterest expenses		
Salaries and employee benefits	1,597	1,472
Net occupancy	203	166
Furniture and equipment	615	567
Other operating	1,024	1,018
Total noninterest expenses	3,439	3,223
Income before income taxes	1,328	1,389
Income tax provision	75	57
Net income	$ 1,253	$ 1,332
Earnings per share		
Average shares outstanding	150,000	150,000
Basic earnings per share	$ 8.36	$ 8.88

See Independent Accountant's Compilation Report

Southeastern Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

(Dollars in thousands, except per share amounts)	2019	2018
Net income	$ 1,253	$ 1,332
Other comprehensive income (loss)		
Unrealized holding gains (losses) arising during the period	611	(193)
Other comprehensive income (loss)	611	(193)
Comprehensive income	$ 1,864	$ 1,139

See Independent Accountant's Compilation Report

Southeastern Bancorp, Inc. and Subsidiary

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2019 and 2018

(Dollars in thousands, except share amounts)	Common stock			Capital		Retained		Accumulated Other Comprehensive		
	Shares		Amount		Surplus		Earnings		Income (Loss)		Total
Balance, December 31, 2017	150,000	$	150	$	552	$	8,966	$	(58)	$	9,610
Net income	-		-		-		1,332		-		1,332
Other comprehensive loss	-		-		-		-		(193)		(193)
Dividends paid ($3.33 per share)	-		-		-		(500)		-		(500)
Balance, December 31, 2018	150,000		150		552		9,798		(251)		10,249
Net income	-		-		-		1,253		-		1,253
Other comprehensive income	-		-		-				611		611
Dividends paid ($3.28 per share)	-		-		-		(492)		-		(492)
Balance, December 31, 2019	150,000	$	150	$	552	$	10,559	$	360	$	11,621

See Independent Accountant's Compilation Report

Southeastern Bancorp, Inc. and Subsidiary

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Dollars in thousands)	2019	2018
Operating activities		
Net income	$ 1,253	$ 1,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	77	20
Depreciation and amortization expense	148	88
Premium amortization less discount accretion on investment securities	(25)	(8)
Gain on sale of other real estate owned	-	(17)
(Increase) decrease in interest receivable	(162)	1
Increase in interest payable	17	1
Increase in other assets	(62)	(46)
Decrease in other liabilities	(2)	(7)
Net cash provided by operating activities	1,244	1,381
Cash flows from investing activities		
Maturities and calls of securities available-for-sale	3,000	-
Purchases of securities available-for-sale	(2,789)	(2,968)
Purchase of nonmarketable equity securities, net	(2)	(8)
Net increase in loans to customers	(1,348)	(3,193)
Purchase of premises, furniture and equipment	(267)	(123)
Net cash used in investing activities	(1,406)	(6,292)
Cash flows from financing activities		
Net (decrease) increase in demand deposits, interest-bearing transaction accounts and savings accounts	(470)	722
Net (decrease) increase in certificates of deposit and other time deposits	(759)	548
Cash dividends paid	(492)	(500)
Net cash (used in) provided by financing activities	(1,721)	770
Net decrease in cash and cash equivalents	(1,883)	(4,141)
Cash and cash equivalents, beginning of year	14,080	18,221
Cash and cash equivalents, end of year	$ 12,197	$ 14,080
Cash paid during the year for		
Income taxes	$ 51	$ 51
Interest	$ 348	$ 237
Supplemental noncash investing and financing activities		
Net change in unrealized gains (losses) on investment securities	$ 611	$ (193)

See Independent Accountant's Compilation Report

Note 1. Summary of Significant Accounting Policies

Basis of presentation and consolidation:

Southeastern Bancorp, Inc. (the Company), a bank holding company, owns 100 percent of its subsidiary, Bank of Greeleyville (the Bank). The Bank provides banking services to domestic markets principally in Williamsburg County, South Carolina. The consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiary after elimination of all significant intercompany balances and transactions.

Management's estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans, including valuation allowances for impaired loans, and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowances for losses on loans and foreclosed real estate, management obtains independent appraisals for significant properties. Management must also make estimates in determining the estimated useful lives and methods for depreciating premises and equipment.

While management uses available information to recognize losses on loans and foreclosed real estate, future additions to the allowances may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Company's allowances for losses on loans and foreclosed real estate. Such agencies may require the Company to recognize additions to the allowances based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the allowances for losses on loans and foreclosed real estate may change materially in the near term.

Significant group concentrations of credit risk:

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of loans receivable, investment securities, and amounts due from banks.

The Company makes loans to individuals and small businesses for various personal and commercial purposes primarily in Williamsburg County, South Carolina. The Company's loan portfolio is not concentrated in loans to any single borrower or a relatively small number of borrowers. Additionally, management is not aware of any concentrations of loans to classes of borrowers or industries that would be similarly affected by economic conditions.

Note 1. Summary of Significant Accounting Policies, Continued

Significant group concentrations of credit risk, continued:

In addition to monitoring potential concentrations of loans to particular borrowers or groups of borrowers, industries and geographic regions, management monitors exposure to credit risk from concentrations of lending products and practices such as loans that subject borrowers to substantial payment increases (e.g., principal deferral periods, loans with initial interest-only periods, etc.), and loans with high loan-to-value ratios. Additionally, there are industry practices that could subject the Company to increased credit risk should economic conditions change over the course of a loan's life. For example, the Company makes variable rate loans and fixed rate principal-amortizing loans with maturities prior to the loan being fully paid (i.e., balloon payment loans). These loans are underwritten and monitored to manage the associated risks. Therefore, management believes that these particular practices do not subject the Company to unusual credit risk.

The Company's investment portfolio consists primarily of obligations of the United States, its agencies or corporations and general obligation municipal securities. In the opinion of management, there is no concentration of credit risk in its investment portfolio. The Company places its deposits and correspondent accounts with and sells its federal funds to high quality institutions. Management believes credit risk associated with correspondent accounts is not significant.

Investment securities available-for-sale:

Investment securities available-for-sale are carried at amortized cost and adjusted to estimated market value by recognizing the aggregate unrealized gains or losses in a valuation account. Aggregate market valuation adjustments are recorded in shareholders' equity. Reductions in market value considered by management to be other than temporary are reported as a realized loss and a reduction in the cost basis of the security. The adjusted cost basis of securities available-for-sale is determined by specific identification and is used in computing the gain or loss upon sale.

Nonmarketable equity securities:

Nonmarketable equity securities include the Bank's investments in the stock of Community Bankers Bank and the Federal Home Loan Bank (FHLB). The stocks are carried at cost because they have no quoted market value and no ready market exists. Investment in Federal Home Loan Bank stock is a condition of borrowing from the Federal Home Loan Bank, and the stock is pledged to collateralize the borrowings. Dividends received from nonmarketable equity securities investments are included as a separate component in interest income. At December 31, 2019 and 2018, the investment in Community Bankers Bank stock was $68,600. At December 31, 2019 and 2018, the investment in Federal Home Loan Bank stock was $83,700 and $81,900, respectively.

Note 1. Summary of Significant Accounting Policies, Continued

Allowance for loan losses, continued:

Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, a concession to the borrower is granted that the Company would not otherwise consider, the related loan is classified as a troubled debt restructuring. The restructuring of a loan may include the transfer from the borrower to the Company of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan, modification of the loan terms, or a combination of the above.

Premises, furniture and equipment:

Premises, furniture and equipment are stated at cost, less accumulated depreciation. The provision for depreciation is computed principally by the straight-line method. Rates of depreciation are generally based on the following estimated useful lives: buildings and land improvements - 10 to 40 years; furniture and equipment - 5 to 10 years. The cost of assets sold or otherwise disposed of, and the related accumulated depreciation is eliminated from the accounts and the resulting gains or losses are reflected in the income statement. Maintenance and repairs are charged to current expense as incurred, and the costs of major renewals and improvements are capitalized.

Other real estate owned (OREO):

Other real estate owned includes real estate acquired through foreclosure and loans accounted for as in-substance foreclosures. Collateral is considered foreclosed in substance when the borrower has little or no equity in the fair value of the collateral, proceeds for repayment of the debt can be expected to come only from the sale of the collateral and it is doubtful that the borrower can rebuild equity or otherwise repay the loan in the foreseeable future. Other real estate owned is recorded at the lower of fair value less estimated selling costs or cost.

Any write-downs at the dates of acquisition are charged to the allowance for loan losses. Expenses to maintain such assets, subsequent write-downs and gains and losses on disposal are included in net cost of operation of other real estate owned.

Note 1. Summary of Significant Accounting Policies, Continued

Advertising expense:

Advertising and public relations costs are generally expensed as incurred. External costs incurred in producing media advertising are expensed the first time the advertising takes place. External costs relating to direct mailing costs are expended in the period in which the direct mailings are sent. Advertising and public relations costs were $69,564 and $70,431 for the years ended December 31, 2019 and 2018, respectively.

Income and expense recognition:

The accrual method of accounting is used for all significant categories of income and expense. Immaterial amounts of insurance commissions and other miscellaneous fees are reported when received.

Retirement plans:

The Company has a non-contributory profit-sharing plan which provides retirement and other benefits to all full-time employees and part-time employees who have worked a minimum of twelve months. Expenses charged to earnings for the profit sharing plan were approximately $38,400 in 2019 and 2018, respectively, and were included in salaries and employee benefits.

The Company also has a trusteed retirement savings plan, which provides retirement benefits to substantially all officers and employees who meet certain age and service requirements. The plan includes a "salary reduction" feature pursuant to Section 401(k) of the Internal Revenue Code. Under the plan and present policies, participants are permitted to make contributions up to the deferral limits allowed by the Internal Revenue Service. At its discretion, the Bank can make matching contributions of $1.00 for every dollar contributed up to 4% of the participants' annual compensation. Expenses charged to earnings for the retirement savings plan were approximately $43,778 and $42,518 in 2019 and 2018, respectively, and were included in salaries and employee benefits.

Income taxes:

Effective January 1, 1998, the shareholders elected to become an S Corporation for federal income tax purposes under the Internal Revenue Code. Under an S Corporation election, the income of the Company is taxed at the shareholder level rather than at the corporate level with certain exceptions. One exception is the built-in gains tax, which is a tax on the excess of the fair market value of assets over their tax bases as of the date of the election. Also, the State of South Carolina does not recognize S Corporation status for banks. Accordingly, the subsidiary bank will continue to accrue and pay South Carolina income taxes.

Earnings per share:

Earnings per share is calculated by dividing net income by the weighted-average number of shares outstanding during the year. The Company has no instruments which are considered to be common stock equivalents and therefore dilutive earnings per share are not presented.

Note 1. Summary of Significant Accounting Policies, Continued

Statement of cash flows:

For purposes of reporting cash flows, the Company considers certain highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents include amounts due from banks, interest-bearing balances, and federal funds sold.

Comprehensive income:

The Company reports comprehensive income in accordance with Accounting Standards Codification (ASC) ASC 220, "Comprehensive Income." ASC 220 requires that all items that are required to be reported under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The disclosure requirements have been included in the Company's consolidated statements of comprehensive income. Comprehensive income consists of unrealized gains and losses on investment securities available-for-sale.

Off-balance-sheet financial instruments:

In the ordinary course of business, the Company enters into off-balance-sheet financial instruments consisting of commitments to extend credit and letters of credit. These financial instruments are recorded in the financial statements when they become payable by the customer.

Recently issued accounting pronouncements:

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Company.

In May 2014 and August 2015, the Financial Accounting Standards Board ("FASB") issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance became effective for the Company for 2019. The Company applied the guidance using a modified retrospective approach. These amendments did not have a material effect on the Company's financial statements.

In March 2016, the FASB amended the Revenue from Contracts with Customers topic of the Accounting Standards Codification to clarify the implementation guidance on principal versus agent considerations and address how an entity should assess whether it is the principal or the agent in contracts that include three or more parties. The amendments became effective for the Company for 2019. These amendments did not have a material effect on the Company's financial statements.

In May 2016, the FASB amended the Revenue from Contracts with Customers topic of the Accounting Standards Codification to clarify guidance related to collectability, noncash consideration, presentation of sales tax, and transition. The amendments became effective for the Company for 2019. These amendments did not have a material effect on the Company's financial statements.

Note 1. Summary of Significant Accounting Policies, Continued

Recently issued accounting pronouncements, continued:

In January 2016, the FASB amended the Financial Instruments topic of the Accounting Standards Codification to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments became effective for 2019. The Company applied the guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of 2019. The amendments related to equity securities without readily determinable fair values were applied prospectively to equity investments that exist as of the beginning of 2019. These amendments did not have a material effect on the Company's financial statements.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to revise certain aspects of recognition, measurement, presentation, and disclosure of leasing transactions. The amendments will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The amendments will be effective for the Company for annual periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments became effective for the Company for 2018. These amendments did not have a material effect on the Company's financial statements.

In December 2016, the FASB issued technical corrections and improvements to the Revenue from Contracts with Customers Topic. These corrections make a limited number of revisions to several pieces of the revenue recognition standard issued in 2014. The effective date and transition requirements for the technical corrections became effective for the Company for 2019. The Company applied the guidance using a modified retrospective approach. These amendments did not have a material effect on the Company's financial statements.

In November 2019, the FASB issued guidance that addresses issues raised by stakeholders during the implementation of ASU 2016- 13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments affect a variety of Topics in the Accounting Standards Codification. For entities that have not yet adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2022 including interim periods within those fiscal years. Early adoption is permitted in any interim period as long as an entity has adopted the amendments in ASU 2016-13. The Company does not expect these amendments to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Note 1. Summary of Significant Accounting Policies, Continued

Risks and uncertainties:

In the normal course of its business, the Company encounters two significant types of risks: economic and regulatory. There are three main components of economic risk: interest rate risk, credit risk and market risk. The Company is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different speeds, or on different basis, than its interest-earning assets. Credit risk is the risk of default on the Company's loan portfolio that results from a borrower's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of collateral underlying loans receivable and the valuation of real estate held by the Company.

The Company is subject to the regulations of various governmental agencies. These regulations can and do change significantly from period to period. The Company also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions from the regulators' judgments based on information available to them at the time of their examination.

Reclassifications:

Certain captions and amounts in the 2018 consolidated financial statements were reclassified to conform with the 2019 presentation. These reclassifications had no impact on previously reported net income or shareholders' equity.

Note 2. Cash and Due From Banks

The Company is required by regulation to maintain an average cash reserve balance based on a percentage of deposits. The average amounts of the cash reserve balances at December 31, 2019 and 2018 were approximately $640,000 and $665,000, respectively. The reserve requirement was satisfied with the Bank's vault cash for both years.

Note 3. Investment Securities

The amortized cost and estimated fair values of securities available-for-sale were:

	December 31, 2019			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises	$ 738	$ -	$ 8	$ 730
U.S. treasuries	16,698	382	14	17,066
	$ 17,436	$ 382	$ 22	$ 17,796

Note 3. Investment Securities, Continued

(Dollars in thousands)	December 31, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government-sponsored enterprises	$ 1,239	$ -	$ 25	$ 1,214
U.S. treasuries	16,383	49	275	16,157
	$ 17,622	$ 49	$ 300	$ 17,371

The amortized cost and estimated market value of securities available-for-sale at December 31, 2019 and 2018 based on maturities were:

(Dollars in thousands)	2019		2018	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due within one year	$ 1,996	$ 2,013	$ 2,001	$ 2,004
Due after one year but within five years	8,443	8,576	7,916	7,889
Due after five years but within ten years	6,997	7,207	7,705	7,478
	$ 17,436	$ 17,796	$ 17,622	$ 17,371

The following table shows gross unrealized losses and fair value, aggregated by investment category, and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2019 and 2018.

Securities Available-for-Sale

	Less Than Twelve Months		Twelve Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2019						
Government-sponsored entities	$ 730	$ 8	$ -	$ -	$ 730	$ 8
U.S. treasuries	1,474	14	-	-	1,474	14
Total	$ 2,204	$ 22	$ -	$ -	$ 2,204	$ 22

Note 3. Investment Securities, Continued

	Less Than Twelve Months		Twelve Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2018						
Government-sponsored entities	$ -	$ -	$ 1,214	$ 25	$ 1,214	$ 25
U.S. treasuries	8,182	268	1,730	7	9,912	275
Total	$ 8,182	$ 268	$ 2,944	$ 32	$ 11,126	$ 300

At December 31, 2019, the Company had no individual investments that were in an unrealized loss position for greater than 12 months. The unrealized losses on the Company's investment securities summarized above were attributable primarily to changes in interest rates. Management does not believe that these securities are other-than-temporarily impaired. The Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities before recovery of their amortized cost.

At December 31, 2019 and 2018, investment securities with a book value of $3,225,451 and $4,461,000 and a market value of $3,253,437 and $4,347,000, respectively, were pledged as collateral to secure public deposits.

Note 4. Loans Receivable

Following is a summary of loans by major classification at December 31:

(Dollars in thousands)	2019	2018
Commercial and industrial	$ 11,699	$ 10,490
Real estate	35,960	35,023
Consumer and other	8,102	9,075
Agricultural	5,698	5,543
Total	$ 61,459	$ 60,131

Note 4. Loans Receivable, Continued

The following is a summary of information pertaining to our allowance for loan losses at December 31, 2019:

(Dollars in thousands)	Commercial and Industrial	Real Estate	Consumer and Other	Agricultural	Total
Allowance for loan losses					
Beginning balance	$ 202	$ 287	$ 71	$ 24	$ 584
Charge-offs	(1)	(28)	(96)	-	(125)
Recoveries	25	28	52	-	105
Provisions	(129)	34	88	84	77
Ending balance	$ 97	$ 321	$ 115	$ 108	$ 641
Ending balances					
Individually evaluated for impairment	$ 8	$ 16	$ 4	$ -	$ 28
Collectively evaluated for impairment	$ 89	$ 305	$ 111	$ 108	$ 613
Loans receivable					
Ending balance - total	$ 11,699	$ 35,960	$ 8,102	$ 5,698	$ 61,459
Ending balances					
Individually evaluated for impairment	$ 391	$ 1,737	$ 59	$ 16	$ 2,203
Collectively evaluated for impairment	$ 11,308	$ 34,223	$ 8,043	$ 5,682	$ 59,256

Note 4. Loans Receivable, Continued

The following is a summary of information pertaining to our allowance for loan losses at December 31, 2018:

(Dollars in thousands)	Commercial and Industrial	Real Estate	Consumer and Other	Agricultural	Total
Allowance for loan losses					
Beginning balance	$ 211	$ 349	$ 107	$ 34	$ 701
Charge-offs	-	(90)	(91)	-	(181)
Recoveries	9	-	35	-	44
Provisions	(18)	28	20	(10)	20
Ending balance	$ 202	$ 287	$ 71	$ 24	$ 584
Ending balances					
Individually evaluated for impairment	$ 110	$ 67	$ 12	$ -	$ 189
Collectively evaluated for impairment	$ 92	$ 220	$ 59	$ 24	$ 395
Loans receivable					
Ending balance - total	$ 10,490	$ 35,023	$ 9,075	$ 5,543	$ 60,131
Ending balances					
Individually evaluated for impairment	$ 274	$ 2,235	$ 133	$ 43	$ 2,685
Collectively evaluated for impairment	$ 10,216	$ 32,788	$ 8,942	$ 5,500	$ 57,446

The Company uses a risk based approach based on the following credit quality measures when analyzing the loan portfolio: pass and classified. These indicators are used to rate the credit quality of loans for the purposes of determining the Company's allowance for loan losses.

Acceptable/Pass are deemed to be loans that are performing and are deemed adequately protected by the net worth of the borrower or the underlying collateral value. These loans are considered the least risky in terms of determining the allowance for loan losses.

Watch/Special Mention are deemed to be loans that have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's position at some future date.

Substandard/Doubtful are deemed to be loans that are considered the most risky. These loans typically have an identified weakness or weaknesses and are inadequately protected by the net worth of the borrower or collateral value.

Note 4. Loans Receivable, Continued

The following is an analysis of our loan portfolio by credit quality indicators at December 31, 2019:

(Dollars in thousands)

	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 11,089	$ 19	$ 340	$ 251	$ -	$ 11,699
Real estate	32,817	1,182	342	1,619	-	35,960
Consumer and other	7,908	33	50	111	-	8,102
Agricultural	5,681	-	-	17	-	5,698
	$ 57,495	$ 1,234	$ 732	$ 1,998	$ -	$ 61,459

The following is an analysis of our loan portfolio by credit quality indicators at December 31, 2018:

(Dollars in thousands)

	Pass	Watch	Special Mention	Substandard	Doubtful	Total
Commercial and industrial	$ 10,143	$ 20	$ -	$ 327	$ -	$ 10,490
Real estate	31,901	690	352	2,080	-	35,023
Consumer and other	8,583	243	14	235	-	9,075
Agricultural	5,500	-	-	43	-	5,543
	$ 56,127	$ 953	$ 366	$ 2,685	$ -	$ 60,131

The following is an aging analysis of our loan portfolio at December 31, 2019:

(Dollars in thousands)

	30 - 89 Days Past Due	Greater Than 90 Days and Still Accruing	Total Accruing Past Due Loans	Nonaccrual	Current	Total Loans Receivable
Commercial and industrial	$ 101	$ -	$ 101	$ 26	$ 11,572	$ 11,699
Real estate	584	-	584	244	35,132	35,960
Consumer and other	242	-	242	13	7,847	8,102
Agricultural	-	-	-	-	5,698	5,698
	$ 927	$ -	$ 927	$ 283	$ 60,249	$ 61,459

The following is an aging analysis of our loan portfolio at December 31, 2018:

(Dollars in thousands)

	30 - 89 Days Past Due	Greater Than 90 Days and Still Accruing	Total Accruing Past Due Loans	Nonaccrual	Current	Total Loans Receivable
Commercial and industrial	$ 266	$ -	$ 266	$ 149	$ 10,075	$ 10,490
Real estate	664	-	664	332	34,027	35,023
Consumer and other	112	-	112	67	8,896	9,075
Agricultural	-	-	-	-	5,543	5,543
	$ 1,042	$ -	$ 1,042	$ 548	$ 58,541	$ 60,131

Note 4. Loans Receivable, Continued

The following is an analysis of our impaired loan portfolio detailing the related allowance recorded at December 31, 2019:

(Dollars in thousands)	Recorded Investment	Related Allowance
With no related allowance needed:		
Commercial and industrial	$ 383	$ -
Real estate	1,338	-
Consumer and other	44	-
Agricultural	16	-
	1,781	-
With an allowance recorded:		
Commercial and industrial	8	8
Real estate	399	16
Consumer and other	15	4
Agricultural	-	-
	422	28
Total:		
Commercial and industrial	391	8
Real estate	1,737	16
Consumer and other	59	4
Agricultural	16	-
	$ 2,203	$ 28

The following is an analysis of our impaired loan portfolio detailing the related allowance recorded at December 31, 2018:

(Dollars in thousands)	Recorded Investment	Related Allowance
With no related allowance needed:		
Commercial and industrial	$ 156	$ -
Real estate	1,369	-
Consumer and other	73	-
Agricultural	43	-
	1,641	-
With an allowance recorded:		
Commercial and industrial	118	110
Real estate	866	67
Consumer and other	60	12
Agricultural	-	-
	1,044	189
Total:		
Commercial and industrial	274	110
Real estate	2,235	67
Consumer and other	133	12
Agricultural	43	-
	$ 2,685	$ 189

Note 4. Loans Receivable, Continued

Troubled Debt Restructurings

The following table summarizes the carrying balance of troubled debt restructurings (TDRs) as of December 31, 2019 and 2018:

(Dollars in thousands)	2019	2018
Performing TDRs	$ 809	$ 582
Nonperforming TDRs	-	139
Total TDRs	$ 809	$ 721

Loans classified as TDRs may be removed from this status for disclosure purposes after a specified period of time if the restructured agreement specifies an interest rate equal to or greater than the rate that the lender was willing to accept at the time of the restructuring for a new loan with comparable risk, and the loan is performing in accordance with the terms specified by the restructured agreement.

The following is an analysis of TDRs identified during 2019:

(Dollars in thousands)	For the year ended December 31, 2019		
Troubled Debt Restructuring	**Number of Contracts**	**Pre Modification Outstanding Recorded Investment**	**Post Modification Outstanding Recorded Investment**
Real Estate	2	$ 330	$ 330

During the year ended December 31, 2019, the Company modified two loans that were considered to be troubled debt restructurings. The Company extended both of the loans and reduced the payment amounts for each. During the year ended December 31, 2019, no loans that had been restructured during the year subsequently defaulted.

The following is an analysis of TDRs identified during 2018:

(Dollars in thousands)	For the year ended December 31, 2018		
Troubled Debt Restructuring	**Number of Contracts**	**Pre Modification Outstanding Recorded Investment**	**Post Modification Outstanding Recorded Investment**
Real Estate	2	$ 244	$ 244

During the year ended December 31, 2018, the Company modified two loans that were considered to be troubled debt restructurings. The Company extended both of the loans and reduced the payment amounts for each. During the year ended December 31, 2018, no loans that had been restructured during the year subsequently defaulted.

Note 5. Premises, Furniture and Equipment

Premises, furniture and equipment is summarized as follows as of December 31:

(Dollars in thousands)	2019	2018
Land and buildings	$ 1,342	$ 1,342
Furniture and equipment	3,103	2,835
Total	4,445	4,177
Less accumulated depreciation	3,352	3,203
Premises and equipment, net	$ 1,093	$ 974

Depreciation expense for the years ended December 31, 2019 and 2018 was $148,320 and $88,000, respectively.

Note 6. Deposits

At December 31, 2019, the scheduled maturities of certificates of deposit are as follows:

(Dollars in thousands)	
2020	$ 1,183
2021	6,027
2022	2,860
2023	923
2024 and thereafter	11,955
Total	$ 22,948

Certificates that meet or exceed the FDIC insurance limit of $250,000 at December 31, 2019 and 2018 were $5,913,000 and $5,406,000, respectively.

Note 7. Income Taxes

As discussed in Note 1, the shareholders elected to become an S Corporation in 1998. Income of the Company is taxed at the shareholder level with certain limitations such as the built-in gains tax on unrealized gains from securities available-for-sale. Also, the State of South Carolina does not recognize S Corporation status for banks. The subsidiary bank will continue to accrue and pay South Carolina income taxes. Tax returns for 2015 and subsequent years are subject to examination by taxing authorities.

The Tax Cuts and Jobs Act (TCJA) was signed into law by the President on Friday December 22, 2017. The TCJA includes the reduction in the corporate tax rate from a top rate of 35% to a flat rate of 21%, changes in business deductions, and many international provisions.

Note 7. Income Taxes, Continued

Income tax expense is summarized as follows for the years ended December 31:

(Dollars in thousands)	2019	2018
Current portion		
Federal	$ -	$ -
State	75	57
	75	57
Deferred income taxes	-	-
Income tax provision	$ 75	$ 57

Note 8. Commitments and Contingencies

In the ordinary course of business, the Company may, from time to time, become a party to legal claims and disputes. At December 31, 2019, management and legal counsel are not aware of any pending or threatened litigation or unasserted claims or assessments that could result in losses, if any, that would be material to the consolidated financial statements.

Note 9. Unused Lines of Credit

As of December 31, 2019, the Company had unused lines of credit to purchase federal funds from unrelated banks totaling $6,500,000. These lines of credit are available on a one to fourteen day basis for general corporate purposes.

At December 31, 2019, the Bank had the ability to borrow an additional $6,611,717 from the FHLB secured by a blanket lien on one to four family first mortgage loans. The FHLB has approved borrowings up to 15 percent of the bank's total assets less advances outstanding. The borrowings are available by pledging collateral and purchasing additional stock in the FHLB. As collateral, the Bank has pledged first mortgage loans on one to four family residential loans aggregating $11,366,327 at December 31, 2019 for potential advances.

Note 10. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum ratios (set forth in the table below) of Tier 1, Common Equity Tier 1 (CET1), and total capital as a percentage of assets and off-balance-sheet exposures, adjusted for risk-weights ranging from 0 percent to 150 percent. Tier 1 capital of the Bank consists of common stockholders' equity, excluding the unrealized gain or

Note 10. Regulatory Matters, Continued

loss on securities available-for-sale, minus certain intangible assets, while CET1 is comprised of Tier 1 capital, adjusted for certain regulatory deductions and limitations. Tier 2 capital consists of the allowance for loan losses subject to certain limitations. Total capital for purposes of computing the capital ratios consists of the sum of Tier 1 and Tier 2 capital.

The Bank is also required to maintain capital at a minimum level based on total assets, which is known as the leverage ratio. Only the strongest banks are allowed to maintain capital at the minimum requirement of 3 percent. All others are subject to maintaining ratios 1 percent to 2 percent above the minimum.

Effective March 31, 2015, quantitative measures established by applicable regulatory standards, including the newly implemented Basel III revised capital adequacy standards and relevant provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd Frank Act"), require the Bank to maintain (i) a minimum ratio of Tier 1 capital to average total assets, after certain adjustments, of 4.00 percent, (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.00 percent, (iii) a minimum ratio of total-capital to risk-weighted assets of 8.00 percent and (iv) a minimum ratio of CET1 to risk-weighted assets of 4.50 percent. A "well-capitalized" institution must generally maintain capital ratios 2 percent higher than the minimum guidelines.

In order to avoid restrictions on capital distributions or discretionary bonus payments to executives, the Bank is also required to maintain a "capital conservation buffer" in addition to its minimum risk-based capital requirements. This buffer is required to consist solely of CET1, but the buffer applies to all three risk-based measurements (CET1, Tier 1 and total capital). The capital conservation buffer was phased in incrementally over time, beginning January 1, 2016 at 0.625 percent and becoming fully effective on January 1, 2019, and ultimately consisted of an additional amount of Tier 1 capital equal to 2.5 percent of risk-weighted assets.

As of December 31, 2019, the most recent notification from the Bank's primary regulator categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events that management believes have changed the Bank's category.

The following table summarizes the capital amounts and ratios of the Bank and the regulatory minimum requirements:

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2019						
Total Capital (to risk weighted assets)	$ 11,601	19.91%	$ 4,777	8.00%	$ 5,971	10.00%
Tier 1 Capital (to risk weighted assets)	11,241	18.83%	3,583	6.00%	4,777	8.00%
Tier 1 Capital (to average assets)	11,241	12.47%	3,606	4.00%	4,507	5.00%
Common Equity Tier 1 Capital (to risk weighted assets)	11,241	18.83%	2,687	4.50%	3,881	6.50%

Note 10. Regulatory Matters, Continued

(Dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2018						
Total Capital (to risk weighted assets)	$ 11,002	18.27%	$ 4,817	8.00%	$ 6,021	10.00%
Tier 1 Capital (to risk weighted assets)	10,413	17.30%	3,612	6.00%	4,817	8.00%
Tier 1 Capital (to average assets)	10,413	10.27%	3,790	4.00%	4,737	5.00%
Common Equity Tier 1 Capital (to risk weighted assets)	10,413	17.30%	2,709	4.50%	3,914	6.50%

Note 11. Financial Instruments With Off-Balance-Sheet Risk

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the statements of financial position. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit written is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Standby letters of credit written are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counter party.

Collateral held for commitments to extend credit and standby letters of credit varies but may include accounts receivable, inventory, property, plant, equipment, and income-producing commercial properties.

Note 11. Financial Instruments With Off-Balance-Sheet Risk, Continued

The following table summarizes the Bank's off-balance-sheet financial instruments at December 31, 2019 and 2018 whose contract amounts represent credit risk:

(Dollars in thousands)	2019	2018
Commitments to extend credit	$ 2,993	$ 2,354
Letters of credit	60	525

Note 12. Related Party Transactions

Certain parties (principally certain directors and shareholders of the Company, their immediate families and business interests) were loan customers of, and had other transactions in the normal course of business with the Company. Related party loans are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and do not involve more than normal risk of collectability. The aggregate dollar amount of loans to related parties was $40,000 and $230,000 at December 31, 2019 and 2018, respectively.

In addition, the Bank paid rental expense to related parties totaling $36,000 during both 2019 and 2018 for a portion of the Greeleyville, South Carolina branch building.

Note 13. Restrictions on Subsidiary Dividends, Loans or Advances

All of the Bank's dividends to Southeastern Bancorp, Inc. are payable only from the undivided profits of the Bank. At December 31, 2019, the Bank's undivided profits were $6,863,523. The Bank is authorized to pay cash dividends up to 100 percent of net income in any calendar year without obtaining the prior approval of the Commissioner of Banking provided that the Bank received a composite rating of one or two at the last Federal or State regulatory examination. Under Federal Reserve Board regulations, the amounts of loans or advances from the Bank to the parent company are also restricted.

Note 14. Fair Value of Financial Instruments

Accounting standards require disclosure that establishes a framework for measuring fair value, and requires disclosure about fair value measurements for all assets and liabilities that are measured and reported on a fair value basis. The objective is to enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasuries, and money market funds.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by

Note 14. Fair Value of Financial Instruments, Continued

observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities, and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in securitizations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

Assets Recorded at Fair Value on a Recurring Basis

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Securities Available-for-Sale - Securities available-for-sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange such as the New York Stock Exchange, Treasury securities that are traded by dealers or brokers in active over-the counter markets and money market funds. Level 2 securities include mortgage-backed securities issued by government sponsored entities, municipal bonds and corporate debt securities. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Loans - The Company does not record loans at fair value on a recurring basis, however, from time to time, a loan is considered impaired and an allowance for loan loss is established. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan are considered impaired. Once a loan is identified as individually impaired, management measures impairment. The fair value of impaired loans is estimated using one of several methods, including the collateral value, market value of similar debt, enterprise value, liquidation value, and discounted cash flows. Those impaired loans not requiring a specific allowance represent loans for which the fair value of expected repayments or collateral exceed the recorded investment in such loans. At December 31, 2019 and 2018, a significant portion of impaired loans were evaluated based upon the fair value of the collateral. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Company records the loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Company records the loan as nonrecurring Level 3.

Note 14. Fair Value of Financial Instruments, Continued

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

	December 31, 2019			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
U.S. treasuries	$ 730	$ -	$ 730	$ -
Government-sponsored enterprises	17,066	-	17,066	-
Total	$ 17,796	$ -	$ 17,796	$ -

	December 31, 2018			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
U.S. treasuries	$ 16,157	$ -	$ 16,157	$ -
Government-sponsored enterprises	1,214	-	1,214	-
Total	$ 17,371	$ -	$ 17,371	$ -

There were no liabilities measured at fair value on a recurring basis as of December 31, 2019 or 2018.

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Assets carried on the balance sheet by caption and by level within the valuation hierarchy (as described above) as of December 31, 2019 and 2018 for which a nonrecurring change in fair value has been recorded during the years ended December 31, 2019 and 2018 are presented below.

Assets measured at fair value on a nonrecurring basis are as follows as of December 31, 2019 and 2018.

	December 31, 2019			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Impaired loans, net	$ 2,175	$ -	$ -	$ 2,175
Total	$ 2,175	$ -	$ -	$ -

	December 31, 2018			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Impaired loans, net	$ 2,496	$ -	$ -	$ 2,496
Total	$ 2,496	$ -	$ -	$ 2,496

Note 14. Fair Value of Financial Instruments, Continued

There were no liabilities measured at fair value on a nonrecurring basis as of December 31, 2019 and 2018.

Note 15. Southeastern Bancorp, Inc. (Parent Company Only)

Following is condensed financial information of Southeastern Bancorp, Inc. (parent company only) as of and for the years ended December 31:

Condensed Balance Sheets

(Dollars in thousands)	2019	2018
Assets		
Cash	$ 20	$ 86
Investment in banking subsidiary	11,601	10,163
Total assets	$ 11,621	$ 10,249
Shareholders' equity	$ 11,621	$ 10,249
Total liabilities and shareholders' equity	$ 11,621	$ 10,249

Condensed Statements of Income

	2019	2018
Income		
Dividends from banking subsidiary	$ 450	$ 540
Total income	450	540
Expenses	24	23
Income before income taxes and equity in undistributed earnings of banking subsidiary	426	517
Equity in undistributed earnings of banking subsidiary	827	815
Net income	$ 1,253	$ 1,332

Note 15. Southeastern Bancorp, Inc. (Parent Company Only), Continued

Condensed Statements of Cash Flows

	2019	2018
Operating activities		
Net income	$ 1,253	$ 1,332
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of banking subsidiary	(827)	(815)
Net cash provided by operating activities	426	517
Cash flows from financing activities		
Cash dividends paid	(492)	(500)
Net cash used by financing activities	(492)	(500)
(Decrease) Increase in cash	(66)	17
Cash and cash equivalents, beginning of year	86	69
Cash and cash equivalents, ending of year	$ 20	$ 86

Note 16. Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. Management has reviewed events occurring through February 10, 2020, the date the financial statements were available to be issued and no subsequent events occurred requiring accrual or disclosure.

FINANCIAL HIGHLIGHTS
As of and for the years ended December 31, 2019, 2018, 2017, 2016 and 2015
(Dollars in thousands, except per share amounts)

	2019	2018	2017	2016	2015
FOR THE YEAR					
Interest income	$ 4,363	$ 4,009	$ 3,879	$ 3,657	$ 3,804
Interest expense	435	306	310	357	423
Net interest income	3,928	3,703	3,569	3,300	3,381
Income before income taxes and loan loss provision	1,328	1,409	1,132	1,114	1,055
Income taxes	75	57	31	40	37
Provision for loan losses	77	20	-	160	225
Net income	1,253	1,332	1,101	914	793
Dividends paid	492	500	360	360	278
Earnings per share	8.36	8.88	7.34	6.09	5.29
Dividends paid per share	3.28	3.33	2.40	2.40	1.85
Per share amounts retained in equity accounts	5.08	5.55	4.94	3.69	3.44
AT YEAR END					
Assets	$ 93,011	$ 92,853	$ 90,950	$ 82,186	$ 83,432
Deposits	81,256	82,485	81,215	73,136	72,721
Net loans	60,818	59,547	56,374	55,259	57,336
Ratio of net loans to deposits	74.85%	72.19%	69.41%	75.56%	78.84%
Securities available-for-sale	17,796	17,371	14,588	11,862	15,526
Shareholders' equity	11,621	10,249	9,610	8,939	8,577
Book value per share	77.47	68.33	64.07	59.59	57.18

This statement has not been reviewed or confirmed for accuracy or relevance by the FDIC.

STAFF

April Boyd

Sandra Burgess

Whitley Graham

Pam Johnson

Brenda Mack

Shelby McClam

Kimberly Pack

Linda Price

Tracy Price

Margaret Reynolds

Sheniquia Shaw

Annette Suggs

Bridgette Tisdale

SOUTHEASTERN BANCORP, INC.
OFFICERS

R. W. Jonte, Jr. .... Chairman

Margery J. Mahoney .... Secretary/Treasurer

DIRECTORS

R. W. Jonte, Jr. Virginia W. Jonte

Margery J. Mahoney

BANK OF GREELEYVILLE
OFFICERS

R. W. Jonte, Jr. .... CEO

Samuel S. Williamson .... President

Tracy J. Kellahan .... Executive Vice-President

Diane W. Nexsen .... Senior Vice-President

Vivian Moore .... Vice-President

Doris Witherspoon .... Vice-President

Ashley L. Bell .... Vice-President

Kenneth R. Kellahan, Jr. .... Assistant Vice-President

Donna P. Carsten .... Assistant Vice-President

DIRECTORS

R. W. Jonte, Jr. Virginia W. Jonte

Tracy J. Kellahan Margery J. Mahoney

Samuel S. Williamson

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843-426-4800

24 HOUR BANK BY PHONE

Southeastern Bancorp, Inc.
Greeleyville SC 29056
Fiscal Year Ending December 31, 2019

REPORT ITEM 2a:
Organizational Chart
NO LEI

SOUTHEASTERN BANCORP, INC. GREELEYVILLE, SC 29056 USA Incorporated in South Carolina USA
100 %
BANK OF GREELEYVILLE GREELEYVILLE, SC 29056 USA Incorporated in South Carolina USA

Southeastern Bancorp, Inc.
Greeleyville SC 29056
Fiscal Year Ending December 31, 2019

REPORT ITEM 2b:
Domestic Branch Listing

Results: A list of branches for your holding company: SOUTHEASTERN BANCORP, INC. (1250679) of GREELEYVILLE, SC.
The data are as of 12/31/2019. Data reflects information that was received and processed through 03/05/2020.

Reconciliation and Verification Steps

1. In the **Data Action** column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the **Effective Date** column

Actions

OK: If the branch information is correct, enter 'OK' in the **Data Action** column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the **Data Action** column and the date when this information fir
Close: If a branch listed was sold or closed, enter 'Close' in the **Data Action** column and the sale or closure date in the **Effective Date** column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the **Data Action** column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the **Data Action** column and the opening or acquisition date in the

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure

When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the **FR Y-10 reporting requirements**, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a **Data Action** of Change, Close,
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City
OK		Full Service (Head Office)	465524	BANK OF GREELEYVILLE	223 VARNER AVENUE	GREELEYVILLE
OK		Full Service	1436660	KINGSTREE BRANCH	209 MARTIN LUTHER KING AVENUE	KINGSTREE

'st became valid in the **Effective Date** column.

Effective Date column.

Delete, or Add.

State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
SC	29056	WILLIAMSBURG	UNITED STATES	Not Required	Not Required	BANK OF GREELEYVILLE	465524	
SC	29556	WILLIAMSBURG	UNITED STATES	Not Required	Not Required	BANK OF GREELEYVILLE	465524	

Southeastern Bancorp, Inc.
Greeleyville SC 29056
Fiscal Year Ending December 31, 2019

REPORT ITEM 3: Part (1)
Securities holders

Name City, State, Country	Country of Citizenship	No. & Percentage of Securities
Virginia Wilson Jonte Greeleyville SC/ USA	USA	46,307 shares 30.87 %
Robert W. Jonte, Jr. Greeleyville SC / USA	USA	45,569 shares 30.38%
Margery Jonte Mahoney Greeleyville SC / USA	USA	43,186 shares 28.79 %

Southeastern Bancorp, Inc.
Greeleyville SC 29056
Fiscal Year Ending December 31, 2019

REPORT ITEM 3: Part (2)

NONE

Southeastern Bancorp, Inc.
Greeleyville SC 29056
Fiscal Year Ending December 31, 2019

REPORT ITEM 4:
Insiders

(1) Name City, State Country	(2) Principal Occupation	(3) Title/Position Holding Co.	(3)(b) Title/Position Subsidiary	(3)(c) Title/Position other	(4)(a) Percentage Voting Share H C	(4)(b) Percentage Voting Share Subsidiary	(4)(c) Other Co > 25% voting securities
Virginia W. Jonte Greeleyville SC USA	Retired	Director	N/A	N/A	30.87%	N/A	N/A
Robert W. Jonte, Jr. Greeleyville SC USA	CEO Bank of Greeleyville	Director/ Chairman	N/A	N/A	30.38%	N/A	N/A
Margery J. Mahoney Greeleyville SC USA	Teacher	Director	N/A	N/A	28.79%	N/A	N/A