



Expanding Our Reach



Chief Executive Officer’s Report 3

Consolidated Balance Sheets 4

Consolidated Statements of Income 5

Board of Directors / Management Team 6

Community Giving 7



Dear Fellow Shareholder,

On behalf of the Board, Management, and Staff, it is my sincere pleasure to share our results from a very successful 2017 highlighting another record year for Assets, Loans, Deposits and Net Income, all important milestones along the path of increasing shareholder value. For the 12 months ended December 31, 2017, net income increased 11% to \$1,162,570 our 7th straight year of record earnings. Total assets grew \$21,600,564 (11.5%) to \$210,006,830. Total loans grew \$30,283,974 (18.6%) to \$193,116,906. Total deposits grew \$19,536,223 (11.5%) to \$189,340,650. Reflecting strong risk management practices, we remain "well capitalized" by all regulatory measures.



Our emphasis on efficiency, productivity and expense control resulted in 11% improvement in income, while growing total assets 11.5%. A common measure of productivity and earnings is efficiency ratio, with a lower ratio indicating better performance. We achieved an efficiency ratio of 66%, significantly better than many of our local and regional peers.

We are very pleased with the growth in our loan portfolio and strive to build a profitable balance sheet, while effectively managing risk. At year-end 2017 we outperformed our peers both locally and nationally in many key asset quality metrics. We continue to follow robust risk management processes coupled with conservative underwriting, to maximize profits while minimizing risk.

We are excited about the opportunities of 2018. We ended the first quarter with unaudited bank operations reporting net income of \$471,182, an increase of 24.6% over first quarter 2017. Additionally, we are excited to open our 4th office during June of this year in the Boonsboro Shopping Center. Reflecting our efforts to build franchise value through organic growth and strategic acquisition, our expanding branch network will continue to provide meaningful opportunities for our bank to grow core deposits. With a focus on increasing core deposits, we will launch new Kasasa reward deposit products during the 3rd quarter. These reward products will offer both a cash and cash back option for our customers, and Kasasa products are exclusive to our bank in this market. We are well positioned for a prosperous 2018 and remain optimistic about future growth opportunities.

Enhancing shareholder value continues to be one of the core goals of our strategic vision. We issued our first cash dividend in October of 2017. We are pleased to announce that our Board of Directors has declared a cash dividend of \$0.10 per share, for the first half of 2018 payable on June 19th. Our Board of Directors and executive management are proud of the bank's performance and are pleased to reward and thank our longtime shareholders for their support. We believe the ability to return value to our shareholders is an indication of not only the Bank's financial strength but our positive outlook for the future.

We are grateful to you, our shareholders, as well as our valued customers for your support over the past eleven years and for the trust and confidence you have placed in Select Bank. We hope to see many of you in our Boonsboro Branch this summer. Please help your bank grow by referring your family, friends, and associates to Select Bank.

As always my door is open anytime that you would like to meet with me or have questions. Over the course of each year, I make it a point to speak with many of you face to face and always welcome the opportunity to update you on the bank's progress.

Sincerely,

J. Michael Thomas
Chief Executive Officer



Consolidated Balance Sheets

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and amounts due from banks	\$ 3,479,731	\$ 2,350,801
Interest bearing deposits in other banks	3,135,084	13,242,839
Federal funds sold	191,128	171,035
	<u>6,805,943</u>	<u>15,764,675</u>
Total cash and cash equivalents		
Investments		
Securities available-for-sale at approximate market value	1,099,894	1,358,513
Loans	193,116,906	162,832,932
Less allowance for loan losses	(1,085,269)	(1,303,433)
	<u>192,031,637</u>	<u>161,529,499</u>
Net loans		
Bank premises, furniture, and equipment, net	4,545,762	4,509,367
Restricted equity securities	764,200	694,150
Other real estate owned	80,919	167,738
Deferred tax assets	454,063	673,257
Cash surrender value of life insurance	2,790,172	2,729,100
Accrued interest receivable and other assets	1,434,240	979,967
	<u>10,069,356</u>	<u>9,753,579</u>
Total other assets		
Total assets	<u>\$ 210,006,830</u>	<u>\$ 188,406,266</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits		
Interest bearing	\$ 173,458,700	\$ 155,367,634
Non-interest bearing	15,881,950	14,436,793
	<u>189,340,650</u>	<u>169,804,427</u>
Total deposits		
Subordinated debt	4,206,000	3,510,000
Interest, taxes, and other liabilities	949,161	593,401
	<u>194,495,811</u>	<u>173,907,828</u>
Total liabilities		
STOCKHOLDERS' EQUITY		
Common stock, \$5.00 par value, 20,000,000 shares authorized, 1,501,216 shares issued and outstanding in 2017 and 2016	7,506,080	7,506,080
Surplus	8,016,935	8,016,935
Retained earnings (deficit)	(11,923)	(1,024,371)
Accumulated other comprehensive income (loss)	(73)	(206)
	<u>15,511,019</u>	<u>14,498,438</u>
Total stockholders' equity		
Total liabilities and stockholders' equity	<u>\$ 210,006,830</u>	<u>\$ 188,406,266</u>



Consolidated Statements of Income

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
INTEREST INCOME		
Interest and fees on loans	\$ 8,146,855	\$ 7,070,378
Interest on deposits in other banks	87,424	50,276
Federal funds sold	4,055	233
Investment securities – taxable	9,925	2,190
Dividends on restricted equity securities	68,625	57,727
	<u>8,316,884</u>	<u>7,180,804</u>
INTEREST EXPENSE		
Interest on deposits	2,109,397	1,702,500
Interest on borrowed funds	288,752	137,088
	<u>2,398,149</u>	<u>1,839,588</u>
Net interest income	5,918,735	5,341,216
Provision for loan losses	(220,013)	157,001
	<u>5,698,722</u>	<u>5,184,215</u>
Net interest income after provision for loan losses	<u>6,138,748</u>	<u>5,184,215</u>
OTHER INCOME		
Service charges on deposit accounts	185,854	134,373
Other customer service fees	89,603	19,357
Mortgage brokerage fees	300,361	344,115
Gain (loss) on sale of other real estate owned	(22,832)	-
Increase in cash surrender value of life insurance	61,072	64,997
Consulting fee income	34,000	-
	<u>648,058</u>	<u>562,842</u>
Total other income	<u>648,058</u>	<u>562,842</u>
OTHER EXPENSES		
Salaries and employee benefits	2,766,420	2,363,487
Occupancy expense	424,581	329,353
Telephone expense	88,522	111,991
FDIC assessment expense	149,711	108,811
Legal and accounting fees	130,867	113,163
Data processing fees	106,178	164,510
Professional fees and contracted services	153,443	213,216
Marketing expense	71,304	51,206
Computer expenses	134,274	102,391
Taxes other than income taxes	96,466	115,537
Other real estate owned expenses	30,552	52,840
Other operating expenses	431,955	416,371
	<u>4,584,273</u>	<u>4,142,876</u>
Total other expenses	<u>4,584,273</u>	<u>4,142,876</u>
Income before income taxes	2,202,533	1,604,181
INCOME TAX EXPENSE		
	<u>1,039,963</u>	<u>557,201</u>
Net income	<u>\$ 1,162,570</u>	<u>\$ 1,046,980</u>



EXECUTIVE OFFICERS

J. Michael Thomas
Chief Executive
Officer

T. Clay Davis
President
Chief Financial Officer

BOARD OF DIRECTORS

T. Clay Davis
Director
Executive Committee
Investment Committee
Asset Liability Committee

T. Scott Garrett, M.D.
Director
Audit Committee
Nominating & Compensation
Committee

Jennifer B. Lucado
Director
Loan Committee

C. Letcher Newcomb II
Director
Loan Committee
Investment Committee
Audit Committee

Robert K. Pearson, Jr.
Director
Investment Committee
Audit Committee
Planning & Development
Committee

Alan W. Pettigrew
Director
Loan Committee
Planning & Development
Committee

Larry H. Redmond, M.D.
Director
Nominating & Compensation
Committee
Asset Liability Committee

J. Michael Thomas
Director
Loan Committee
Executive Committee

Daniel P. Thornton
Chairman
Loan Committee
Executive Committee
Nominating & Compensation
Committee
Planning & Development
Committee

M. Ralph Wilkes
Vice Chairman
Loan Committee
Executive Committee
Audit Committee
Nominating & Compensation
Committee



LEFT TO RIGHT:

Clay Davis, President

Chip Mason, Senior Vice President

Sherri Sackett, Senior Vice President

Mike Forren, Senior Vice President,
Commercial Lending

Mike Thomas, CEO



Continual Investment in Our Community

We invest our time, resources and passion to support local community causes.

As a community bank, we feel a strong calling to invest in the future of the community we serve. During 2017 we contributed to over 60 local charities and causes, including Lynchburg Beacon of Hope, The Boys and Girls Club of Lynchburg, Lynchburg Daily Bread, Relay for Life, The United Way, The Academy Center of the Arts, Central VA Community College Educational Foundation, The YMCA, The Fall Classic and The Goode Recreation Association, to name a few.



Top Row, L to R:

Alan Pettigrew, Sherri Sackett, Caroline Shircliff Fisk and Dennis Gottuso volunteering for the Select Bank Fall Classic.

Mike Forren, SVP Commercial Lending, Todd Moore, Chris Gentry & Glen Gentry participating in the Select Bank Fall Classic, which benefits the Leukemia & Lymphoma Society.

Mike Thomas, CEO, and Danny Thornton, Chair, visit with CVCC student Autumn Bagby. Autumn Bagby was the 2017 Scholarship Recipient of the Select Bank Scholarship in Memory of Peter P. Thornton.

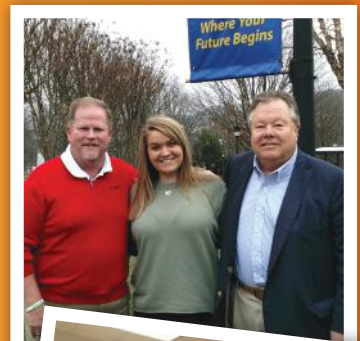


Bottom Row, L to R:

The Select Bank Retail Team enjoys planning for 2018 over dinner.

Jennipher Lucado with Linkhorne Middle School student Emily Mullen who received an award of Excellence in Musical Accomplishment from the Optimist Club of Lynchburg. The Optimist Club program was sponsored by Select Bank.

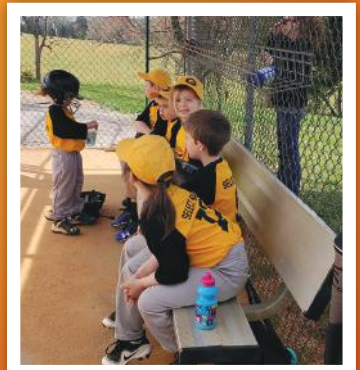
Emma Mazingo and the Goode Sluggers, which Select Bank proudly sponsors.



Above: Chris Mowry and Mike Forren attending the Home Builders Association of Central VA Hammer Time hosted by Select Bank.

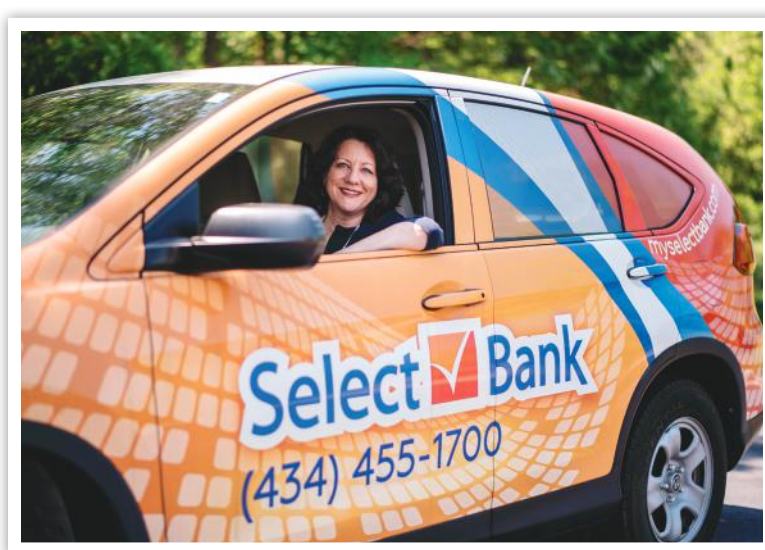


Above: Jessica Collins, Mortgage Specialist attends the Lynchburg Association of Realtors Expo.



“We are pleased to announce that our Board of Directors has declared a cash dividend of \$0.10 per share, for the first half of 2018 payable on June 19th. Our Board of Directors and executive management are proud of the bank’s performance and are pleased to reward and thank our longtime shareholders for their support. We believe the ability to return value to our shareholders is an indication of not only the Bank’s financial strength but our positive outlook for the future.”

- J. MICHAEL THOMAS, CEO



Lorie Ped, Digital Banking Officer.



SHAREHOLDER RELATIONS CONTACT:

Sherri A. Sackett • 434.455.1704 • sherri@myselectbank.com

www.myselectbank.com