

# Annual Report 2021

*Supporting Our Staff, Our Community,  
and Our Local Small Businesses.*

# Select Bank

## FINANCIAL CORPORATION



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and Our Local Small Businesses.*

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# Select Bank

## FINANCIAL CORPORATION

Dear Fellow Shareholder,

On behalf of the Board, Management, and Staff, it is our sincere pleasure to share our results from another unprecedented yet prosperous 2021, highlighting a strong financial performance as we expand the communities we serve while increasing shareholder and franchise value. For the 12 months ended December 31, 2021:

- Net income of \$2,023,915 increased \$450,213 from the prior year
- Total assets grew \$65,574,314 (20%) to \$394,892,903
- Core loans net of PPP grew \$38,922,595 (15%) to \$287,860,698
- Total loans grew \$5,925,946 (2%) to \$296,126,148
- Total deposits grew \$95,521,274 (37%) to \$351,838,603
- We paid our fifth semi-annual cash dividend.
- Capital levels improved with earnings and an additional tranche of a preferred stock issuance combining to strengthen the Bank's balance sheet further.

Consistent earnings growth, a strong balance sheet, and significant growth in our investment portfolio and core deposits will enable us to serve our existing markets while looking for new competitive opportunities. Over the past 24 months, the pandemic has upended all aspects of our daily life, including how we bank. And that, in turn, has shifted how we have served our customers. Our employees have met the challenging environment by consistently providing our customers and communities with extraordinary support when most needed through PPP origination, forgiveness, and expanding our products and services to meet our customers' needs. We are incredibly proud to work with this dedicated team and their outstanding efforts.

We ended April 2022 with unaudited bank operations reporting year to date net income of \$1,092,938, indicating a strong profitability and earnings year. We successfully acquired and opened a full-service office in the thriving Burlington, NC market in May of 2021. We have experienced steady growth in our NC markets and will continue to expand our presence in contiguous markets by leveraging our digital solutions.

As part of our ongoing strategic plan, we are committed to providing innovative products and exceptional service. To improve and expand our products, we have made additional investments in our core banking systems. These investments will enable us to offer progressive cloud-based solutions that will increase our efficiency and better serve our customers. In addition, during the fourth quarter of 2021, we began the implementation of Abrigo, a leading software provider in compliance, credit risk, and lending for financial institutions. The implementation will be complete during the second quarter and will enhance our internal and external loan processes while supporting our credit culture.

In January of 2022, with the guidance of our leadership team and board, we began upgrading our core banking system and other associated products. This conversion requires a significant investment from our team but will enable us to scale up our capabilities and offerings and, ultimately, the service we provide to our customers. The conversion will be complete in September and will further enhance our growth into new markets while focusing on strengthening existing customer relationships.

Providing long-term value to our shareholders remains one of our strategic core goals. Accordingly, in 2021 we paid two cash dividends of \$0.125 per share, marking our fifth consecutive year of paying a cash dividend. In addition, we successfully closed additional tranches of our preferred stock offering, further enhancing our capital position for additional growth. We remain confident in your Bank's strength and stability and greatly appreciate the confidence our communities have provided us through their ever-increasing investment in the future of Select Bank.

Our door is always open anytime you would like to meet with us or have questions or comments. We are grateful to you, our shareholders, for your support and eagerly look forward to the future!

Sincerely,



T. Clay Davis  
President  
CFO



Sherri A. Sackett  
Executive Vice President  
COO



J. Michael Thomas  
CEO

# SELECT BANK FINANCIAL CORPORATION

## CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash and amounts due from banks	\$ 5,853,632	\$ 6,542,798
Interest bearing deposits in other banks	31,955,773	19,759,069
Federal funds sold	243,519	273,547
Total cash and cash equivalents	38,052,924	26,575,414
Investments		
Securities available-for-sale at fair value	46,374,002	1,199,045
Loans	296,126,148	290,200,202
Less allowance for loan losses	(2,082,187)	(1,595,583)
Net loans	294,043,961	288,604,619
Bank premises, furniture, and equipment, net	6,144,920	4,849,067
Restricted equity securities	1,133,600	1,816,100
Other real estate owned	34,858	34,724
Deferred tax assets	865,196	881,013
Cash surrender value of life insurance	6,021,703	2,967,436
Accrued interest receivable and other assets	2,221,739	2,391,171
Total other assets	16,422,016	12,939,511
Total assets	\$ 394,892,903	\$ 329,318,589
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Interest bearing	\$ 300,274,846	\$ 216,239,202
Non-interest bearing	51,563,757	40,078,127
Total deposits	351,838,603	256,317,329
Borrowings	5,000,000	44,229,400
Subordinated debt	12,238,000	4,938,000
Interest, taxes, and other liabilities	946,118	1,400,378
Total liabilities	370,022,721	306,885,107
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$5.00 par value, 20,000,000 shares authorized, 1,554,616 and 1,501,216 shares issued and outstanding in 2021 and 2020, respectively	7,773,080	7,506,080
Preferred stock, \$5.00 par value, 5,000,000 shares authorized, 287,188 and 250,850 shares issued and outstanding in 2021 and 2020, respectively	1,435,940	1,254,250
Surplus	11,155,480	10,525,175
Retained earnings	4,586,663	3,147,866
Accumulated other comprehensive income (loss)	(80,981)	111
Total stockholders' equity	24,870,182	22,433,482
Total liabilities and stockholders' equity	\$ 394,892,903	\$ 329,318,589

The Notes to Consolidated Financial Statements are an integral part of these statements.

# SELECT BANK FINANCIAL CORPORATION

## CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2021 and 2020

	2021	2020
INTEREST INCOME		
Interest and fees on loans	\$ 14,705,706	\$ 12,115,093
Interest on deposits in other banks	47,750	63,045
Federal funds sold	225	1,307
Investment securities	215,421	15,471
Dividends on restricted equity securities	76,837	137,930
	15,045,939	12,332,846
INTEREST EXPENSE		
Interest on deposits	2,534,865	3,141,352
Interest on borrowed funds	553,878	676,082
Net interest income	11,957,196	8,515,412
Provision for loan losses	560,000	877,000
Net interest income after provision for loan losses	11,397,196	7,638,412
OTHER INCOME		
Service charges on deposit accounts	59,175	55,835
Other customer service fees	100,183	77,140
Mortgage brokerage fees	874,486	768,054
Gain (loss) on sale of other real estate owned	(1,484)	-
Increase in cash surrender value of life insurance	54,267	58,548
Consulting fee income	1,500	9,000
Total other income	1,088,127	968,577
OTHER EXPENSES		
Salaries and employee benefits	6,259,955	3,719,368
Occupancy expense	684,937	603,666
Telephone expense	137,943	122,100
FDIC assessment expense	293,726	219,436
Legal and professional fees	452,387	408,169
Data processing fees	578,359	401,768
Marketing expense	192,744	145,561
Computer expenses	240,873	176,262
Taxes other than income taxes	345,227	152,109
Other operating expenses	795,826	639,724
Total other expenses	9,981,977	6,588,163
Income before income taxes	2,503,346	2,018,826
INCOME TAX EXPENSE	479,431	445,124
Net income	\$ 2,023,915	\$ 1,573,702

The Notes to Consolidated Financial Statements are an integral part of these statements.

*Supporting Our Staff, Our Community,  
and Our Local Small Businesses.*

**T. Clay Davis**

*Director*

Executive Committee  
Investment Committee  
Asset Liability Committee

**T. Scott Garrett, M.D.**

*Director*

Audit Committee  
Nominating & Compensation Committee

**Jennipher 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, MD**

*Director*

Nominating and Compensation Committee  
Asset Liability Committee

**Sherri A. Sackett**

*Director*

Audit 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 Chair*

Loan Committee  
Executive Committee  
Audit Committee  
Nominating & Compensation Committee



J. Michael Thomas  
CEO

Sherri A. Sackett  
Executive Vice President  
COO

T. Clay Davis  
President  
CFO

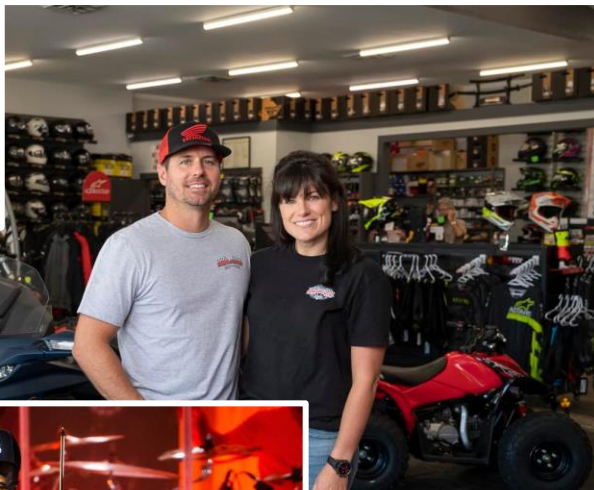


## PARTNERING WHERE IT MATTERS MOST.



Club of Forest  
est. 2003

**BEDFORD AREA  
FAMILY YMCA**



# Select Bank

## FINANCIAL CORPORATION

Our employees have met the challenging environment by consistently providing our customers and communities with extraordinary support when most needed through PPP origination, forgiveness, and expanding our products and services to meet our customers' needs. We are incredibly proud to work with this dedicated team and their outstanding efforts.

- Select Bank Executive Officers



# Bank Local.

Where **people** matter most.

Shareholder Relations Contact:  
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[www.pacificstocktransfer.com](http://www.pacificstocktransfer.com)