



Supporting Small Business  
And *Our* Community



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Dear Fellow Shareholder,

On behalf of the Board, Management, and Staff, it is my sincere pleasure to share our results from an unprecedented yet prosperous 2020, highlighting another strong financial performance as we expand the communities we serve while increasing shareholder and franchise value. For the 12 months ended December 31, 2020;

- Net income was \$1,573,702
- Total assets grew \$76,149,252 (30%) to \$329,318,589
- Total loans grew \$66,443,525 (30%) to \$290,200,202
- Total deposits grew \$38,563,059 (18%) to \$256,317,329
- We paid our third semi-annual cash dividend.
- Capital levels improved with earnings and an additional tranche of a preferred stock issuance combining to further strengthen the bank's balance sheet.

The pandemic reminded us all of the importance of community, caring and the importance of local banking. We are honored to have been able to serve as financial first responders in putting our customer needs first while keeping our staff safe. Consistent earnings growth, a strong balance sheet and significant deposit growth in both our Kasasa Reward Checking products and our Business accounts further enhance our competitive position in the markets we serve.

We ended April 2021 with unaudited bank operations reporting a net income of \$696,789, signaling another year of strong profitability and earnings. Despite the pandemic environment, we successfully opened a full-service office in Staunton during the 4th quarter of 2020 and a loan production office in the Randolph County - Asheboro, NC market during the 3rd quarter of 2020. And most recently, we have acquired and opened a full-service office in the thriving Burlington, NC market. We began operations on May 3, 2021, with a staff of 4, loans of \$23.3MM, and deposits of \$9.3MM. Making additional investments in vibrant contiguous markets will create opportunities for steady growth while diversifying risk and building franchise value. As part of our ongoing strategic plan, and as we demonstrated during the pandemic through our PPP digital solutions, we will continue to invest in innovative solutions that will further enhance our growth into new markets while focusing on strengthening existing customer relationships.

Providing long-term value to our shareholders that have supported our bank for fifteen years remains one of our strategic core goals. In 2020 we paid two cash dividends of \$0.125 per share marking our fourth consecutive year of paying a cash dividend. We are proud to have paid cash dividends beginning in only our tenth year of operation. We successfully closed the second tranche of our preferred stock offering, further enhancing our capital position for additional growth. Our commitment to raising capital from local investors is something we are very proud of at Select Bank. We are humbled that the communities we serve continue to show their faith and confidence in us by their ever-increasing investment in the future of Select Bank.

We could not be prouder of our staff, board, and record of service to our community during the pandemic. We processed 100% of the Paycheck Protection Program loan applications we received, delivering over \$74,000,000 in funding to small businesses while saving thousands of local jobs. As we exit the pandemic and look to what's next, we anticipate tremendous opportunities for our bank. We will maintain our approach to meet the shifting needs of our communities and customers where it matters the most and will persevere together.

Our door is always open anytime you would like to meet with us or just have questions or comments. We are grateful to you, our shareholders, for your support over the past fifteen years and eagerly look forward to what's next!

Sincerely,



J. Michael Thomas  
Chief Executive Officer



T. Clay Davis  
President, CFO



Sherri A. Sackett  
Executive Vice President, COO



# Consolidated Balance Sheets

Years Ended December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash and amounts due from banks	\$ 6,542,798	\$ 2,327,055
Interest bearing deposits in other banks	19,759,069	15,808,405
Federal funds sold	273,547	279,534
Total cash and cash equivalents	26,575,414	18,414,994
Investments		
Securities available-for-sale at approximate market value	1,199,045	1,245,448
Loans	290,200,202	223,756,677
Less allowance for loan losses	(1,595,583)	(1,238,809)
Net loans	288,604,619	222,517,868
Bank premises, furniture, and equipment, net	4,849,067	4,676,729
Restricted equity securities	1,816,100	1,233,000
Other real estate owned	34,724	34,724
Deferred tax assets	881,013	432,797
Cash surrender value of life insurance	2,967,436	2,908,888
Accrued interest receivable and other assets	2,391,171	1,704,889
Total other assets	12,939,511	10,991,027
Total assets	<u>\$ 329,318,589</u>	<u>\$ 253,169,337</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Interest bearing	\$ 216,239,202	\$ 196,089,683
Non-interest bearing	40,078,127	21,664,587
Total deposits	256,317,329	217,754,270
Borrowings	44,229,400	10,000,000
Subordinated debt	4,938,000	4,606,000
Interest, taxes, and other liabilities	1,400,378	875,076
Total liabilities	306,885,107	233,235,346
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$5.00 par value, 20,000,000 shares authorized, 1,501,216 shares issued and outstanding in 2020 and 2019	7,506,080	7,506,080
Preferred stock, \$5.00 par value, 5,000,000 shares authorized, 250,850 and 154,178 shares issued and outstanding in 2020 and 2019, respectively	1,254,250	770,890
Surplus	10,525,175	9,558,535
Retained earnings	3,147,866	2,097,604
Accumulated other comprehensive income	111	882
Total stockholders' equity	22,433,482	19,933,991
Total liabilities and stockholders' equity	<u>\$ 329,318,589</u>	<u>\$ 253,169,337</u>



# Consolidated Statements of Income

Years Ended December 31, 2020 and 2019

	2020	2019
INTEREST INCOME		
Interest and fees on loans	\$ 12,115,093	\$ 10,231,181
Interest on deposits in other banks	63,045	270,228
Federal funds sold	1,307	5,383
Investment securities	15,471	22,519
Dividends on restricted equity securities	137,930	79,878
	12,332,846	10,609,189
INTEREST EXPENSE		
Interest on deposits	3,141,352	3,621,160
Interest on borrowed funds	676,082	340,703
	8,515,412	6,647,326
Provision for loan losses	877,000	10,000
	7,638,412	6,637,326
Net interest income after provision for loan losses		
OTHER INCOME		
Service charges on deposit accounts	55,835	102,331
Other customer service fees	77,140	53,838
Mortgage brokerage fees	768,054	262,559
Gain (loss) on sale of other real estate owned	-	(7,945)
Increase in cash surrender value of life insurance	58,548	59,096
Consulting fee income	9,000	30,782
	968,577	500,661
OTHER EXPENSES		
Salaries and employee benefits	3,719,368	3,043,791
Occupancy expense	603,666	578,131
Telephone expense	122,100	122,039
FDIC assessment expense	219,436	116,536
Legal and professional fees	408,169	243,678
Data processing fees	401,768	249,720
Marketing expense	145,561	156,570
Computer expenses	176,262	163,551
Taxes other than income taxes	152,109	152,859
Other operating expenses	639,724	556,680
	6,588,163	5,383,555
Income before income taxes	2,018,826	1,754,432
INCOME TAX EXPENSE	445,124	387,183
Net income	\$ 1,573,702	\$ 1,367,249





## Board of Directors

### EXECUTIVE OFFICERS

**J. Michael Thomas**  
Chief Executive  
Officer

**T. Clay Davis**  
President  
Chief Financial Officer

**Sherri A. Sackett**  
Chief Operating  
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*



Executive Officers: Mike Thomas, Sherri Sackett and Clay Davis

**Celebrating 15 years serving our community**  
*Photo taken 2006 during In Organization*



## Community Support



 **Communicate**  
 **Connect**  
 **Community**

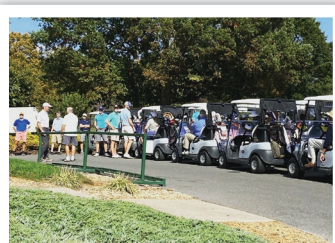
**We Are Proud of Our Staff and the Service We Have  
Provided to our Community**

**We delivered over \$74 Million in  
Paycheck Protection Program Loans**

**Serving over 650 small businesses  
Saving thousands of local jobs**

The pandemic reminded us all of the importance of community, caring and the importance of local banking. We are honored to have been able to serve as financial first responders in putting our customer needs first while keeping our staff safe.

J. Michael Thomas, CEO



**Thank you to our organizers and golfers for making the  
17th annual Select Bank Fall Classic a big success.  
We look forward to seeing all of you September 2021!**



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