



Supporting Community



## Table of Contents

Chief Executive Officer's Report .....	3
Consolidated Balance Sheets .....	4
Consolidated Statements of Income .....	5
Board of Directors .....	6
Community Giving .....	7



## Chief Executive Officer's Report

Dear Fellow Shareholder,

On behalf of the Board, Management and Staff, it is my sincere pleasure to share our results from a prosperous 2019 highlighting another solid financial performance, as we continue to reinvest in the communities we serve while increasing both shareholder and franchise value. For the 12 months ended December 31, 2019:

- Net income was \$1,367,249
- We paid our second semi-annual cash dividend.
- Total assets grew \$31,751,259 (14.3%) to \$253,169,337
- Total loans grew \$23,131,976 (11.5%) to \$223,756,677
- Total deposits grew \$18,600,061 (9.3%) to \$217,754,270
- Capital levels continued to improve with earnings and the first tranche of a preferred stock issuance combining to strengthen the bank's balance sheet.

Continued profitability, strong asset quality and an emphasis on efficiency have allowed the bank to grow while executing on strategic opportunities. In 2019 we achieved an efficiency ratio of 72%, as we expanded into a new market. We remain diligent in following firm risk management processes coupled with conservative underwriting, in an effort to maximize profits while minimizing risk. As a result, our core earnings were at record levels as our asset quality metrics compare favorably with our peers. Robust deposit growth in both our Kasasa Reward Checking products and our Business accounts improved our overall deposit mix and will contribute to lowering our interest expense over time.

We ended April 2020 with unaudited bank operations reporting net income of \$477,209, signaling another year of profitability and strong earnings. We successfully opened a loan production office in Staunton during 3rd quarter of 2019 and plan on opening a full-service branch during 3rd quarter of this year. We have hired a Market President for a loan production office in the Asheboro, North Carolina market and plan on opening a loan production office in the Randolph County market in the near future. Additional investments in the vibrant Staunton, Harrisonburg, Waynesboro, Shenandoah Valley and Randolph County, NC markets will diversify our geographic risk, while creating opportunities for steady growth, further enhancing franchise value. As part of our ongoing strategic plans, we will continue to invest in and develop digital channels to further complement our growth into new markets while focusing on strengthening existing banking relationships.

Providing long-term value to our shareholders that have supported the growth of our bank, and our community continues to be one of the core goals in our strategic vision. We issued two cash dividends in 2019 of \$0.125 per share. The 2019 dividends represented a 25% increase over the 2018 dividend and the second year the company issued a semi-annual dividend payment. We successfully closed the first tranche of a preferred stock offering year-end, raising additional capital for future growth opportunities. If you are interested in our preferred offering or other investment opportunities, please contact Sherri Sackett at [sherri@myselectbank.com](mailto:sherri@myselectbank.com).

We feel the year 2020 remains a year of great possibilities for our bank as we navigate the effects of Covid-19. We could not be prouder of our record of service to our community during the pandemic as we processed 100% of the Paycheck Protection Program loan applications we received, delivering over \$50,000,000 in funding to small businesses. We believe our commitment to sound risk management while maintaining the ability to adapt to an ever-changing operating environment will remain the keys to overcoming present and future challenges. It is critical during this time that we find ways to support, motivate and reimagine our businesses and our opportunities.

As always, my door is open anytime that you would like to meet with me or have questions. We are grateful to you, our shareholders, for your support over the past fourteen years and for the trust and confidence, you have placed in Select Bank. Please remember to help your bank grow by referring your family, friends, and associates to Select Bank.

Sincerely,

J. Michael Thomas  
Chief Executive Officer



Mike proudly wearing his bracelets to show support for the Peter P. Thornton Foundation - Live, Love, Love Strong and Never Give Up. Never. In support of Lung Cancer.



## Consolidated Balance Sheets

Years Ended December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Cash and amounts due from banks	\$ 2,327,055	\$ 2,559,454
Interest bearing deposits in other banks	15,808,405	7,911,764
Federal funds sold	279,534	285,302
Total cash and cash equivalents	18,414,994	10,756,520
Investments		
Securities available-for-sale at approximate market value	1,245,448	746,351
Loans	223,756,677	200,624,701
Less allowance for loan losses	(1,238,809)	(1,243,137)
Net loans	222,517,868	199,381,564
Bank premises, furniture, and equipment, net	4,676,729	4,770,818
Restricted equity securities	1,233,000	798,500
Other real estate owned	34,724	22,919
Deferred tax assets	432,797	481,573
Cash surrender value of life insurance	2,908,888	2,849,792
Accrued interest receivable and other assets	1,704,889	1,610,041
Total other assets	10,991,027	10,533,643
Total assets	\$ 253,169,337	\$ 221,418,078
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits		
Interest bearing	\$ 196,089,683	\$ 179,583,546
Non-interest bearing	21,664,587	19,570,663
Total deposits	217,754,270	199,154,209
Borrowings	10,000,000	-
Subordinated debt	4,606,000	4,606,000
Interest, taxes, and other liabilities	875,076	1,029,457
Total liabilities	233,235,346	204,789,666
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$5.00 par value, 20,000,000 shares authorized, 1,501,216 shares issued and outstanding in 2019 and 2018	7,506,080	7,506,080
Preferred stock, \$5.00 par value, 5,000,000 shares authorized, 154,178 shares issued and outstanding in 2019	770,890	-
Surplus	9,558,535	8,016,935
Retained earnings (deficit)	2,097,604	1,105,659
Accumulated other comprehensive income (loss)	882	(262)
Total stockholders' equity	19,933,991	16,628,412
Total liabilities and stockholders' equity	\$ 253,169,337	\$ 221,418,078



## Consolidated Statements of Income

Years Ended December 31, 2019 and 2018

	2019	2018
INTEREST INCOME		
Interest and fees on loans	\$ 10,231,181	\$ 9,154,625
Interest on deposits in other banks	270,228	192,289
Federal funds sold	5,383	3,645
Investment securities	22,519	14,067
Dividends on restricted equity securities	79,878	85,748
	10,609,189	9,450,374
INTEREST EXPENSE		
Interest on deposits	3,621,160	2,875,551
Interest on borrowed funds	340,703	267,997
	6,647,326	6,306,826
Net interest income	6,647,326	6,306,826
Provision for loan losses	10,000	184,000
Net interest income after provision for loan losses	6,637,326	6,122,826
OTHER INCOME		
Service charges on deposit accounts	102,331	134,106
Other customer service fees	53,838	37,147
Mortgage brokerage fees	262,559	266,349
Gain (loss) on sale of other real estate owned	(7,945)	(58,000)
Increase in cash surrender value of life insurance	59,096	59,620
Consulting fee income	30,782	83,892
Total other income	500,661	523,114
OTHER EXPENSES		
Salaries and employee benefits	3,043,791	2,708,434
Occupancy expense	578,131	521,124
Telephone expense	122,039	117,308
FDIC assessment expense	116,536	158,539
Legal and professional fees	243,678	344,346
Data processing fees	249,720	199,006
Marketing expense	156,570	95,911
Computer expenses	163,551	115,282
Taxes other than income taxes	152,859	106,285
Other operating expenses	556,680	478,633
Total other expenses	5,383,555	4,844,868
Income before income taxes	1,754,432	1,801,072
INCOME TAX EXPENSE	387,183	383,247
Net income	\$ 1,367,249	\$ 1,417,825





## 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: Clay Davis, Sherri Sackett and Mike Thomas



# Investing Our Hands, Hearts and Minds in Service to Our Communities

**We are proud to be a true community-minded bank.** We partner with a vast array of local organizations and events through financial support and the direct participation of our employees and customers. Our employees volunteer countless hours each year in support of worthy local causes. We are deeply committed to the communities we serve. During 2019 we partnered with over 65 local charities and causes including Food for Thought, Lynchburg Beacon of Hope, The Academy Center of the Arts, The Boys & Girls Club of Lynchburg, The Goode Recreation Center, the Bedford Educational Foundation, the Fall Classic and the CVITT to name a few.



**Clockwise, L to R:**  
(Above and top two photos)  
Select Bank's 2nd Annual  
Paint Your Future Event.

Danny Thornton, Chairman,  
with recipients of the  
Peter Thornton Memorial  
Scholarship.

Clay Davis, President,  
supporting the 20th Annual  
Charity ProAm, which  
benefits Food for Thought.

Jeanne McKeague, Retail  
Operations Officer, driving  
for Meals on Wheels.

Select Bank supporting the  
Lynchburg Humane Society.

The Shirdliff Family with  
LLS Director Lissa Greelee  
volunteering at the 16th  
Annual Select Bank Fall  
Classic Golf Tournament,  
which benefits the Leukemia  
Lymphoma Society.



**Above:** Mike Forren,  
SVP Commercial Lending,  
proudly supporting  
Lynchburg's Mustaches 4  
Kids Fundraiser and finishing  
as one of the top participants.





“We believe our commitment to sound risk management while maintaining the ability to adapt to an ever-changing operating environment will remain the keys to overcoming present and future challenges. It is critical during this time that we find ways to support, motivate and reimagine our businesses and our opportunities.”

- J. MICHAEL THOMAS, CEO



**Pictured Above, L to R:**

Clay Davis, President, and Rubens Marcilio, Jr. attending the CVITT.

Clay Davis, Sherri Sackett and Mike Thomas attending the VBA Leadership Conference where Mike Thomas participated on a leadership panel.

Local Artist, Kate McClure, featured during 1st quarter of 2019 in our Boonsboro Office.



**Our Customers and Staff Set Us Apart. Pictured L to R:**

Jaylin Randolph, creator of Here I Live IN Fun production company, which helps local organizations reach their target audience through music, fun and creativity.

Logan Cunningham, Branch Officer at our Gristmill Drive Office.



SHAREHOLDER RELATIONS CONTACT:

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[www.myselectbank.com](http://www.myselectbank.com)