

2014 ANNUAL REPORT

**THE POWER
OF MOMENTUM**



Select Bancorp
Inc.

2014 ANNUAL REPORT

**THE POWER
OF MOMENTUM**

Contents

General Corporate Information	4
Selected Financial Highlights	5
Letter to Shareholders	6
Accountant's Letter	8
Condensed Consolidated Balance Sheets	10
Condensed Consolidated Statement of Operations	11
Board of Directors	12
Executive Management	14
Our Performance	15



GENERAL CORPORATE INFORMATION

ANNUAL SHAREHOLDERS MEETING

The annual meeting of shareholders of Select Bancorp, Inc. will be held on May 19, 2015, at 10:00 a.m. at the Brass Lantern Steak House at 515 Spring Branch Road, Dunn, NC 28334.

MARKET FOR COMMON STOCK

The common stock of Select Bancorp, Inc. is quoted on the NASDAQ Global Market under the trading symbol "SLCT." Raymond James & Associates, Inc.; Automated Trading Desk Financial Services; B-Trade Services; Citadel Securities; Domestic Securities; Hill Thompson Magid & Company; Hudson Securities; J. P. Morgan Securities; FIG Partners; Knight Capital Americas, L.P.; Monroe Financial Partners; UBS Securities; Sandler O'Neill & Partners, L.P.; and, Scott & Stringfellow provide bids and ask quotes for our common stock. At December 31, 2014, there were 11,377,980 shares of common stock outstanding, which were held by approximately 1,519 shareholders.

The table below presents the trading prices for Select Bancorp, Inc. stock for 2014 and 2013.

2014	High	Low
First Quarter	\$7.00	\$6.30
Second Quarter	7.50	6.26
Third Quarter	10.78	6.25
Fourth Quarter	7.97	6.60

2013	High	Low
First Quarter	\$6.65	\$5.50
Second Quarter	6.50	5.43
Third Quarter	7.42	6.16
Fourth Quarter	7.20	5.90

INDEPENDENT AUDITORS

Dixon Hughes Goodman LLP
2501 Blue Ridge Road, Suite 500, Raleigh, NC 27607

FORM 10-K

A copy of Select Bancorp, Inc.'s 2014 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available without charge to shareholders upon written request to Brenda B. Bonner, Vice President, Corporate Secretary, Select Bancorp, Inc., 700 West Cumberland Street, Dunn, NC 28334.

EQUAL OPPORTUNITY EMPLOYER

As an equal opportunity employer, Select Bank & Trust, a wholly-owned subsidiary of Select Bancorp, Inc., pledges to protect applicants and employees from discrimination in hiring, promotion, discharge, pay, fringe benefits, job training, classification, referral and other aspects of employment on the basis of race, color, religion, sex, national origin, age, disability, genetics or veteran status.

CORPORATE HEADQUARTERS

700 West Cumberland Street
Dunn, NC 28334-2633
(910) 892-7080
SelectBank.com

STOCK TRANSFER AGENT

Computershare Transfer Agency
P.O. Box 30170
College Station, TX 77842-3170
(800) 522-6645

REGULATORY AND SECURITIES COUNSEL

Wyrick Robbins Yates & Ponton LLP
4101 Lake Boone Trail, Suite 300
Raleigh, NC 27607

SELECT BANK & TRUST OFFICE LOCATIONS

Burlington 523 S. Worth Street	Greenville 3600 Charles Boulevard 3800 East 10th Street
Clinton 111 Northeast Boulevard	Lillington 818 McKinney Parkway
Dunn 700 West Cumberland Street	Lumberton 4400 Fayetteville Road
Elizabeth City 104 Nance Court	Raleigh 8470 Falls of Neuse Road Suite 100
Fayetteville 2818 Raeford Road 6390 Ramsey Street	Washington 155 N. Market Street Suite 103
Gibsonville 220 Burlington Street	
Goldsboro 431 North Spence Avenue	

SELECTED FINANCIAL HIGHLIGHTS

(unaudited)

	At or for the year ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands, except for share data)				
Operating Data:					
Total interest income	\$ 26,104	\$ 22,903	\$ 25,132	\$ 30,383	\$ 33,610
Total interest expense	4,519	5,258	6,632	8,425	9,680
Net interest income	21,585	17,645	18,500	21,958	23,930
Provision (Recovery) for loan losses	(194)	(325)	(2,597)	6,218	15,634
Net interest income after provision (recovery) for loan losses	21,779	17,970	21,097	15,740	8,296
Total non-interest income	2,675	2,629	3,598	2,817	2,678
Merger related expenses	1,941	428	-	-	-
Other non-interest expense	18,719	15,427	17,236	19,105	19,213
Income (loss) before income taxes	3,794	4,744	7,459	(548)	(8,239)
Provision for income taxes (benefit)	1,437	1,803	2,822	(385)	(3,284)
Net Income (loss)	2,357	2,941	4,637	(163)	(4,955)
Dividends on Preferred Stock	38	-	-	-	-
Net income (loss) available to common shareholders	\$ 2,319	\$ 2,941	\$ 4,637	\$ (163)	\$ (4,955)
Per Share Data:					
Earnings (loss) per share - basic	\$ 0.26	\$ 0.43	\$ 0.67	\$ (0.02)	\$ (0.72)
Earnings (loss) per share - diluted	0.26	0.43	0.67	(0.02)	(0.72)
Market Price					
High	10.78	7.42	6.14	6.00	6.44
Low	6.25	5.43	1.89	1.84	3.19
Close	7.37	6.67	5.60	2.00	4.98
Book value	8.59	8.09	7.84	7.22	7.19
Tangible book value	7.82	8.07	7.79	7.14	7.09
Selected Year-End Balance Sheet Data:					
Loans, gross of allowance	\$ 552,038	\$ 346,500	\$ 367,892	\$ 417,624	\$ 470,484
Allowance for loan losses	6,844	7,054	7,897	10,034	10,015
Other interest-earning assets	138,198	138,406	183,679	128,800	109,685
Goodwill	7,077	-	-	-	-
Core deposit intangible	1,625	182	298	545	699
Total assets	766,121	525,646	585,453	589,651	626,896
Deposits	618,902	448,458	498,559	501,377	534,599
Borrowings	46,324	18,677	30,220	36,249	40,038
Shareholders' equity	97,685	56,004	54,179	49,546	49,692
Selected Average Balances:					
Total assets	\$ 631,905	\$ 555,354	\$ 574,616	\$ 624,015	\$ 644,904
Loans, gross of allowance	430,571	354,871	391,648	451,358	484,647
Total interest-earning assets	565,264	511,597	532,193	565,867	599,152
Goodwill	2,946	-	-	-	-
Core deposit intangible	884	237	389	621	775
Deposits	523,954	470,526	481,387	533,000	548,768
Total interest-bearing liabilities	554,405	413,419	442,554	494,520	511,031
Shareholders' equity	74,365	55,701	52,769	50,094	54,750
Selected Performance Ratios:					
Return on average assets	0.37%	0.53%	0.81%	(.03)%	(.77)%
Return on average equity	3.12%	5.28%	8.79%	(.33)%	(9.05)%
Net interest margin (4)	3.88%	3.46%	3.57%	3.91%	4.03%
Net interest spread (4)	3.60%	3.22%	3.34%	3.70%	3.75%
Efficiency ratio (1)	77.16%	78.20%	78.00%	77.10%	72.71%
Asset Quality Ratios:					
Nonperforming loans to period-end loans (2)	2.15%	4.58%	3.27%	4.70%	2.60%
Allowance for loan losses to period-end loans (3)	1.24%	2.04%	2.15%	2.40%	2.13%
Net loan charge-offs (recoveries) to average loans	(0.03)%	0.15%	(0.12)%	1.37%	3.30%
Capital Ratios:					
Total risk-based capital	17.70%	19.26%	16.60%	13.49%	13.04%
Tier 1 risk-based capital	16.56%	18.00%	15.34%	12.22%	11.78%
Leverage ratio	13.10%	12.62%	10.78%	9.14%	9.40%
Tangible equity to assets	11.65%	10.62%	9.20%	8.31%	7.82%
Equity to assets ratio	15.46%	10.65%	9.25%	8.40%	7.93%
Other Data:					
Number of banking offices	14	8	7	9	9
Number of full time equivalent employees	154	97	111	116	138

(1) Efficiency ratio is calculated as non-interest expenses divided by the sum of net interest income and non-interest income.

(2) Nonperforming loans consist of non-accrual loans and restructured loans.

(3) Allowance for loan losses to period-end loans ratio excludes loans held for sale.

(4) Fully taxable equivalent basis.

TO OUR SHAREHOLDERS, CUSTOMERS, AND FRIENDS:



As we look back on 2014, the most important point we need to communicate is that we firmly believe in the mission of local banking. We meet local needs with local resources. Our mission is “to be the bank of choice in the communities we serve, by providing exceptional customer service, superior products and experienced bankers using a common sense approach to banking.” We know that customer success drives shareholder success. Our focus for the year ahead is momentum. While 2014 was a year of growth in terms of expanding our footprint, we plan to make 2015 a year to move forward with great momentum.

We exist to serve people. We value our shareholders, our customers and our employees. We recognize the power of our momentum is a result of the people involved. Through the diligent work of many, we are pleased to report that 2014 was a year of important progress. The successful merger between New Century Bank and Select Bank & Trust was completed in July, and our footprint nearly doubled. We now have offices serving all of our stakeholders from Elizabeth City in the East, to Burlington in the Triad, through the capital city of Raleigh and along the I-95 corridor of eastern North Carolina.

While we are extremely proud of our growth over the past year, we are also aware the banking industry continues to be a complex one. The three drivers of long-term shareholder value are quality, earnings and growth. This is an excellent time to review how we have approached these three value drivers and what this means for our future.

QUALITY Quality is the foundation of any successful banking strategy. Over the past year we have focused on quality people, quality products and quality services. We have remained profitable through the worst banking crisis since the Great Depression. The approach to quality was apparent in our 2014 results. At the end of 2014, our non-performing assets decreased \$5 million from the previous year. We are focused on quality customer relationships. Our asset quality is excellent.

GROWTH Growth is an important part of our success. We started the bank in 2000 and will celebrate 15 years in business in 2015. Starting with one office in a modular unit in Dunn, we now have 14 locations, total assets of \$766.1 million, total deposits of \$618.9 million and total loans were \$552.0 million at year-end 2014, compared to year end totals for 2013 of \$525.6 million, \$448.5 million and \$346.5 million, respectively.

EARNINGS Earnings are a critical source of capital and indicator of success. In this current low interest rate environment, we have invested in new locations, people, marketing, technology, growing core deposits and non-interest income. Net income for Select Bancorp was \$2.4 million for 2014. Preparing for the merger and integration of a bank almost 33 percent of our existing size required a considerable investment in the type of people who can do this effectively and efficiently. Non-recurring legal and consulting costs associated with this type of expansion were evident on our third and fourth quarter 2014 results. We view this as a wise long-term investment.

Henry Ford once said, “If everyone is moving forward together, the success takes care of itself.” Our two banks have joined together successfully. We have always had a strong story. We are emerging with rising strength and great momentum for the future. The nation and our industry remain in a period of profound change. While there are plenty of reasons to be cautious about the future, we are working on the type of growth that will make Select Bank & Trust stronger, more profitable and able to withstand any challenges that lie ahead. We are focused on sound growth that really matters to our customers, employees and shareholders. We are grateful for your support and very excited about what the future holds for Select Bank & Trust.

Sincerely,

A handwritten signature in blue ink that reads "William L. Hedgepeth II". The signature is fluid and cursive, with the "II" at the end being clearly distinct.

William L. Hedgepeth II
President and Chief Executive Officer

REPORT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM



To the Shareholders and the Board of Directors
Select Bancorp, Inc.
Dunn, North Carolina

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Select Bancorp, Inc. and Subsidiary (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity and cash flows for each of the years in the three-year period ended December 31, 2014 (not presented herein); and in our report dated March 31, 2015, we expressed an unqualified opinion on those consolidated financial statements. The accompanying condensed consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the information set forth in the condensed consolidated financial statements in relation to the consolidated financial statements from which they have been derived.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2014 and 2013 and the related condensed consolidated statements of operations for each of the years in the three-year period ended December 31, 2014 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Dixon Hughes Goodman LLP

Raleigh, North Carolina
March 31, 2015

The background of the entire page is a solid green color. It features several large, smooth, wavy lines in a slightly darker shade of green that sweep across the page from the left and bottom edges, creating a sense of movement and depth.

2014

CONDENSED CONSOLIDATED BALANCE SHEETS
& STATEMENTS OF OPERATIONS

SELECT BANCORP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
	<i>(In thousands, except share and per share data)</i>	
ASSETS		
Cash and due from banks	\$ 14,417	\$ 20,151
Interest-earning deposits in other banks	22,810	49,690
Certificates of deposit	1,000	-
Federal funds sold and repurchase agreements	20,183	3,028
Investment securities available for sale, at fair value	102,235	83,836
Loans	552,038	346,500
Allowance for loan losses	(6,844)	(7,054)
NET LOANS	545,194	339,446
Accrued interest receivable	2,416	1,650
Stock in Federal Home Loan Bank of Atlanta ("FHLB"), at cost	1,524	796
Other non-marketable securities	896	1,055
Foreclosed real estate	1,585	2,008
Premises and equipment, net	17,599	10,900
Bank owned life insurance	20,966	8,463
Goodwill	7,077	-
Core deposit intangible	1,625	182
Other assets	6,594	4,441
TOTAL ASSETS	\$ 766,121	\$ 525,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand	\$ 129,831	\$ 85,347
Savings	37,000	16,597
Money market and NOW	166,511	124,635
Time	285,560	221,879
TOTAL DEPOSITS	618,902	448,458
Short-term debt	20,733	6,305
Long-term debt	25,591	12,372
Accrued interest payable	276	225
Accrued expenses and other liabilities	2,934	2,282
TOTAL LIABILITIES	668,436	469,642
Shareholders' Equity		
Preferred stock, no par value, 5,000,000 shares authorized; 7,645 and 0 shares outstanding December 31, 2014 and 2013, respectively	7,645	-
Common stock, \$1 par value, 25,000,000 shares authorized; 11,377,980 and 6,921,352 shares issued and outstanding at December 31, 2014 and 2013, respectively	11,378	6,922
Additional paid-in capital	68,406	42,062
Retained earnings	9,447	7,128
Common stock issued to deferred compensation trust, at cost 259,551 and 239,769 shares at December 31, 2014 and 2013, respectively	(2,121)	(1,976)
Directors' Deferred Compensation Plan Rabbi Trust	2,121	1,976
Accumulated other comprehensive income (loss)	809	(108)
TOTAL SHAREHOLDERS' EQUITY	97,685	56,004
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 766,121	\$ 525,646

SELECT BANCORP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	2014	2013	2012
	<i>(In thousands, except share and per share data)</i>		
INTEREST INCOME			
Loans	\$ 24,288	\$ 21,147	\$ 23,405
Federal funds sold and interest-earning deposits in other banks	157	204	164
Investments	1,659	1,552	1,563
TOTAL INTEREST INCOME	26,104	22,903	25,132
INTEREST EXPENSE			
Money market, NOW and savings deposits	326	425	522
Time deposits	3,793	4,498	5,678
Short term debt	59	40	113
Long term debt	341	295	319
TOTAL INTEREST EXPENSE	4,519	5,258	6,632
NET INTEREST INCOME	21,585	17,645	18,500
RECOVERY FOR LOAN LOSSES	(194)	(325)	(2,597)
NET INTEREST INCOME AFTER RECOVERY FOR LOAN LOSSES	21,779	17,970	21,097
NON-INTEREST INCOME			
Fees from pre-sold mortgages	-	73	296
Loss on the sale of securities	(46)	-	-
Service charges on deposit accounts	996	1,061	1,200
Gain on branch sale	-	-	557
Other fees and income	1,725	1,495	1,545
TOTAL NON-INTEREST INCOME	2,675	2,629	3,598
NON-INTEREST EXPENSE			
Personnel	10,213	8,111	8,318
Occupancy and equipment	1,726	1,518	1,346
Deposit insurance	404	430	763
Professional fees	1,238	1,155	1,495
Merger-related	1,941	428	-
Information systems	1,527	1,309	1,429
Foreclosure related expenses	480	388	1,165
Other	3,131	2,516	2,720
TOTAL NON-INTEREST EXPENSE	20,660	15,855	17,236
INCOME BEFORE INCOME TAX	3,794	4,744	7,459
INCOME TAX	1,437	1,803	2,822
NET INCOME	2,357	2,941	4,637
DIVIDENDS OF PREFERRED STOCK	38	-	-
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	\$ 2,319	\$ 2,941	\$ 4,637
Basic	\$ 0.26	\$ 0.43	\$ 0.67
Diluted	\$ 0.26	\$ 0.43	\$ 0.67
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	8,870,114	6,918,814	6,898,147
Diluted	8,974,384	6,919,760	6,898,377



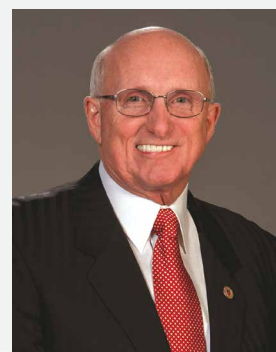
BOARD OF DIRECTORS



J. Gary Ciccone
Chairman of the Board
Partner
Nimocks, Ciccone, & Townsend
Fayetteville, NC



James H. Glen, Jr.
President
Glen and Hewett, LLC
Charlotte, NC



Oscar N. Harris
Certified Public Accountant
Senior Partner and President
Oscar N. Harris & Associates, P.A.
Mayor, City of Dunn
Dunn, NC



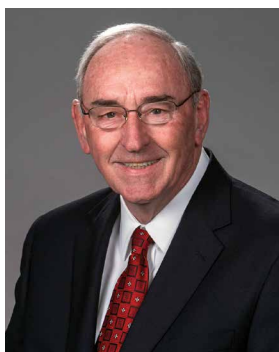
Alicia Speight Hawk
Co-Director of Development
The Oakwood School
Greenville, NC



Gerald W. Hayes
Attorney and President
Hayes, Williams, Turner & Daughtry, P.A.
Dunn, NC



William L. Hedgepeth II
President and Chief Executive Officer
Select Bancorp and Select Bank & Trust
Dunn, NC



Ronald V. Jackson
President
Clinton Truck & Tractor Company
Clinton, NC



John W. McCauley
Chief Executive Officer
Highland Paving Co., LLC
Vice President
McCauley-McDonald Investments
Fayetteville, NC



Carlie C. "Mack" McLamb, Jr.
President
Carlie C's IGA, Inc.
Dunn, NC



Gene W. Minton
Chief Executive Officer and Pharmacist
DDP Pharmacy, Inc.
Roanoke Rapids, NC



V. Parker Overton
Former Owner - Retired
Overton's Sports Center
Greenville, NC



Anthony E. Rand
President
Rand & Gregory, P.A.
Associate Vice President
Fayetteville Technical
Community College
Fayetteville, NC



Sharon L. Raynor
President
LIFE, Inc.
Goldsboro, NC



K. Clark Stallings
Member/Manager
Stallings Group, Ltd.
Greenville, NC



W. Lyndo Tippet
Partner
Tippet, Bryan & Merritt, CPA's
Former Secretary
State of North Carolina
Department of Transportation
Fayetteville, NC

EXECUTIVE MANAGEMENT



William L. Hedgepeth II
President
Chief Executive Officer



Gary J. Brock
Executive Vice President
Chief Banking Officer



Mark A. Jeffries
Executive Vice President
Chief Financial Officer



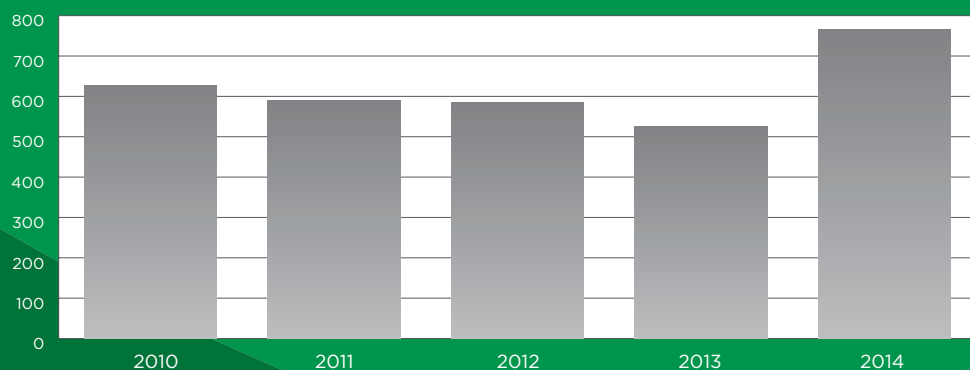
Lynn H. Johnson
Executive Vice President
Chief Administrative Officer



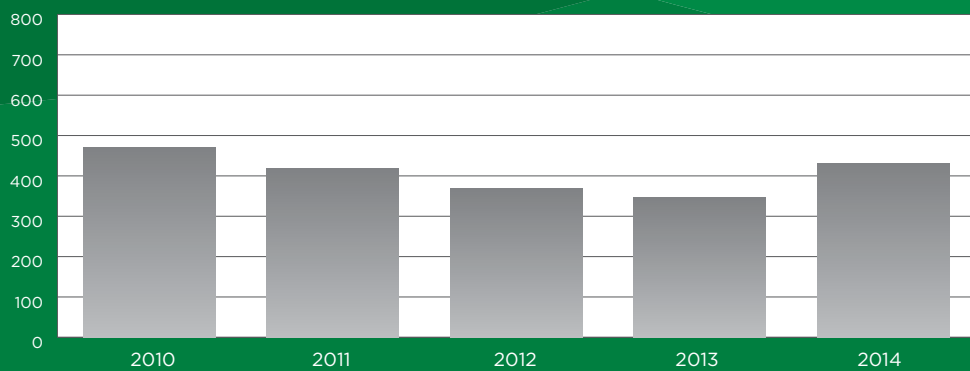
David Richard "Rick" Tobin, Jr.
Executive Vice President
Chief Credit Officer

OUR PERFORMANCE

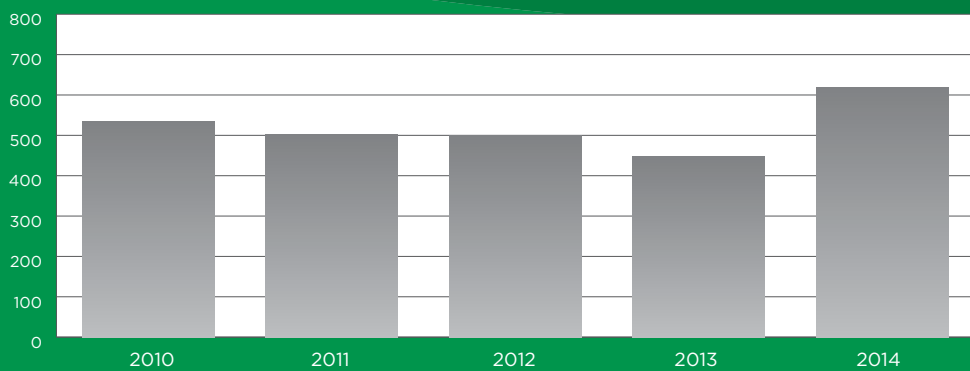
TOTAL ASSETS
(in millions)



TOTAL LOANS
(in millions)



TOTAL DEPOSITS
(in millions)



2014 ANNUAL REPORT

**THE POWER
OF MOMENTUM**



P.O. Box 1988
Dunn, NC 28335
(910) 892-7080
SelectBank.com