

2018 Annual Report

Building our Future

PO Box 1988 Dunn, NC 28335 910.892.7080 SelectBank.com



Leadership Teamwork Integrity Service Commitment

2018 Annual Report

Contents

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Mission Statement

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.

Core Values

Leadership - A team that is devoted and dedicated to achieving a productive and efficient organization and providing employees the tools and opportunities to succeed.

Teamwork - Working together and learning from each other all for the betterment of the organization knowing that together we can achieve the extraordinary.

Integrity - Without exception, every decision made must be to do the right thing. We will create an environment which earns and maintains trust.

Service - Every customer will be treated with respect and every account managed with diligence. We will provide prompt decision making for our customers as well as quality products and superior customer service.

Commitment - We are dedicated to the communities we service by being a responsible corporate citizen. We are committed to our employees by providing a work environment that promotes personal growth and assures that every employee will be treated with dignity and respect. We are responsible to our shareholders by striving to constantly maximize shareholder value.

General Corporate Information

Annual Meeting of Shareholders

The annual meeting of shareholders of Select Bancorp, Inc. will be held on May 21, 2019, at 10:00 a.m. at the Fairfield Inn & Suites, 688 Jackson Road, Dunn, NC 28334.

Market for Common Stock

The common stock of Select Bancorp, Inc. is listed 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 bid and ask quotes for our common stock. At December 31, 2018, there were 19,311,505 shares of common stock outstanding, which were held by approximately 1,118 shareholders.

The table below presents the high and low closing sales prices for Select Bancorp, Inc. stock for 2018 and 2017.

| 2018 | High | Low |
|----------------|---------|---------|
| First Quarter | \$13.58 | \$12.52 |
| Second Quarter | 13.47 | 12.63 |
| Third Quarter | 14.05 | 12.21 |
| Fourth Quarter | 12.69 | 11.73 |

| 2017 | High | Low |
|----------------|---------|--------|
| First Quarter | \$11.22 | \$9.71 |
| Second Quarter | 12.25 | 10.91 |
| Third Quarter | 12.70 | 11.25 |
| Fourth Quarter | 12.64 | 11.55 |

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 2018 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available in the "Filings & Financials—SEC Filings" section of the "Investor Relations" page of the Registrant's website located at: investors.selectbank.com

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 & Securities Counsel

Wyrick Robbins Yates & Ponton LLP

4101 Lake Boone Trail, Suite 300

Raleigh, NC 27607

Select Bank & Trust Office Locations

| NORTH CAROLINA | Greenville | Suite 103 | | |
|-------------------------|--------------------------|--------------------------|--|--|
| Burlington | 3600 Charles Blvd. | Wilmington | | |
| 3158 S. Church St. | Holly Springs | 1001 Military Cutoff Rd. | | |
| Charlotte | 5070 Kentworth Dr. | Suite 100 | | |
| 13024 Ballantyne Corpo- | Leland | Wilson Loan | | |
| rate Pl., | 1101 New Pointe Blvd. | Production Office | | |
| Suite 100 | Lillington | 405 W. Nash St., | | |
| Clinton | 818 McKinney Pkwy. | Suite 207 | | |
| 111 Northeast Blvd. | Lumberton | SOUTH CAROLINA | | |
| Dunn | 4400 Fayetteville Rd. | Blacksburg | | |
| 700 W. Cumberland St. | Morehead City | 203 W. Cherokee St. | | |
| Elizabeth City | 168 N.C. Hwy 24 | Rock Hill | | |
| 416 S. Hughes Blvd. | Raleigh | 201 Oakland Ave. | | |
| Fayetteville | 4505 Falls of Neuse Rd., | Six Mile | | |
| 2818 Raeford Rd. | Suites 100 & 150 | 115 N. Main St. | | |
| Goldsboro | Washington | | | |
| 431 N. Spence Ave. | 155 N. Market St., | | | |
| | | | | |

Selected Financial Data

| | At or for the year ended December 31, | | | | | | | | | |
|---|---------------------------------------|----------------------|-----------|--------------------|-----------|--|-----------|--------------------|-----------|--------------------|
| | | 2018 | | 2017 | | 2016 | | 2015 | | 2014 |
| | | | (do | llars in thou | ısano | ds, except p | er sl | nare data) | | |
| Operating Data: | | | | | | | | | | |
| Total interest income | \$ | 56,835 | \$ | 39,617 | \$ | 34,709 | \$ | 33,341 | \$ | 26,104 |
| Total interest expense | _ | 9,450 | _ | 5,106 | _ | 3,733 | _ | 3,542 | _ | 4,519 |
| Net interest income Provision (recovery) for loan losses | | 47,385 (156) | | 34,511 1,367 | | 30,976 1,516 | | 29,799 890 | | 21,585 (194) |
| Net interest income after | _ | (130) | _ | 1,307 | _ | 1,310 | _ | 070 | _ | (194) |
| provision (recovery) for loan losses | | 47,541 | | 33,144 | | 29,460 | | 28,909 | | 21,779 |
| Total non-interest income | | 4,701 | | 3,072 | | 3,222 | | 3,292 | | 2,675 |
| Merger related expenses | | 1,826 | | 2,166 | | | | 378 | | 1,941 |
| Other non-interest expense | | 32,724 | | 25,153 | | 22,281 | | 21,852 | | 18,719 |
| Income before income taxes | | 17,692 | | 8,897 | | 10,401 | | 9,971 | | 3,794 |
| Provision for income taxes | - | 3,910 | _ | 5,712 | - | 3,647 | _ | 3,418 | - | 1,437 |
| Net Income Dividends on Preferred Stock | | 13,782 | | 3,185 | | 6,754 | | 6,553 | | 2,357 |
| | _ | - - | _ | | _ | <u> 4 </u> | _ | <u>77</u> | _ | 38 |
| Net income available to common | Ф | 12.702 | Ф | 2 105 | Ф | (750 | e e | (17(| Ф | 2 210 |
| Shareholders | <u> </u> | 13,782 | <u>\$</u> | 3,185 | <u>\$</u> | 6,750 | <u>\$</u> | 6,476 | <u>\$</u> | 2,319 |
| Per Share Data: | | | | | | | | | | |
| Earnings per share - basic | \$ | 0.87 | \$ | 0.27 | \$ | 0.58 | \$ | 0.56 | \$ | 0.26 |
| Earnings per share - diluted | | 0.87 | | 0.27 | | 0.58 | | 0.56 | | 0.26 |
| Market Price | | | | | | | | | | |
| High | | 14.05 | | 12.70 | | 10.48 | | 8.47 | | 10.78 |
| Low | | 11.73 | | 9.71 | | 7.70 | | 6.62 | | 6.25 |
| Close | | 12.38 | | 12.64 | | 9.85 | | 8.09 | | 7.37 |
| Book value | | 10.85 | | 9.72 | | 8.95 | | 8.38 | | 8.59 |
| Tangible book value (1) | | 9.47 | | 7.72 | | 8.29 | | 7.67 | | 7.82 |
| Selected Year-End Balance Sheet D | ata: | | | | | | | | | |
| I | ø | 006 040 | ø | 092 (26 | ø | (77.105 | e e | (17.209 | e e | 552.029 |
| Loans, gross of allowance Allowance for loan losses | \$ | 986,040 8,669 | \$ | 982,626 8,835 | \$ | 677,195 8,411 | \$ | 617,398 7,021 | \$ | 552,038 6,844 |
| Other interest-earning assets | | 133,304 | | 89,531 | | 93,093 | | 134,368 | | 138,198 |
| Goodwill | | 24,579 | | 24,904 | | 6,931 | | 6,931 | | 6,931 |
| Core deposit intangible | | 2,085 | | 3,101 | | 810 | | 1,241 | | 1,625 |
| Total assets | | 1,258,525 | | 1,194,135 | | 846,640 | | 817,015 | | 766,121 |
| Deposits | | 980,427 | | 995,044 | | 679,661 | | 651,161 | | 618,902 |
| Borrowings | | 64,372 | | 47,651 | | 60,129 | | 58,376 | | 46,324 |
| Shareholders' equity | | 209,611 | | 136,115 | | 104,273 | | 104,702 | | 97,685 |
| Selected Average Balances: | | | | | | | | | | |
| Total assets | \$ | 1,228,576 | \$ | 898,943 | \$ | 829,315 | \$ | 765,274 | \$ | 631,905 |
| Loans, gross of allowance | | 987,634 | | 732,089 | | 639,412 | | 578,759 | | 430,571 |
| Total interest-earning assets | | 1,119,344 | | 813,773 | | 744,024 | | 686,663 | | 565,264 |
| Goodwill | | 24,656 | | 7,719 | | 9,931 | | 9,931 | | 2,946 |
| Core deposit intangible | | 2,547 | | 640 | | 1,020 | | 1,330 | | 884 |
| Deposits Total interest-bearing liabilities | | 989,838 1,060,588 | | 738,310 787,073 | | 665,764 723,111 | | 607,214 659,676 | | 523,954 554,405 |
| Shareholders' equity | | 161,953 | | 108,709 | | 102,111 | | 102,068 | | 73,660 |
| Selected Performance Ratios: | | | | | | | | | | |
| Return on average assets | | 1.12% | | 0.35% | | 0.81% | | 0.86% | | 0.37% |
| Return on average equity | | 8.51% | | 2.93% | | 6.61% | | 6.42% | | 3.12% |
| Net interest margin (2) | | 4.19% | | 4.14% | | 4.06% | | 4.34% | | 3.12% |
| Net interest margin (2) | | 3.98% | | 4.14% | | 4.06% | | 4.34% | | 3.88% |
| Efficiency ratio ⁽³⁾ | | 62.83% | | 72.69% | | 65.15% | | 67.18% | | 77.16% |
| | | | | | | | | | | |
| Asset Quality Ratios: | (4) | 1.100/ | | 0.710/ | | 1.000 | | 1 110 | | 0.1-504 |
| Nonperforming loans to period-end loan | | 1.18% | | 0.71% | | 1.02% | | 1.41% | | 2.15% |
| Allowance for loan losses to period-end | loans | 0.88% | | 0.90% | | 1.24% | | 1.14% | | 1.24% |
| Net loan charge-offs (recoveries) | | 0.000/ | | 0.1207 | | 0.000 | | 0.100 | | (0.02) |
| to average loans | | 0.00% | | 0.13% | | 0.02% | | 0.12% | | (0.03)% |

Selected Financial Data continued

| | At or for the year ended December 31, | | | | | | |
|--|---------------------------------------|-------------------|------------------|---------------|---------|--|--|
| <u> </u> | 2018 | 2017 | 2016 | 2015 | 2014 | | |
| | | (dollars in thous | sands, except pe | r share data) | | | |
| Capital Ratios: | | | | | | | |
| Total risk-based capital | 19.26% | 11.86% | 15.12% | 16.01% | 17.70% | | |
| Tier 1 risk-based capital | 18.44% | 11.04% | 14.03% | 15.04% | 16.56% | | |
| Common equity Tier 1 Capital | 17.30% | 9.94% | 12.48% | 12.33% | | | |
| Leverage ratio | 15.65% | 12.64% | 12.99% | 13.81% | 13.10% | | |
| Tangible equity to assets | 14.54% | 9.05% | 11.40% | 10.88% | 11.65% | | |
| Equity to assets ratio | 16.66% | 11.40% | 12.57% | 13.68% | 15.46% | | |
| Additional Information: | | | | | | | |
| Loans, nonperforming (2) | \$10,424 | \$3,591 | \$6,334 | \$6,777 | \$9,168 | | |
| Interest income that would be recorded using | | | | | | | |
| original terms of nonperforming loans | | 251 | 410 | 446 | 613 | | |
| Actual interest income recorded on | | | | | | | |
| restructured and nonperforming loans | 451 | 308 | 217 | 164 | 395 | | |
| Other Data: | | | | | | | |
| Number of banking offices | 18 | 18 | 13 | 14 | 14 | | |
| Number of full time equivalent employees | 205 | 202 | 150 | 153 | 154 | | |

- (1) Tangible book value per share (a non-GAAP financial measure) is equal to total shareholders' equity less goodwill, preferred stock and core deposit intangibles, divided by the number of outstanding shares of our common stock at the end of the relevant period. Please refer to the table below for a reconciliation of this non-GAAP financial measure.
- (2) Fully taxable equivalent basis.
- (3)Efficiency ratio is calculated as non-interest expenses divided by the sum of net interest income and non-interest income.
- (4)Nonperforming loans consist of non-accrual loans and restructured loans.
- (5)Allowance for loan losses to period-end loans ratio excludes loans held for sale.

Use of Non-GAAP Financial Measures

Tangible book value per share is a non-GAAP financial measure generally used by financial analysts, investment bankers, and other investors to evaluate financial institutions. For tangible book value per share, the most directly comparable financial measure calculated in accordance with GAAP is the Company's book value per common share. A reconciliation of tangible book value per share to book value per share is included below. The Company believes that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per common share exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing total book value while not increasing the Company's tangible book value.

Any non-GAAP financial measures presented in this Report should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with GAAP. Moreover, the manner in which the Company calculates a non-GAAP financial measure may differ from that of other companies reporting measures with similar names. You should understand how such other banking organizations calculate their financial measures similar or with names similar to the non-GAAP financial measures that the Company has discussed or disclosed in this Report when comparing such non-GAAP financial measures.

Reconciliation of GAAP to Non-GAAP Measures

(\$ in thousands, except share and per share data)
(Unaudited)

| | December | December | December | December | December |
|---|------------|------------|------------|------------|------------|
| | 31, | 31, | 31, | 31, | 31, |
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| Tangible common equity | | | | | |
| Total shareholders' equity | \$ 209,611 | \$ 136,115 | \$ 104,273 | \$ 104,702 | \$ 97,685 |
| Adjustments: | | | | | |
| Goodwill | 24,579 | 24,904 | 6,931 | 6,931 | 6,931 |
| Core deposit intangibles | 2,085 | 3,101 | 810 | 1,241 | 1,625 |
| Tangible common equity | \$ 182,947 | \$ 108,110 | \$ 96,532 | \$ 96,530 | \$ 89,129 |
| Common shares outstaning ⁽¹⁾ | 19,311,505 | 14,009,137 | 11,645,413 | 11,583,011 | 11,377,980 |
| Book value per common | \$ 10.85 | \$ 9.72 | \$ 8.95 | \$ 9.04 | \$ 8.58 |
| Tangible book value per | \$ 9.47 | \$ 7.72 | \$ 8.29 | \$ 8.33 | \$ 7.83 |

⁽¹⁾ Excludes the dilutive effect of common stock issuable upon exercise of outstanding stock options. The number of exercisable options outstanding was 113,013 as of December 31, 2018; 63,927 as of December 31, 2017; 44,406 as of December 31, 2016; 65,011 as of December 31, 2015 and 104,270 as of December 31, 2014.

⁽²⁾We calculate book value per common share as shareholders' equity less preferred stock at the end of the relevant period divided by the outstanding number of shares of our common stock at the end of the relevant period.

⁽³⁾We calculate tangible book value per common share as total shareholders' equity less goodwill, preferred stock and core deposit intangibles, divided by the number of outstanding shares of our common stock at the end of the relevant period.

Letter to Shareholders

"Without continued growth and progress, such words as improvement, achievement, and success have no meaning."

-Benjamin Franklin

Synonyms for growth and progress include development, increase, expansion... all words we'd use to describe 2018 for Select Bancorp, Inc. The groundwork we laid in 2017 with our building blocks to success have helped 2018 be an exciting year of growth for our company. Our leadership, team members, stakeholders and friends all came together to help the Bank grow this year in ways we have not seen before. Hard work and dedication from many people... with more forward-thinking work to come. This does not mean we're at the end, no, the foundation blocks are built and now we just keep adding blocks and climbing higher.

All of these forces came together and helped us realize 5.4% growth of total assets in 2018. I've included a few projects below that stand out as the hard work that helped move the needle forward.

We started the year with the conversion of Carolina Premier Bank to Select Bank systems. Culminating the work of many of the Bank's teams, the conversion was successful and seamless and brought the Carolina Premier Bank customers into the Select Bank network officially. Additionally, this expanded the network of branches for our existing customers, adding 4 branches in western North Carolina and the upstate of South Carolina.

We continued our strength in our current markets, including some of the newer areas, like Wilmington, N.C. The greater Wilmington area team pushed forward and began really making a mark in that market. A talented team coupled with a growing area have made for a great investment.

Select Mortgage completed its first full year in operation as well, closing loans throughout NC and SC, proving to be a success. We launched a significant public offering in August 2018 gathering approximately \$60 million in capital that we intend to use to make investments in the Bank, strategically planning growth of our network and enhancing the capital position of the Bank.

We have many exciting things yet to happen in 2019 that will be the direct result of the work done in 2018, including the addition of new markets, like our Holly Springs location opened in 1st quarter 2019. We're excited for another year of anticipated growth, expansion, and deepening our relationship with our shareholders, customers, team members, and community.

We hope to see you at our Annual Meeting on May 21, 2019 at 10am at the Fairfield Inn, Dunn, NC and we thank you for your support and being a part of the exciting journey.

William L. Hedgepeth II

President and Chief Executive Officer

William L. Hedsepett I

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, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2018 (not presented herein); and in our report dated March 15, 2019, 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, 2018 and 2017 and the related condensed consolidated statements of operations for each of the three years in the period ended December 31, 2018 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 15, 2019





2018

Condensed Consolidated
Balance Sheets &
Statements of Operations



Select Bancorp, Inc. Condensed Consolidated Balance Sheets December 31, 2018 and 2017

| | | 2018 | | 2017 | | |
|---|-----------|---|-----------|---|--|--|
| | (In th | ousands, except s | hare a | and per share data) | | |
| ASSETS | | | | | | |
| Cash and due from banks Interest-earning deposits in other banks Certificates of deposit Federal funds sold Investment securities available for sale, at fair value | \$ | 17,059 121,303 1,000 - 51,533 | \$ | 16,554 37,996 1,500 6,645 63,774 | | |
| Loans held for sale Loans | | 580 986,040 | | 98 982,626 | | |
| Allowance for loan losses | _ | (8,669) | | (8,835) | | |
| NET LOANS | | 977,371 | | 973,791 | | |
| Accrued interest receivable Stock in Federal Home Loan Bank of Atlanta ("FHLB"), at cost | | 3,889 3,283 | | 3,997 2,490 | | |
| Other non-marketable securities Foreclosed real estate Premises and equipment, net Bank owned life insurance Goodwill Core deposit intangible ("CDI") Assets held for sale Other assets | | 762 1,088 17,920 29,117 24,579 2,085 668 6,288 | | 1,019 1,258 18,268 28,431 24,904 3,101 846 9,463 | | |
| TOTAL ASSETS | <u>\$</u> | 1,258,525 | \$ | 1,194,135 | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY Deposits: Demand Savings Money market and NOW Time | \$ | 247,007 51,811 254,482 427,127 | \$ | 227,066 69,503 250,864 447,611 | | |
| TOTAL DEPOSITS Short-term debt | _ | 980,427 7,000 | | 995,044 28,279 | | |
| Long-term debt Accrued interest payable Accrued expenses and other liabilities | | 57,372 667 3,448 | | 19,372 427 14,898 | | |
| TOTAL LIABILITIES | _ | 1,048,914 | | 1,058,020 | | |
| Shareholders' Equity Preferred stock, no par value, 5,000,000 shares authorized; no preferred shares were issued and outstanding Common stock, \$1 par value, 25,000,000 shares authorized; 19,311,505 and 14,009,137 shares issued and outstanding | | - | | - | | |
| at December 31, 2018 and 2017, respectively Additional paid-in capital Retained earnings Common stock issued to deferred compensation trust, at cost; 303,239 and | d | 19,312 150,718 39,640 | | 14,009 95,850 25,858 | | |
| 291,964 shares outstanding at December 31, 2018 and 2017, respectiv Directors' Deferred Compensation Plan Rabbi Trust Accumulated other comprehensive income (loss) | | (2,615) 2,615 (59) | | (2,518) 2,518 398 | | |
| TOTAL SHAREHOLDERS' EQUITY | | 209,611 | | 136,115 | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 1,258,525 | <u>\$</u> | 1,194,135 | | |

Select Bancorp, Inc. Condensed Consolidated Statements of Operations Years ended December 31, 2018, 2017 and 2016

| | 2018 | 2017 | 2016 | |
|---|------------------|---------------------|-----------------|--|
| | (In thousands | s, except share and | per share data) | |
| INTEREST INCOME | • | | , | |
| Loans | \$ 53,796 | \$ 37,849 | \$ 33,058 | |
| Federal funds sold and interest-earning | 1 (10 | 400 | 257 | |
| deposits in other banks | 1,618 | 480 | 257 | |
| Investments | 1,421 | 1,288 | 1,394 | |
| TOTAL INTEREST INCOME | 56,835 | 39,617 | 34,709 | |
| INTEREST EXPENSE | 1 220 | 5.47 | 200 | |
| Money market, NOW and savings deposits | 1,339 | 547 | 390 | |
| Time deposits | 6,293 | 3,779 | 2,664 | |
| Short-term debt | 328 | 357 | 127 | |
| Long-term debt | 1,490 | 423 | 552 | |
| TOTAL INTEREST EXPENSE | 9,450 | 5,106 | 3,733 | |
| NET INTEREST INCOME | 47,385 | 34,511 | 30,976 | |
| PROVISION FOR (RECOVERY OF) LOAN LOSSES | (156) | 1,367 | 1,516 | |
| NET INTEREST INCOME AFTER PROVISION | | | | |
| FOR (RECOVERY OF) LOAN LOSSES | 47,541 | 33,144 | 29,460 | |
| NON-INTEREST INCOME Gain on the sale of securities | _ | 1 | 22 | |
| Service charges on deposit accounts | 1,124 | 899 | 966 | |
| Fees from the sale of mortgages | 497 | - | - | |
| Other fees and income | 3,080 | 2,172 | 2,234 | |
| TOTAL NON-INTEREST INCOME | 4,701 | 3,072 | 3,222 | |
| NON-INTEREST EXPENSE | | | | |
| Personnel | 18,304 | 14,552 | 12,711 | |
| Occupancy and equipment | 3,666 | 2,192 | 2,304 | |
| Deposit insurance | 628 | 357 | 393 | |
| Professional fees | 1,394 | 1,181 | 977 | |
| Core deposit intangible amortization | 1,016 | 409 | 431 | |
| Merger/acquisition related expenses | 1,826 | 2,166 | - | |
| Information systems | 3,372 | 2,257 | 2,070 | |
| Foreclosure-related expenses | 115 | 562 | 199 | |
| Other | 4,229 | 3,643 | 3,196 | |
| TOTAL NON-INTEREST EXPENSE | 34,550 | 27,319 | 22,281 | |
| INCOME BEFORE INCOME TAX | 17,692 | 8,897 | 10,401 | |
| INCOME TAX | 3,910 | 5,712 | 3,647 | |
| NET INCOME | 13,782 | 3,185 | 6,754 | |
| DIVIDENDS ON PREFERRED STOCK | - | - | 4 | |
| NET INCOME AVAILABLE TO COMMON | | | | |
| SHAREHOLDERS | <u>\$ 13,782</u> | <u>\$ 3,185</u> | <u>\$ 6,750</u> | |
| Basic | \$ 0.87 | \$ 0.27 | \$ 0.58 | |
| Diluted | \$ 0.87 | \$ 0.27 | \$ 0.58 | |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING Basic | 15,812,585 | 11,763,050 | 11,610,705 | |
| Diluted | 15,877,633 | 11,826,977 | 11,655,111 | |
| Diruttu | 13,077,033 | 11,040,7// | 11,033,111 | |

Board of Directors



J. Gary Ciccone
Chairman of the Board
Co-Owner & Vice President
Nimocks, Ciccone,
& Townsend
Fayetteville, NC



Charles R. Davis

Chairman

C.A. Short

Company

Charlotte, NC



Partner
Glen and Hewett, LLC
Charlotte, NC



Oscar N. Harris

Certified Public

Accountant

Managing Member

O. Harris Group, LLC

Mayor, City of Dunn

Dunn, 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



V. Parker Overton

Founder

Overton's Sports Center

Greenville, NC



Anthony E. Rand

President

Rand & Gregory, P.A.

Member & Chair of the North
Carolina Education Lottery Commission

Fayetteville, NC



Alicia Speight Hawk

Director of Advancement

The Oakwood School

Greenville, NC



Gerald W. Hayes, Jr.

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

Owner

Clinton Truck &

Tractor Company

Clinton, NC



Sharon L. Raynor

President

LIFE, Inc.

Goldsboro, NC



K. Clark StallingsVice PresidentStallings Group, Ltd.Greenville, NC



W. Lyndo Tippett

Certified Public Accountant

Former Secretary

State of North Carolina

Department of Transportation



Partner

Atlas Principals LLC

Charlotte, NC

Executive Management



William L. Hedgepeth II
President and Chief
Executive Officer



W. Keith BettsExecutive Vice PresidentChief Banking Officer



Mark A. Jeffries
Executive Vice President
Chief Financial Officer



Lynn H. JohnsonExecutive Vice President
Chief Operating Officer

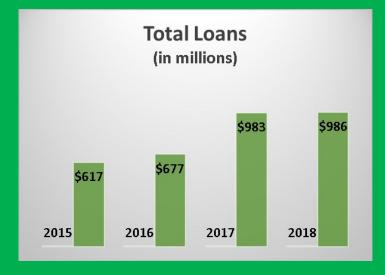


David Richard "Rick"
Tobin, Jr.
Executive Vice President
Chief Credit Officer



Our Performance







Select Bancorp Inc.

2018 Annual Report

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