

# Select Bank

FINANCIAL CORPORATION

211 Gristmill Drive  
Forest, VA 24551

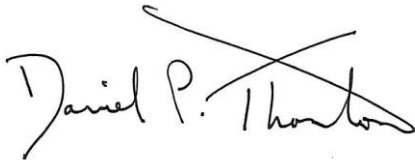
May 15, 2023

Dear Stockholder:

You are cordially invited to attend the virtual annual meeting of stockholders of Select Bank Financial Corporation. The meeting will begin at 10:00 a.m. on Tuesday, June 20, 2023, virtually. The virtual meeting link can be found at [www.annualgeneralmeetings.com/sbfc2023](http://www.annualgeneralmeetings.com/sbfc2023)

YOUR VOTE IS IMPORTANT NO MATTER HOW MANY SHARES YOU OWN. Whether or not you will be attending, please sign and date the enclosed proxy and mail it in the envelope provided at your earliest convenience. This will make sure your vote counts.

Very truly yours,



Daniel P. Thornton  
Chairman of the Board



Sherri A. Sackett  
Chief Executive Officer

SELECT BANK FINANCIAL CORPORATION  
211 Gristmill Drive  
Forest, VA 24551

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Select Bank Financial Corporation:

NOTICE is hereby given that the Annual Meeting of Stockholders of Select Bank Financial Corporation will be held virtually, on June 20, 2023, at 10:00 a.m. for the following purposes:

(1) To elect three Directors to serve until the Annual Meeting of Stockholders in the respective year in which the Term of the Class in which each director was elected expires and until their successors are elected and have qualified;

(2) To ratify the appointment of Brown, Edwards & Co., LLP as independent registered public accountants for the Corporation for the year 2023; and

(3) To transact such other business as may properly come before the meeting, or any adjournments thereof.

Only stockholders of record at the close of business on May 10, 2023, are entitled to notice of and to vote at such meeting, or any adjournments thereof.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement regarding matters proposed to be acted upon at the Meeting.

To ensure that your shares are represented at the meeting, please fill in, date, sign, and mail promptly the enclosed proxy, for which a return envelope is provided. Your proxy is revocable by you at any time prior to its exercise.

BY ORDER OF THE BOARD OF DIRECTORS

Courtney M. King  
Corporate Secretary

May 15, 2023

SELECT BANK FINANCIAL CORPORATION  
211 Gristmill Drive  
Forest, VA 24551

PROXY STATEMENT  
FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD  
JUNE 20, 2023

The Board of Directors of Select Bank Financial Corporation (the “Corporation”) solicits the enclosed proxy to be used at the Annual Meeting of Stockholders to be held virtually on Tuesday, June 20, 2023, at 10:00 a.m., and at any adjournment thereof. The virtual meeting link can be found at **[www.annualgeneralmeetings.com/sbfc2023](http://www.annualgeneralmeetings.com/sbfc2023)**

The cost of solicitation of proxies will be borne by the Bank. Solicitations will be made only by mail, except that, if necessary, officers, directors and regular employees of the Bank may make solicitations of proxies by telegram, telephone or personal calls. Brokerage houses and other nominees may request that copies of the proxy soliciting material be furnished to them for mailing to the beneficial owners of the stock held of record by such brokerage houses and nominees. The Bank may reimburse them for their reasonable expenses in this connection.

All properly executed proxies delivered pursuant to this solicitation will be voted at the meeting in accordance with the instructions therein contained, if any. Any person signing and mailing the enclosed proxy may, nevertheless, revoke the proxy at any time prior to the actual voting thereof. Directors are elected by a plurality of votes properly cast, assuming a quorum is present. All other matters coming before the meeting will be approved if the votes favoring such matter exceed those opposing it. Abstentions and broker non-votes, assuming a quorum is present, will have no effect on the election of directors or any other matter which may be considered.

This proxy statement and the accompanying proxy are first being sent or delivered to stockholders of the Corporation on or about May 15, 2023.

As of May 10, 2023, the Corporation had outstanding 1,554,616 shares of its common stock, each of which is entitled to one vote at the Annual Meeting. Only stockholders of record at the close of business on May 10, 2023, will be entitled to vote at the meeting, or any adjournment thereof.

**COMMON STOCK OWNERSHIP**

Except for Daniel P. Thornton, a director of the Company whose stock ownership is shown in the chart on page 2 of this proxy statement, no person (including any “group” as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) beneficially owned more than five percent of the outstanding shares of common stock of the Corporation as of May 10, 2023. The chart, beginning on page 2 of this Proxy Statement, shows the common stock ownership of the Board of Directors and of the Board and Executive Officers as a group.

ITEM 1: ELECTION OF DIRECTORS

At the meeting, three Directors will be elected, to serve until the terms indicated. All are currently serving as members of the Board.

In the event that a nominee becomes unavailable for election, any proxy voted in his favor will be voted for a substitute nominee. However, the Board of Directors does not anticipate that any nominee will be unavailable for election, and each has consented to be named and to serve if elected.

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS  
EACH NOMINEE HEREINAFTER NAMED FOR ELECTION.

Directors of Class A to continue in office until 2024

<u>Name, Age and Year First Became Director</u>	<u>Principal Occupation</u>	<u>Shares Owned <sup>1</sup></u>	<u>Percent</u>
T. Scott Garrett Age 66 Director since 2006	Retired Surgeon	26,580	1.71
C. Letcher Newcomb II Age 54 Director since 2006	President, Newcomb Investment Properties	13,755 <sup>2</sup>	0.88
Sherri A. Sackett Age 49 Director since 2021	Chief Executive Officer, Select Bank	10,562 <sup>10</sup>	0.68
Daniel P. Thornton Age 66 Director since 2006	National Account Executive, Progress Printing, Inc.	94,108 <sup>3</sup>	6.05

Directors of Class B to continue in office until 2025

<u>Name, Age and Year First Became Director</u>	<u>Principal Occupation</u>	<u>Shares Owned <sup>1</sup></u>	<u>Percent</u>
Jennipher B. Lucado Age 52 Director since 2006	President, Brownstone Properties, Inc.	7,030	0.45
Robert K. Pearson, Jr. Age 64 Director since 2006	Co-owner, Charley's Restaurant	8,643 <sup>4</sup>	0.55
Alan W. Pettigrew Age 68 Director since 2006	Consultant StampTech, Inc.	48,714 <sup>5</sup>	3.13
J. Michael Thomas Age 63 Director since 2006	Credit Administrator, Select Bank	49,914 <sup>6</sup>	3.21

Nominees for election as Directors of Class C to continue in office until 2026

<u>Name, Age and Year First Became Director</u>	<u>Principal Occupation</u>	<u>Shares Owned</u> <sup>1</sup>	<u>Percent</u>
T. Clay Davis Age 60 Director since 2009	President/CSO, Select Bank	52,357 <sup>7</sup>	3.37
Larry H. Redmond Age 80 Director since 2006	Radiologist	26,580 <sup>8</sup>	1.71
M. Ralph Wilkes Age 78 Director since 2006	Retired President, Wilkes & Co. Accountants, Inc.	26,250 <sup>9</sup>	1.69
All directors and Executive officers as a group		364,493	23.44

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<sup>1</sup> Includes shares which may be deemed beneficially owned by virtue of family relationships, joint ownership, voting power or investment power.

<sup>2</sup> Includes 11,025 shares held as trustee of a family trust and 105 shares owned jointly with spouse.

<sup>3</sup> Includes 93,058 shares owned jointly with spouse.

<sup>4</sup> Includes 1,365 shares owned in a Retirement Plan and 2,625 shares owned jointly with spouse.

<sup>5</sup> Includes 10,500 shares owned in a Retirement Plan, 2,625 shares owned by spouse in a Retirement Plan and 264 shares owned by spouse.

<sup>6</sup> Includes 45,889 shares owned in a Retirement Plan.

<sup>7</sup> Includes 10,395 shares owned in a Retirement Plan and 6,615 shares owned by spouse in a Retirement Plan, and 2,274 shares owned jointly with spouse.

<sup>8</sup> Includes 23,625 shares owned in a Retirement Plan.

<sup>9</sup> Includes 25,725 shares owned jointly with spouse.

<sup>10</sup> Includes 3,136 shares owned jointly with spouse and 7,324 shares owned in a Retirement Plan.

## DIRECTORS MEETINGS, COMMITTEES AND FEES

In January of 2022 directors received an annual retainer of \$1,399 and the chairman received an annual retainer of \$1,953. During the year 2022, directors received \$992 in fees per board meeting attended and \$360 in fees per committee meeting attended, while the chairman received \$1,484 in fees per board meeting attended and \$280 in fees per committee meeting attended, committee chairmen received \$400 per committee meeting attended.

The Board of Directors held 12 meetings during the past year. All incumbent directors attended at least 92 percent of the aggregate number of meetings held by the Board and meetings of committees on which they served.

## ITEM 2: RATIFICATION OF AUDITORS

The Corporation's Audit Committee has appointed the accounting firm of Brown, Edwards & Co., LLP as the Corporation's independent registered public accounting firm for the year ending December 31, 2023. As a matter of good corporate governance, the Audit Committee has determined to submit for ratification its appointment of Brown, Edwards & Co., LLP, for the year ending December 31, 2023. In the event that this appointment is not ratified by shareholders, the Audit Committee will consider making a change in the independent registered public accounting firm for 2023.

## THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF AUDITORS

### Regulation and Supervision

**General.** As a bank holding company, the Corporation will be subject to regulation under the Bank Holding Company Act, and the examination and reporting requirements of the Federal Reserve. Under the Bank Holding Company Act, a bank holding company may not directly or indirectly acquire ownership or control of more than 5% of the voting shares or substantially all of the assets of any bank or merge or consolidate with another bank holding company without the prior approval of the Federal Reserve. The Bank Holding Company Act also generally limits the activities of a bank holding company to that of banking, managing or controlling banks, or any other activity which is determined to be so closely related to banking or to managing or controlling banks that an exception is allowed for those activities.

As a Virginia state-chartered bank that is a member of the Federal Reserve, the Bank is subject to regulation, supervision and examination by the Virginia State Corporation Commission's Bureau of Financial Institutions and the Federal Reserve. State and federal law also governs the activities in which the Bank engages, the investments that it makes and the aggregate amount of loans that may be granted to one borrower. Various consumer and compliance laws and regulations also affect the Bank's operations.

The earnings of the Corporation's subsidiaries, and therefore the earnings of the Corporation, will be affected by general economic conditions, management policies, changes in state and federal legislation and actions of various regulatory authorities, including those referred to above. The following description summarizes some of the significant state and federal and state laws to which the Corporation will be, and the Bank is, subject. To the extent that statutory or regulatory provisions or proposals are described, the description is qualified in its entirety by reference to the particular statutory or regulatory provisions or proposals.

**Payment of Dividends.** The Corporation will be a legal entity separate and distinct from its banking and other subsidiaries. The majority of the Corporation's revenues will result from dividends paid to the Corporation by the Bank. The Bank is subject to laws and regulations that limit the amount of dividends that it can pay. Under Virginia law, without the permission of the SCC, a state bank may not pay dividends, except from retained earnings. Under federal law, a bank may not declare or pay a dividend if the total of all dividends declared during the calendar year, including the proposed dividend, exceeds the sum of the bank's net income during the current calendar year and the retained net income of the prior two calendar years.

In addition, the Corporation and the Bank are subject to various regulatory restrictions relating to the payment of dividends, including requirements to maintain capital at or above regulatory minimums. Banking regulators have indicated that banking organizations should generally pay dividends only if the organization's net income available to common shareholders over the past year has been sufficient to fully fund the dividends, and the prospective rate of earnings retention appears consistent with the organization's capital needs, asset quality and overall financial condition. In addition, the Federal Reserve has issued guidelines that bank holding companies should inform and consult with the Federal Reserve in advance of declaring or paying a dividend that exceeds earnings for the period (e.g., quarter) for which the dividend is being paid or that could result in a material adverse change to the organization's capital structure.

Also under federal banking law, the Corporation cannot declare or pay a cash dividend on its capital stock if the Bank is insolvent or if the payment of the dividend would render it insolvent or unable to pay its obligations as they become due in the ordinary course of business.

**Capital.** The Federal Reserve has issued risk-based and leverage capital guidelines applicable to banking organizations that it supervises. Under the risk-based capital requirements, the Corporation will be generally required to maintain a minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) of 8%. At least half of the total capital must be composed of common equity, retained earnings and qualifying perpetual preferred stock, less certain intangibles ("Tier 1 capital"). The remainder may consist of certain subordinated debt, certain hybrid capital instruments and other qualifying preferred stock and a limited amount of the loan loss allowance ("Tier 2 capital," which, together with Tier 1 capital, composes "total capital").

In addition, each of the federal banking regulatory agencies has established minimum leverage capital requirements for banking organizations. Under these requirements, banking organizations must maintain a minimum ratio of Tier 1 capital to adjusted average quarterly assets equal to 3% to 5%, subject to federal bank regulatory evaluation of an organization's overall safety and soundness. In summary, the capital measures used by the federal banking regulators are:

- Total Risk-Based Capital ratio, which is the total of Tier 1 Risk-Based Capital (which includes common shareholders' equity, trust preferred securities, minority interests and qualifying preferred stock, less goodwill and other adjustments) and Tier 2 Capital (which includes preferred stock not qualifying as Tier 1 capital, mandatory convertible debt, limited amounts of subordinated debt, other qualifying term debt and the allowance for loan losses up to 1.25 percent of risk-weighted assets and other adjustments) as a percentage of total risk-weighted assets,
- Tier 1 Risk-Based Capital ratio (Tier 1 capital divided by total risk-weighted assets), and
- the Leverage ratio (Tier 1 capital divided by adjusted average total assets).

**Support of Subsidiary Institutions.** The Corporation is required to act as a source of financial strength for the Bank and to commit resources to support the Bank. This support can be required at times when it would not be in the best interest of the Corporation's shareholders or creditors to provide it. In the unlikely event of the Corporation's bankruptcy, any commitment by the Corporation to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee and

entitled to a priority of payment.

**Restrictions on Transactions with Affiliates.** The Bank and the Corporation are subject to the provisions of Section 23A of the Federal Reserve Act. For purposes of Section 23A, the Corporation is an “affiliate” of the Bank. Section 23A places limits on the amount of:

- A bank’s loans or extensions of credit, including purchases of assets subject to an agreement to repurchase, to affiliates;
- A bank’s investment in affiliates;
- Assets a bank may purchase from affiliates, except for real and personal property exempted by the Federal Reserve;
- The amount of loans or extensions of credit to third parties collateralized by the securities or debt obligations of affiliates;
- Transactions involving the borrowing or lending of securities and any derivative transaction that results in credit exposure to an affiliate; and
- A bank’s guarantee, acceptance or letter of credit issued on behalf of an affiliate.

The total amount of the above transactions is limited in amount, as to any one affiliate, to 10% of a bank’s capital and surplus and, as to all affiliates combined, to 20% of a bank’s capital and surplus. In addition to the limitation on the amount of these transactions, each of the above transactions must also meet specified collateral requirements. The Bank must also comply with other provisions designed to avoid acquiring low-quality assets from its affiliates.

The Corporation and the Bank are also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibits an institution from engaging in the above transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

**Gramm-Leach-Bliley Act.** On November 12, 1999, the Gramm-Leach-Bliley Act was signed into law. Gramm-Leach-Bliley permits commercial banks to affiliate with investment banks. It also permits bank holding companies which elect financial holding company status to engage in any type of financial activity, including securities, insurance, merchant banking/equity investment and other activities that are financial in nature. The merchant banking provisions allow a financial holding company to make a controlling investment in any kind of company, financial or commercial. These new powers allow a bank to engage in virtually every type of activity currently recognized as financial or incidental or complementary to a financial activity. A commercial bank that wishes to engage in these activities is required to be well capitalized, well managed and have a satisfactory or better Community Reinvestment Act rating. Gramm-Leach-Bliley also allows subsidiaries of banks to engage in a broad range of financial activities that are not permitted for banks themselves.

**Other Safety and Soundness Regulations.** There are a number of obligations and restrictions imposed on depository institutions by federal law and regulatory policy that are designed to reduce potential loss exposure to the depositors of such depository institutions and to the FDIC insurance funds in the event the depository institution becomes in danger of default or is in default. The Federal banking agencies also have broad powers under current Federal law to take prompt corrective action to resolve problems of insured depository institutions. The extent of these powers depends upon whether the institution in question is well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized, as defined by the law. Federal regulatory authorities also have broad enforcement powers over us, including the power to impose fines and other civil and criminal penalties, and to appoint a receiver in order to conserve the assets of any such institution for the benefit of depositors and other creditors. Select Bank is currently classified as well capitalized financial institution



#### STOCKHOLDER PROPOSALS FOR 2024

If any eligible stockholder intends to present a proposal at the 2024 Annual Meeting of Stockholders, notice of such proposal must be given to the Secretary of the Corporation in strict compliance with Section 1.6 of the Bylaws of Select Bank. A copy of such Section will be provided to any shareholder upon request to the Secretary of the Corporation. Such proposal must be received by the Secretary of the Corporation at the Bank's principal office, 211 Gristmill Drive, Forest, VA 24551, or by mail to PO Box 4620, Lynchburg, VA 24502, as provided in said Bylaw. Otherwise, such proposal will not be considered for inclusion in the Bank's proxy statement or brought before such meeting.

#### MISCELLANEOUS

All properly executed proxies received by the Corporation will be voted at the meeting in accordance with the instructions contained therein.

The Board of Directors knows of no matter not identified herein which may properly come before the meeting for action. However, if any other matter does properly come before the meeting, the person or persons named as proxies in the proxy form enclosed will vote in accordance with their judgment upon such matter.

**You are urged to execute and return promptly the enclosed form of proxy**