

# Select Bank

Financial Corporation

**ANNUAL  
REPORT**

**2023**

# Contents

Executive Officers Report	3
Consolidated Balance Sheets	4
Consolidated Statements of Income	5
Board of Directors	6
Community Presence	7

## Shareholder relations contact:

Courtney M. King  
(434) 942-0792  
[courtney@myselectbank.com](mailto:courtney@myselectbank.com)  
[www.myselectbank.com](http://www.myselectbank.com)

## Transfer Agent and Registrar:

Pacific Stock Transfer  
[www.pacificstocktransfer.com](http://www.pacificstocktransfer.com)

## Dear Fellow Shareholder,

2023 was a year of steadfast growth and development with a continued emphasis on Select Bank's high-return approach to community banking. Our liquidity, capital, and strong core operating earnings continue to be a source of strength as we leverage our organization into the future.

We continued to effectively navigate efficiencies, technical enhancements, and innovative opportunities to serve our communities with loyalty and integrity. We are committed to being the best community bank partner for every small business, organization, and family within the communities we serve.

2023 provided a year of new milestones and strategic growth. Our strong financial performance provided consistent earnings growth, a strong balance sheet, an increase in core deposits, and enhanced loan program efforts.

On behalf of the Board, Management, and Staff, it is my sincere pleasure to present you with the 2023 annual report for Select Bank.

For the 12 months ended December 31, 2023:

- Net income of \$2,816,549 increased \$276,204 from the prior year
- Total assets grew \$29,886,799 (6.8%) to \$470,240,858
- Total loans grew \$31,498,823 (8.9%) to \$386,100,522
- Total deposits grew \$26,188,090 (6.4%) to \$433,594,596
- We paid our eighth semi-annual cash dividend.
- An additional tranche of a preferred stock issuance strengthened the Bank's balance sheet further, positioning us for additional growth.

During 2023, our entire team focused on the optimization of our new banking core. As a result, we have enhanced our digital product suite and implemented an after-hours Call Center extending our customer service capabilities. We focused on broadening our customer acquisition and community engagement throughout all markets. The relocation and expansion of our Burlington, NC market office has positioned us to be a hub for community and non-profit networking and relationship development. During 2023 we hosted multiple events, bringing hundreds of influential community leaders through our doors. The addition of an SBA lender with an extensive SBA background enabled us to launch an SBA Lending program. This has positioned us to further serve our small businesses in a greater capacity.

Despite the challenges presented by an evolving economic landscape and continued yield curve inversion, we ended April 2024 with unaudited bank operations reporting year to date net income of \$922,586, indicating a solid profitability and earnings year. We feel we remain well-positioned as we anticipate interest rates to normalize and net interest margin to stabilize over the coming months. We continue to prioritize a prudent credit culture resulting in strong asset quality. We see the current environment as an opportunity to further focus on operational improvements, non-interest income opportunities, and core deposit growth while closely managing non-interest expenses.

Providing long-term value to our shareholders remains one of our strategic core goals. Our first semi-annual common stock dividend of 2024 is planned to be declared in June and payable in July of 2024, further aligning the interests of our shareholders with the success of the bank.

We are confident in the future of Select Bank and the essential role we play in the growth and well-being of the communities we serve. Our door is always open anytime you would like to meet with us or have questions or comments. We are grateful to you, our shareholders, for your dedication and loyalty. We eagerly look forward to the future.

**Sherri. A. Sackett**



Chief Executive Officer

## Consolidated Balance Sheets December 31, 2023 and 2022

Assets	2023	2022
Cash and amounts due from banks	\$ 3,609,996	\$ 4,509,607
Interest bearing deposits in other banks	21,453,729	7,015,997
Federal funds sold	412,242	6,965,698
Total cash and cash equivalents	25,475,967	18,491,302
Investments		
Securities available-for-sale at fair value	40,206,603	49,677,809
Loans	386,100,522	354,601,699
Less allowance for credit losses	(3,009,059)	(2,250,160)
Net Loans	383,091,463	352,351,539
Bank premises, furniture, and equipment, net	6,411,870	6,043,642
Restricted equity securities	1,316,100	1,161,150
Deferred tax assets	2,536,738	2,877,209
Cash surrender value of life insurance	7,587,443	6,154,091
Right of use asset - operating	197,120	239,420
Accrued interest receivable and other assets	3,417,554	3,357,897
Total other assets	21,466,825	19,833,409
Total assets	\$ 470,240,858	\$ 440,354,059
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities</b>		
Deposits		
Interest bearing	\$ 367,095,983	\$ 339,604,486
Non-interest bearing	66,498,613	67,802,020
Total deposits	433,594,596	407,406,506
Subordinated debt	11,368,000	11,368,000
Lease obligation	199,616	241,268
Interest, taxes, and other liabilities	1,669,592	1,202,347
Total liabilities	446,831,804	420,218,121
<b>Stockholders' Equity</b>		
Common stock, \$5.00 par value, 20,000,000 shares authorized, 1,552,491 and 1,554,616 shares issued and outstanding in 2023 and 2022, respectively.	7,762,455	7,773,080
Preferred stock, \$5.00 par value, 5,000,000 shares authorized, 372,525 and 350,524 shares issued and outstanding in 2023 and 2022, respectively.	1,862,625	1,752,620
Surplus	11,993,920	11,788,800
Retained earnings	7,998,330	6,499,212
Accumulated other comprehensive income (loss)	(6,208,276)	(7,677,774)
Total stockholders' equity	23,409,054	20,135,938
Total liabilities and stockholders' equity	\$ 470,240,858	\$ 440,354,059

## Consolidated Statements of Income Years Ended December 31, 2023 and 2022

### Interest Income

	2023	2022
Interest and fees on loans	\$ 20,398,055	14,449,103
Interest on deposits in other banks	694,375	198,789
Federal funds sold	85,403	14,416
Investment securities	1,011,291	923,117
Dividends on restricted equity services	84,987	98,846
	22,274,111	15,684,271

### Interest Expense

Interest on deposits	9,795,045	2,748,866
Interest on borrowed funds	530,475	809,126
	11,948,591	12,126,279
Net interest income		
Provision for loan losses	-	260,000
Net interest income after provision for loan losses	11,948,591	11,866,279

### Other Income

Service charges on deposit accounts	100,752	75,309
Other customer service fees	329,965	205,300
Mortgage brokerage fees	264,935	375,810
Gain (loss) on sale of other real estate sold	14,566	(124)
Gain on early extinguishment of debt	-	676,601
Gain on disposal of premises and equipment	(3,816)	75,364
Increase in cash surrender value of life insurance	133,352	132,388
Consulting fee income	124,875	7,500
Total other income	964,629	1,548,148

### Other Expenses

Salaries and employee benefits	4,940,515	5,357,119
Occupancy expense	937,347	869,082
Telephone expense	186,250	138,903
FDIC assessment expense	414,793	358,968
Legal and professional fees	618,698	601,487
Data processing fees	501,816	817,071
Marketing expense	133,866	202,457
Computer expenses	253,794	228,555
Taxes other than income taxes	323,797	314,458
Other operating expenses	989,746	1,377,859

Total other expenses	9,300,622	10,265,959
----------------------	-----------	------------

Income before income taxes	3,612,598	3,148,468
----------------------------	-----------	-----------

### Income Tax Expense

	796,049	608,123
--	---------	---------

Net Income	\$ 2,816,549	\$ 2,540,345
------------	--------------	--------------

## Board of Directors

---

**T. Clay Davis**

*Director*

Asset Liability/Investment Committee  
Executive Committee  
Loan Committee  
Strategic Opportunities Committee

**T. Scott Garrett, M.D.**

*Director*

Audit Committee  
Nominating & Compensation Committee  
Community Relations Committee

**Jennifer B. Lucado**

*Director*

Loan Committee  
Community Relations Committee

**C. Letcher Newcomb II**

*Director*

Audit Committee  
Loan Committee

**Robert K. Pearson, Jr.**

*Director*

Audit Committee  
Planning & Development Committee

**Alan W. Pettigrew**

*Director*

Loan Committee  
Planning & Development Committee  
Strategic Opportunities Committee

**Larry H. Redmond, M.D.**

*Director*

Asset Liability/Investment Committee  
Nominating & Compensation Committee  
Strategic Opportunities Committee

**Sherri A. Sackett**

*Director*

Asset Liability/Investment Committee  
Executive Committee  
Loan Committee

**J. Michael Thomas**

*Director*

Loan Committee  
Strategic Opportunities Committee

**Daniel P. Thornton**

*Chairman*

Executive Committee  
Loan Committee  
Nominating & Compensation Committee  
Planning & Development Committee  
Strategic Opportunities Committee

**M. Ralph Wilkes**

*Vice Chair*

Audit Committee  
Executive Committee  
Loan Committee  
Nominating & Compensation Committee

## Executive Leadership



**Sherri A. Sackett**  
Chief Executive  
Officer



**T. Clay Davis**  
President,  
Chief Strategy  
Officer



**Michael Forren**  
Senior Market  
President



**Mike Jasper**  
Chief Financial  
Officer

# Community Presence

## Asheboro



## Bedford



## Boonsboro



## Burlington





# Forest



Mustaches 4 Kids fundraising campaign



High school interns from Beacon of Hope.

# Staunton



Staunton three year anniversary ribbon cutting



Staunton Braves baseball

# Timberlake



Supporting local businesses



Kids & Pros football camp

## Hear us:

WIQO Lynchburg  
WLNI Lynchburg  
CYK Staunton  
WBAG Burlington



## Follow us:



@myselectbank

## See our billboards:



“We see the current environment as an opportunity to further focus on operational improvements, non-interest income opportunities, and core deposit growth while closely managing non-interest expenses.”

Sherri. A. Sackett  
CEO