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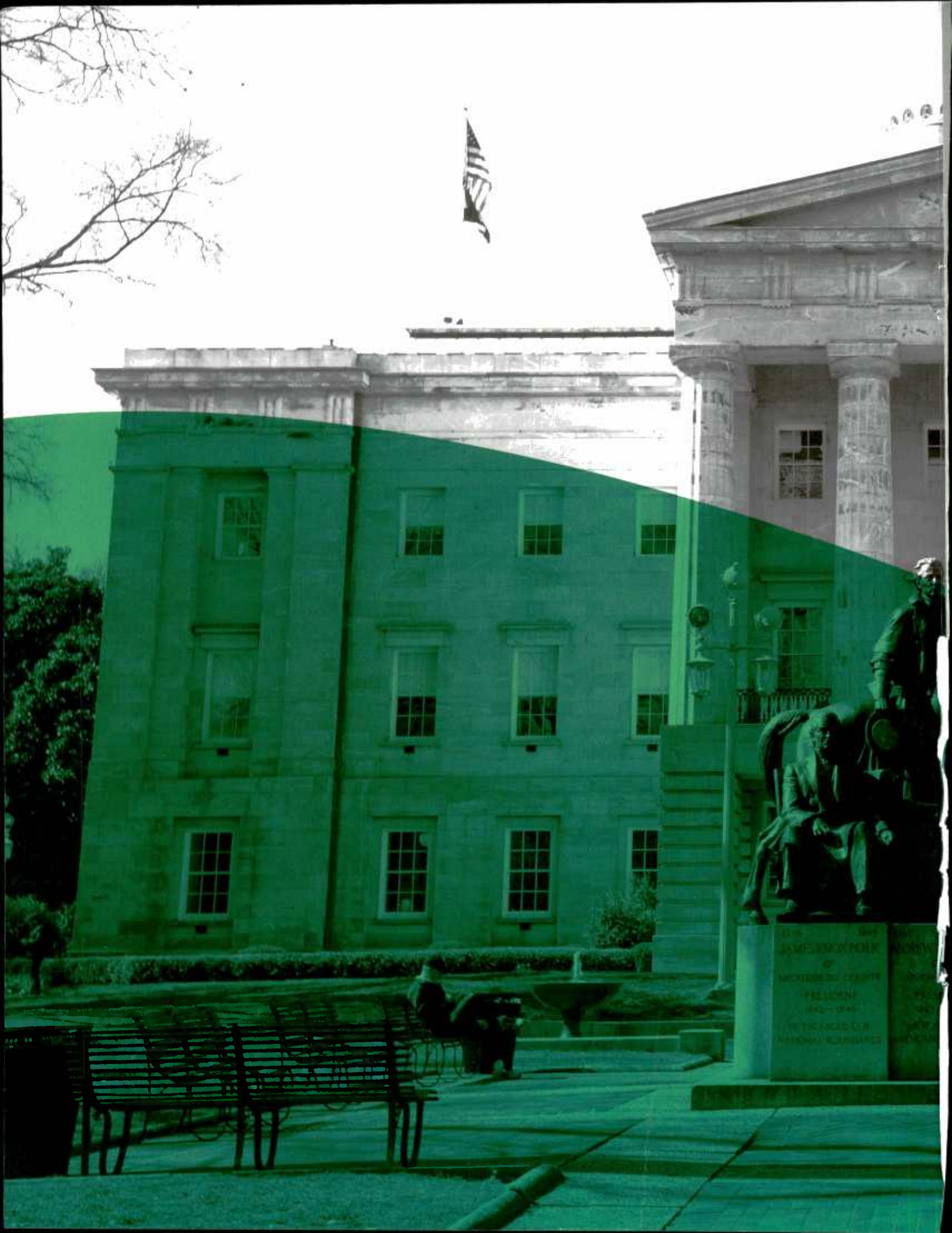
*2016 Annual Report*

DEEPLY INVESTED | DELIVERING RESULTS



Select Bancorp  
Inc.





DR. JAMES MONTGOMERY  
OF  
MCKENBEE COUNTY  
PRESIDENT  
1842-1844  
OF THE GRAND OLD  
NATIONAL ORGANIZATION







*2016 Annual Report*  
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## General Corporate Information

### ANNUAL SHAREHOLDERS MEETING

The annual meeting of shareholders of Select Bancorp, Inc. will be held on May 16, 2017, at 10:00 a.m. at the Fairfield Inn & Suites, 513 Spring Branch 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, 2016, there were 11,645,413 shares of common stock outstanding, which were held by approximately 1,135 shareholders.

The table below presents the high and low closing sales prices for Select Bancorp, Inc. stock for 2016 and 2015.

2015	High	Low
First Quarter	\$7.56	\$6.62
Second Quarter	7.57	6.85
Third Quarter	8.25	6.94
Fourth Quarter	8.47	7.30

2016	High	Low
First Quarter	\$8.18	\$7.70
Second Quarter	8.25	8.00
Third Quarter	8.72	7.89
Fourth Quarter	10.48	8.02

### 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 2016 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

<i>Burlington</i> 3158 S. Church St.	<i>Lillington</i> 818 McKinney Pkwy.
<i>Clinton</i> 111 Northeast Blvd.	<i>Lumberton</i> 4400 Fayetteville Rd.
<i>Dunn</i> 700 W. Cumberland St.	<i>Morehead City</i> 168 N.C. 24
<i>Elizabeth City</i> 416 S. Hughes Blvd.	<i>New Bern Loan Production Office</i> 2300 Center Ave., Suite 3
<i>Fayetteville</i> 2818 Raeford Rd.	<i>Raleigh</i> 4505 Falls of Neuse Rd., Suite 100 & 150
<i>Goldsboro</i> 431 N. Spence Ave.	<i>Washington</i> 155 N. Market St., Suite 103
<i>Greenville</i> 3600 Charles Blvd.	<i>Wilson Loan Production Office</i> 405 W. Nash St., Suite 207
<i>Leland</i> 1101 New Pointe Blvd.	

# Selected Financial Highlights

(unaudited)

At or for the year ended December 31,

2016 2015 2014 2013 2012

(Dollars in thousands, except per share data)

## OPERATING DATA:

Total interest income	\$ 34,709	\$ 33,341	\$ 26,104	\$ 22,903	\$ 25,132
Total interest expense	3,733	3,542	4,519	5,258	6,632
Net interest income	30,976	29,799	21,585	17,645	18,500
Provision (Recovery) for loan losses	1,516	890	(194)	(325)	(2,597)
Net interest income after provision (recovery) for loan losses	29,460	28,909	21,779	17,970	21,097
Total non-interest income	3,222	3,292	2,675	2,629	3,598
Merger/acquisition related expenses	-	378	1,941	428	-
Other non-interest expense	22,281	21,852	18,719	15,427	17,236
Income before income taxes	10,401	9,971	3,794	4,744	7,459
Provision for income taxes	3,647	3,418	1,437	1,803	2,822
Net Income	6,754	6,553	2,357	2,941	4,637
Dividends on Preferred Stock	4	77	38	-	-
Net income available to common shareholders	\$ 6,750	\$ 6,476	\$ 2,319	\$ 2,941	\$ 4,637

## PER SHARE DATA:

Earnings per share - basic	\$ 0.58	\$ 0.56	\$ 0.26	\$ 0.43	\$ 0.67
Earnings per share - diluted	0.58	0.56	0.26	0.43	0.67
Market Price					
High	10.48	8.47	10.78	7.42	6.14
Low	7.70	6.62	6.25	5.43	1.89
Close	9.85	8.09	7.37	6.67	5.60
Book value	8.95	8.38	8.59	8.09	7.84
Tangible book value	8.29	7.67	7.82	8.07	7.79

## SELECTED YEAR-END BALANCE SHEET DATA:

Loans, gross of allowance	\$ 677,195	\$ 617,398	\$ 552,038	\$ 346,500	\$ 367,892
Allowance for loan losses	8,411	7,021	6,844	7,054	7,897
Other interest-earning assets	93,093	134,368	138,198	138,406	183,679
Goodwill	6,931	6,931	6,931	-	-
Core deposit intangible	810	1,241	1,625	182	298
Total assets	846,640	817,015	766,121	525,646	585,453
Deposits	679,661	651,161	618,902	448,458	498,559
Borrowings	60,129	58,376	46,324	18,677	30,220
Shareholders' equity	104,273	104,702	97,685	56,004	54,179

## SELECTED AVERAGE BALANCES:

Total assets	\$ 829,315	\$ 765,274	\$ 631,905	\$ 555,354	\$ 574,610
Loans, gross of allowance	639,412	578,759	430,571	354,871	391,648
Total interest-earning assets	744,024	686,663	565,264	511,597	532,193
Goodwill	6,931	6,931	2,946	-	-
Core deposit intangible	1,020	1,330	884	237	389
Deposits	665,764	607,214	523,954	470,526	481,387
Total interest-bearing liabilities	723,111	659,676	554,405	413,419	442,554
Shareholders' equity	102,110	102,068	73,660	55,701	52,769

## SELECTED PERFORMANCE RATIOS:

Return on average assets	0.81%	0.86%	0.37%	0.53%	0.81%
Return on average equity	6.61%	6.42%	3.12%	5.28%	8.79%
Net interest margin <sup>(4)</sup>	4.06%	4.34%	3.88%	3.46%	3.57%
Net interest spread <sup>(4)</sup>	4.04%	4.18%	3.60%	3.22%	3.34%
Efficiency ratio <sup>(1)</sup>	65.15%	67.18%	77.16%	78.20%	78.00%

## ASSET QUALITY RATIOS:

Nonperforming loans to period-end loans <sup>(2)</sup>	1.02%	1.41%	2.15%	4.58%	3.27%
Allowance for loan losses to period-end loans <sup>(3)</sup>	1.24%	1.14%	1.24%	2.04%	2.15%
Net loan charge-offs (recoveries) to average loans	0.02%	0.12%	(0.03)%	0.15%	(0.12)%

## CAPITAL RATIOS:

Total risk-based capital	15.12%	16.01%	17.70%	19.26%	16.60%
Tier 1 risk-based capital	14.03%	15.04%	16.56%	18.00%	15.34%
Common equity Tier 1 Capital	12.48%	12.33%	-	-	-
Leverage ratio	12.99%	13.81%	13.10%	12.62%	10.78%
Tangible equity to assets	11.40%	10.88%	11.65%	10.62%	9.20%
Equity to assets ratio	12.57%	13.68%	15.46%	10.65%	9.25%

## OTHER DATA:

Number of banking offices	13	14	14	8	7
Number of full time equivalent employees	150	153	154	97	111

(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.

## *Letter to Shareholders*

*To Our Shareholders, Customers and Friends,*

Select Bank & Trust is deeply invested in, and committed to, the 13 markets we serve in North Carolina. This is evident by our financial performance in 2016. We again delivered solid results stemming from our deep commitment to provide affordable financial products and services along with exceptional customer service. This continued commitment will allow Select Bank & Trust to deliver long-term value to our shareholders.

We continue to perform in the top one-third of all North Carolina banking corporations based on data from FMC Group. Total assets for the company grew to \$846.6 million, total deposits grew to \$679.7 million and total loans were at \$677.2 million, reflecting growth of 3.63%, 4.38% and 9.69%, respectively, over the previous year. For the year 2016, we posted net income of \$6.8 million, an increase over the \$6.6 million reported for 2015. In 2016, return on average assets was at 0.81% and return on average equity was at 6.61%, compared to a return on average assets of 0.86% and a return on average equity of 6.42% in 2015.

In 2016, we achieved loan growth of 9.69%. We continue to stress quality over quantity in an increasingly competitive banking environment. As such, we saw non-performing assets decline, reaching the lowest level in many years. The quality of our loan portfolio, deposit base, customer relationships, processes, products and services and most importantly, our personnel, continues to improve as we move forward. It is indeed imperative that we grow our bank, but we must also focus on our customers and the markets in which we currently operate to be assured of long-term success. To that point, our employees are deeply committed to serving those customers and prospective customers in our markets, as well as the communities in which our customers and prospective customers live and work.

Our commitment is illustrated in deposit market share in the communities where we serve. We attained top three of six in deposit market share in the 12 counties we serve.

In December of 2015, we expanded into the Leland (greater Wilmington area) and Morehead City markets with experienced and knowledgeable bankers that are now growing those operations. In 2016, we relocated our Raleigh office to a more convenient and visible location. To date, those markets are having great success.

This past year, we invested in our customers through technology. We added mobile deposit and instant debit card issuance to our suite of services. We continue to explore our technology options so that we can find avenues for improving our delivery of those options to our customers and prospective customers. We are also exploring technology options for improving our processes and efficiencies, as well as strengthening our cybersecurity.



As we move ahead, we will unveil a newly designed website this year, enabling our mobile customers and prospective customers to enjoy better access to online banking and many other financial resources. We will continue to improve our lending platform for retail loans, making the decision process more efficient for our customers.

We will also continue to seek opportunities for growth through branching and/or acquisitions. We believe we have the personnel and infrastructure in place to accomplish this.

I am pleased with our solid earnings performance and I know the results of 2016 were delivered because of the professionalism, commitment and enthusiasm of our staff. Our staff believes in our community bank mission and strives to provide the service and support that are critically important for our communities through our lending efforts and the resulting stimulus to our local economies. It is our privilege and responsibility to support our communities through volunteerism at every level and leadership roles in key community, civic, educational and service organizations, in addition to the financial support we consistently provide.

Thank you for your continued support as we strive in 2017 to invest further in the markets we serve and thus deliver superior results for you, our valued shareholders, customers and friends.

Sincerely,



William L. Hedgepeth II  
President and Chief Executive Officer



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, 2016 and 2015, 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, 2016 (not presented herein); and in our report dated March 14, 2017, 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, 2016 and 2015, and the related condensed consolidated statements of operations for each of the years in the three-year period ended December 31, 2016, 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 14, 2017