



**FOR RELEASE:**

**August 2, 2019**

Mark A. Jeffries  
Executive Vice President  
Chief Financial Officer  
Office: 910-892-7080 and Direct: 910-897-3603  
[markj@SelectBank.com](mailto:markj@SelectBank.com)  
[SelectBank.com](http://SelectBank.com)

**SELECT BANCORP REPORTS  
SECOND QUARTER 2019 EARNINGS**

**DUNN, NC** . . . Select Bancorp, Inc. (the “Company” **NASDAQ: SLCT**), the holding company for Select Bank & Trust Company, today reported net income for the quarter ended June 30, 2019 of \$3.4 million with basic and diluted earnings per share of \$0.18, compared to net income of \$3.1 million and basic and diluted earnings per share of \$0.22 for the comparative quarter ended June 30, 2018.

Total assets, deposits, and gross loans for the Company as of June 30, 2019 were \$1.3 billion, \$1.0 billion, and \$997.1 million, respectively, compared to total assets of \$1.2 billion, total deposits of \$993.5 million, and gross loans of \$992.9 million as of the same date in 2018.

William L. Hedgepeth II, President and Chief Executive Officer, stated, “The Company has seen steady growth and achievements over the first half of 2019. With the opening of our full-service branch in Virginia Beach, Virginia, we continue to expand our footprint into major markets. We also are actively searching for a second branch location in the Charlotte area. The growth of our non-interest earning divisions continues to be a focus. In fact, our SBA group has been transitioning to an in-house servicing model which enables a more streamlined process. We believe this will result in a better customer experience and expect it to positively impact SBA-related income in future periods. Volume production from our mortgage department has increased this year, and we are expecting this trend to carry on in future quarters.” Mr. Hedgepeth added, “Realizing efficiencies is always at the forefront of our mission, and, as such, it was announced in June that we entered into an agreement to sell our Six Mile, South Carolina office to Pickens Savings and Loan. Then in July, we announced a consolidating closure of our Washington, North Carolina branch into our nearby Greenville branch, continuing our pursuit for efficiencies at the branch level and company-wide. We have seen an increase in non-performing loans but expect the associated losses to be minimal related to this increase in the coming months.”

The results for the three months ended June 30, 2019, included \$83,000 in after-tax integration-related expenses incurred in connection with the addition of the Virginia Beach branch. For the three months ended June 30, 2019, return on average assets was 1.10% and return on average equity was 6.41%, compared to 1.08% and 6.32%, respectively, for the three months ended March 31, 2019. Non-performing loans were \$16.6 million at June 30, 2019 and \$11.6 million at December 31, 2018, respectively. Non-performing loans equaled 1.66% of total loans at June 30, 2019, increasing from 1.18% of total loans at December 31, 2018. Other real estate owned equaled \$1.5 million at June 30, 2019, compared to \$1.1 million at December 31, 2018. For the second quarter of 2019, net charge-offs were \$0, or 0.00% of average loans, compared to net charge offs of \$271,000, or 0.11% of average loans for the quarter ended March 31, 2019. At June 30, 2019, the allowance for loan losses was \$8.3 million, or 0.83% of total loans, as compared to \$8.7 million, or 0.88% of total loans, at December 31, 2018.

Net interest margin was 4.06% for the quarter ended June 30, 2019, as compared to 4.09% for the quarter ended March 31, 2019.

Mr. Hedgepeth further commented, “In the second quarter we repurchased \$725,000 of our stock and expect this to continue in the future, when and as conditions allow under our stock repurchase plan. We are pleased that the Company’s historical financial performance and well-capitalized status enable us to return value to our shareholders through the repurchase plan. We are focused on creating shareholder value over the long term, and our Board of Directors and management team believe that the Company’s share repurchases are an effective part of the Company’s overall capital management strategies.”

“We are eager to continue our growth in the communities we serve,” Hedgepeth noted. “With our geographic footprint expanded and a strong desire to grow, the team is very enthusiastic to continue to realize that growth through a relentless focus on process improvement and serving our customers the best way we know, with common sense.”

Select Bank & Trust has 20 branch offices in these North Carolina communities: Dunn, Burlington, Charlotte, Clinton, Elizabeth City, Fayetteville, Goldsboro, Greenville, Holly Springs (Raleigh area), Leland, Lillington, Lumberton, Morehead City, Raleigh, Washington and Wilmington, North Carolina; in the following South Carolina communities: Blacksburg, Rock Hill and Six Mile; and in Virginia Beach, Virginia.

### **About Select Bancorp, Inc.**

Select Bancorp, Inc. is a bank holding company headquartered in Dunn, North Carolina. The Company primarily conducts operations through its wholly owned subsidiary, Select Bank & Trust Company, a North Carolina-chartered commercial bank that provides a full suite of banking services through its offices in North Carolina, South Carolina, and Virginia. The Company’s common stock is listed on the Nasdaq Global Market under the symbol “SLCT”.

### **Non-GAAP Financial Measures**

Certain financial measures we use to evaluate our performance and discuss in this release and the accompanying tables are identified as being “non-GAAP financial measures.” In accordance with the rules of the Securities and Exchange Commission, or the SEC, we classify a financial measure as being a non-GAAP (generally accepted accounting principles) financial measure if that financial measure excludes or includes amounts, or is subject to adjustments that have the effect of excluding or including amounts, that are included or excluded, as the case may be, in the most directly comparable measure calculated and presented in accordance with GAAP as in effect from time to time in the United States in our statements of operations, balance sheet or statements of cash flows. Non-GAAP financial measures do not include operating and other statistical measures or ratios or statistical measures calculated using exclusively either financial measures calculated in accordance with GAAP, operating measures or other measures that are not non-GAAP financial measures or both.

The non-GAAP financial measures that we discuss in this release 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 we calculate the non-GAAP financial measures that we discuss in this release 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 we have discussed in this release when comparing such non-GAAP financial measures.

Tangible book value per share is a non-GAAP measure generally used by financial analysts and investment bankers to evaluate financial institutions. We calculate: (a) tangible common equity as shareholders’ equity less goodwill and core deposit intangibles; and (b) tangible book value per share as tangible common equity (as described in clause (a)) divided by shares of common stock outstanding. For tangible book value per share, the most directly comparable financial measure calculated in accordance with GAAP is our book value per share. A reconciliation of tangible book value per share to book value per share is included following the “Selected Financial Information and Other Data” table below.

We believe that this measure is important to many investors in the marketplace who are interested in changes from period to period in book value per share exclusive of changes in intangible assets. Goodwill and other intangible assets have the effect of increasing total book value while not increasing our tangible book value.

### **Important Note Regarding Forward-Looking Statements**

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, without limitation, (i) statements regarding certain of our goals and expectations with respect to earnings, revenue, and expenses and the growth rate in such items, as well as other measures of economic performance, including statements relating to anticipated market share growth, and (ii) statements preceded by, followed by or that include the words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “projects,” “outlook” or similar expressions. The actual results might differ materially from those projected in the forward-looking statements for various reasons, including, but not limited to: our ability to manage growth; substantial changes in financial markets; our ability to obtain the synergies and expense efficiencies anticipated from our acquisition activity and branch divestures and consolidations; regulatory changes; changes in interest rates; loss of deposits and loan demand to other savings and financial institutions; adverse economic conditions that impact our borrowers’ ability to pay their debts when due; and changes in real estate values and the real estate market. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the Company’s SEC filings, including its periodic reports under the Securities Exchange Act of 1934, as amended, copies of which are available upon request from the Company. Except as required by law, the Company assumes no obligation to update the forward-looking statements publicly or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

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Select Bancorp, Inc.  
Selected Financial Information and Other Data  
(\$ in thousands, except share and per share data)

|   | At or for the three months ended (unaudited) |                   |                         |                          | At or for the twelve months ended |                         |                         |                         |
|---|--|-------------------|-------------------------|--------------------------|-----------------------------------|-------------------------|-------------------------|-------------------------|
|   | June 30,<br>2019                             | March 31,<br>2019 | December<br>31,<br>2018 | September<br>30,<br>2018 | June 30,<br>2018                  | December<br>31,<br>2018 | December<br>31,<br>2017 | December<br>31,<br>2016 |
| <b>Summary of Operations:</b>                                     |  |                   |                         |                          |                                   |                         |                         |                         |
| Total interest income   | \$ 14,572                                    | \$ 14,050         | \$ 14,544               | \$ 14,382                | \$ 14,187                         | \$ 56,835               | \$ 39,617               | \$ 34,709               |
| Total interest expense  | 2,875  | 2,593             | 2,644                   | 2,530                    | 2,258                             | 9,450                   | 5,106                   | 3,733                   |
| Net interest income   | 11,697                                       | 11,457            | 11,900                  | 11,852                   | 11,929                            | 47,385                  | 34,511                  | 30,976                  |
| Provision for loan losses   | (207)  | 112               | (395)                   | (459)                    | 557                               | (156)                   | 1,367                   | 1,516                   |
| Net interest income after provision                               | 11,904                                       | 11,345            | 12,295                  | 12,311                   | 11,372                            | 47,541                  | 33,144                  | 29,460                  |
| Noninterest income  | 1,328  | 1,197             | 1,244                   | 1,066                    | 1,226                             | 4,701                   | 3,072                   | 3,222                   |
| Merger/acquisition related expenses                               | 107  | -                 | -                       | -                        | -                                 | 1,826                   | 2,166                   | -                       |
| Noninterest expense   | 8,704  | 8,304             | 7,864                   | 7,800                    | 8,602                             | 32,724                  | 25,153                  | 22,281                  |
| Income before income taxes  | 4,421  | 4,238             | 5,675                   | 5,577                    | 3,996                             | 17,692                  | 8,897                   | 10,401                  |
| Provision for income taxes  | 973  | 931               | 1,221                   | 1,256                    | 886                               | 3,910                   | 5,712                   | 3,647                   |
| Net Income  | 3,448  | 3,307             | 4,454                   | 4,321                    | 3,110                             | 13,782                  | 3,185                   | 6,654                   |
| Dividends on Preferred Stock                                      | -  | -                 | -                       | -                        | -                                 | -                       | -                       | 4                       |
| Net income available to common shareholders                       | \$ 3,448                                     | \$ 3,307          | \$ 4,454                | \$ 4,321                 | \$ 3,110                          | \$ 13,782               | \$ 3,185                | \$ 6,750                |
| <b>Share and Per Share Data:</b>                                  |  |                   |                         |                          |                                   |                         |                         |                         |
| Earnings per share - basic  | \$ 0.18                                      | \$ 0.17           | \$ 0.23                 | \$ 0.27                  | \$ 0.22                           | \$ 0.87                 | \$ 0.27                 | \$ 0.58                 |
| Earnings per share - diluted                                      | \$ 0.18                                      | \$ 0.17           | \$ 0.23                 | \$ 0.27                  | \$ 0.22                           | \$ 0.87                 | \$ 0.27                 | \$ 0.58                 |
| Book value per share  | \$ 11.26                                     | \$ 11.04          | \$ 10.85                | \$ 10.61                 | \$ 10.03                          | \$ 10.85                | \$ 9.72                 | \$ 8.95                 |
| Tangible book value per share <sup>(1)</sup>                      | \$ 9.88                                      | \$ 9.68           | \$ 9.47                 | \$ 9.21                  | \$ 8.10                           | \$ 9.47                 | \$ 7.72                 | \$ 8.29                 |
| Ending shares outstanding   | 19,261,989                                   | 19,326,485        | 19,311,505              | 19,296,121               | 14,024,887                        | 19,311,505              | 14,009,137              | 11,645,413              |
| Weighted average shares outstanding:                              |  |                   |                         |                          |                                   |                         |                         |                         |
| Basic   | 19,318,358                                   | 19,315,686        | 19,302,263              | 15,858,455               | 14,019,273                        | 15,812,585              | 11,763,050              | 11,610,705              |
| Diluted   | 19,359,492                                   | 19,365,354        | 19,360,050              | 15,916,734               | 14,086,671                        | 15,877,633              | 11,826,977              | 11,655,111              |
| <b>Selected Performance Ratios:</b>                               |  |                   |                         |                          |                                   |                         |                         |                         |
| Return on average assets <sup>(2)</sup>                           | 1.10%  | 1.08%             | 1.39%                   | 1.40%                    | 1.02%                             | 1.12%                   | 0.35%                   | 0.81%                   |
| Return on average equity <sup>(2)</sup>                           | 6.41%  | 6.32%             | 8.52%                   | 10.53%                   | 8.92%                             | 8.51%                   | 2.93%                   | 6.61%                   |
| Net interest margin   | 4.06%  | 4.09%             | 4.03%                   | 4.20%                    | 4.41%                             | 4.19%                   | 4.09%                   | 4.06%                   |
| Efficiency ratio <sup>(3)</sup>                                   | 66.83%                                       | 65.62%            | 59.83%                  | 60.38%                   | 65.39%                            | 62.83%                  | 66.93%                  | 65.15%                  |
| <b>Period End Balance Sheet Data:</b>                             |  |                   |                         |                          |                                   |                         |                         |                         |
| Gross loans   | \$ 997,062                                   | \$ 991,801        | \$ 986,040              | \$ 992,805               | \$ 992,885                        | \$ 986,040              | \$ 982,626              | \$ 677,195              |
| Total interest-earning assets                                     | 1,148,417                                    | 1,103,691         | 1,119,344               | 1,078,871                | 1,107,695                         | 1,119,344               | 1,063,322               | 770,288                 |
| Goodwill  | 24,579                                       | 24,579            | 24,579                  | 24,579                   | 24,579                            | 24,579                  | 24,904                  | 6,931                   |
| Core deposit intangible   | 2,011  | 1,866             | 2,085                   | 2,318                    | 2,564                             | 2,085                   | 3,101                   | 810                     |
| Total assets  | 1,316,797                                    | 1,242,077         | 1,258,525               | 1,252,156                | 1,216,731                         | 1,258,525               | 1,194,135               | 846,640                 |
| Deposits  | 1,030,250                                    | 950,966           | 980,427                 | 974,161                  | 993,484                           | 980,427                 | 995,044                 | 679,661                 |
| Short-term debt   | -  | 7,000             | 7,000                   | 11,002                   | 21,071                            | 7,000                   | 28,279                  | 37,090                  |
| Long-term debt  | 57,372                                       | 57,372            | 57,372                  | 57,372                   | 57,372                            | 57,372                  | 19,372                  | 23,039                  |
| Shareholders' equity  | 216,845                                      | 213,451           | 209,611                 | 204,705                  | 140,702                           | 209,611                 | 136,115                 | 104,273                 |
| <b>Selected Average Balances:</b>                                 |  |                   |                         |                          |                                   |                         |                         |                         |
| Gross Loans   | \$ 982,876                                   | \$ 985,059        | \$ 990,504              | \$ 988,479               | \$ 990,036                        | \$ 987,634              | \$ 732,089              | \$ 639,412              |
| Total interest-earning assets                                     | 1,160,387                                    | 1,086,958         | 1,141,604               | 1,073,285                | 1,087,683                         | 1,119,344               | 813,773                 | 744,024                 |
| Core Deposit Intangible   | 1,741  | 1,951             | 2,171                   | 2,411                    | 2,661                             | 2,547                   | 640                     | 1,020                   |
| Total Assets  | 1,261,972                                    | 1,238,847         | 1,267,479               | 1,228,259                | 1,219,225                         | 1,228,576               | 898,943                 | 829,315                 |
| Deposits  | 970,011                                      | 949,771           | 987,180                 | 986,174                  | 1,004,571                         | 989,838                 | 738,310                 | 665,764                 |
| Short-term debt   | 6,824  | 7,000             | 10,348                  | 17,542                   | 21,289                            | 21,393                  | 34,523                  | 32,111                  |
| Long-term debt  | 57,372                                       | 57,372            | 57,372                  | 57,372                   | 37,520                            | 49,357                  | 14,239                  | 25,739                  |
| Shareholders' equity  | 215,722                                      | 212,130           | 207,331                 | 162,799                  | 139,810                           | 161,953                 | 108,709                 | 102,110                 |
| <b>Asset Quality Ratios:</b>                                      |  |                   |                         |                          |                                   |                         |                         |                         |
| Nonperforming loans <sup>(4)</sup>                                | \$ 16,582                                    | \$ 11,583         | \$ 11,635               | \$ 11,162                | \$ 10,118                         | \$ 11,635               | \$ 6,978                | \$ 9,430                |
| Other real estate owned   | 1,468  | 1,046             | 1,088                   | 1,020                    | 1,497                             | 1,088                   | 1,258                   | 599                     |
| Allowance for loan losses   | 8,303  | 8,510             | 8,669                   | 9,089                    | 9,528                             | 8,669                   | 8,835                   | 8,411                   |
| Nonperforming loans <sup>(4)</sup> to period-end loans            | 1.66%  | 1.17%             | 1.18%                   | 1.12%                    | 1.02%                             | 1.18%                   | 0.71%                   | 1.02%                   |
| Allowance for loan losses to period-end loans                     | 0.83%  | 0.86%             | 0.88%                   | 0.92%                    | 0.96%                             | 0.88%                   | 0.90%                   | 1.24%                   |
| Delinquency ratio <sup>(5)</sup>                                  | 0.37%  | 0.73%             | 0.51%                   | 0.53%                    | 0.51%                             | 0.51%                   | 0.63%                   | 0.44%                   |
| Net loan charge-offs (recoveries) to average loans <sup>(2)</sup> | 0.00%  | 0.11%             | 0.01%                   | (0.01)%                  | (0.01)%                           | 0.00%                   | 0.13%                   | 0.02%                   |

- (1) Tangible book value per share (a non-GAAP measure) is equal to total shareholders' equity less goodwill 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 measure.
- (2) Annualized.
- (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) Delinquency Ratio includes loans 30–89 days past due and excludes non-accrual loans.

**Reconciliation of GAAP to Non-GAAP Measures**  
(\$ in thousands, except per share data)  
(Unaudited)

|   | June<br>30,<br>2019 | March<br>31,<br>2019 | December<br>31,<br>2018 | September<br>30,<br>2018 | June<br>30,<br>2018 | December<br>31,<br>2018 | December<br>31,<br>2017 | December<br>31,<br>2016 |
|---|---------------------|----------------------|-------------------------|--------------------------|---------------------|-------------------------|-------------------------|-------------------------|
| <b>Tangible common equity</b>                       |                     |                      |                         |                          |                     |                         |                         |                         |
| Total shareholders' equity                          | \$ 216,845          | \$ 213,451           | \$ 209,611              | \$ 204,705               | \$ 140,702          | \$ 209,611              | \$ 136,115              | \$ 104,273              |
| Adjustments:  |                     |                      |                         |                          |                     |                         |                         |                         |
| Goodwill  | 24,579              | 24,579               | 24,579                  | 24,579                   | 24,579              | 24,579                  | 24,904                  | 6,931                   |
| Core deposit intangibles                            | 2,011               | 1,866                | 2,085                   | 2,318                    | 2,564               | 2,085                   | 3,101                   | 810                     |
| <b>Tangible common equity</b>                       | <u>\$ 190,255</u>   | <u>\$ 187,006</u>    | <u>\$ 182,947</u>       | <u>\$ 177,808</u>        | <u>\$ 113,559</u>   | <u>\$ 182,947</u>       | <u>\$ 108,110</u>       | <u>\$ 96,532</u>        |
| Common shares outstanding <sup>(1)</sup>            | 19,261,989          | 19,326,485           | 19,311,505              | 19,296,121               | 14,024,887          | 19,311,505              | 14,009,137              | 11,645,413              |
| Book value per common share <sup>(2)</sup>          | \$ 11.26            | \$ 11.04             | \$ 10.85                | \$ 10.61                 | \$ 10.03            | \$ 10.85                | \$ 9.72                 | \$ 8.95                 |
| Tangible book value per common share <sup>(3)</sup> | \$ 9.88             | \$ 9.68              | \$ 9.47                 | \$ 9.21                  | \$ 8.10             | \$ 9.47                 | \$ 7.72                 | \$ 8.29                 |

- (1) Excludes the dilutive effect of common stock issuable upon exercise of outstanding stock options. The number of exercisable options outstanding was 41,134 as of June 30, 2019; 49,668 as of March 31, 2019; 57,787 as of December 31, 2018; 58,279 as of September 30, 2018; 67,398 as of June 30, 2018 and 63,927 as of December 31, 2017.
- (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.