

**CODE OF ETHICS FOR DIRECTORS, OFFICERS, AND EMPLOYEES  
OF  
SELECT BANCORP, INC. AND SELECT BANK & TRUST**

The trust and support of the customers, communities, and shareholders of Select Bancorp, Inc. and its financial services subsidiary, Select Bank & Trust, (collectively, “Select Bank & Trust”) is critical to Select Bank & Trust business success. Select Bank & Trust can preserve that trust and support only by maintaining the highest ethical, moral, and legal standards and conduct in its business dealings.

Directors, officers, and employees of financial institutions have always been held to higher standards of conduct, by both regulatory agencies and the public, than have the directors, officers, and employees of other types of corporations. Further, the corporate scandals made public in the early part of the 21<sup>st</sup> Century and the various regulatory responses have brought issues of ethical conduct to the forefront of corporate governance. It is, therefore, more important than ever that the directors, officers, and employees of Select Bank & Trust carefully adhere to high ethical standards. To that end, this Code of Ethics (the “Code”) has been adopted by the Board of Directors of Select Bank & Trust as a framework of standards of conduct expected of all directors, officers, and employees of Select Bank & Trust. A document such as this cannot be so specific as to cover every possible circumstance and it should not be so rigid as to preclude reasonable, prudent, and appropriate interpretations by the Board of Directors of Select Bank & Trust in the exercise of their fiduciary duties. Accordingly, the Code implements a principles-based approach to achieve its stated objectives.

**DEFINITIONS**

Select Bank & Trust: Refers collectively to Select Bancorp, Inc., Select Bank & Trust, each subsidiary corporation, and each subsidiary of its subsidiary corporations, if any.

Board or Board of Directors: Refers collectively to the several Boards of Directors of “Select Bank & Trust,” unless otherwise stated.

Control: (i) The direct or indirect ability, or acting through or in concert with one or more persons resulting in the ownership or power, to vote 25% or more of any class of voting securities of an entity; (ii) the ability in any manner to elect a majority of the directors of any entity; or (iii) the power to exercise a controlling influence over the management or policies of any entity.

Control through the power to exercise a “controlling influence” over the management or policies of any entity exists if: (i) you are an executive officer or director of an entity and directly or indirectly own, control, or have the power to vote more than 10% of any class of voting securities of that entity; or (ii) you directly or indirectly own, control, or have the power to vote more than 10% of any class of voting securities of an entity and no other person owns, controls, or has the power to vote a greater percentage of that class of voting securities.

Director: Any member of the “Board of Directors.”

Employee: Any person employed on either a full time or part time basis by any entity within the definition of “Select Bank & Trust.”

Immediate Family: Means your spouse, minor children, or any other relative through blood or marriage that shares your home.

Officer: Any person designated an officer by the “Board of Directors” or any person who performs a major policy making function with respect to Select Bank & Trust.

Potential Customer: Any person or entity that has applied to Select Bank & Trust for a loan or credit product or service.

Related Interests: Any corporation, partnership, trust (business or otherwise), association, joint venture, pool, syndicate, sole proprietorship, unincorporated organization or any other form of business entity.

Senior Officer: Any person within “Select Bank & Trust” holding the title of Chief Executive Officer (“CEO”), Chief Operations Officer, Chief Financial Officer, Principal Accounting Officer, Chief Banking Officer, Chief Credit Officer, Chief Deposit Operations Officer, Executive Vice President, Senior Vice President, Controller, or the persons who perform similar functions.

## **ADMINISTRATION OF THE CODE** *Directors, Officers, and Employees*

Administration of the Code shall be vested in the Board of Directors. Questions concerning interpretation of the Code should be submitted first to the Chief Executive Officer, unless the matter involves the CEO, and then to the Chairman of the Audit Committee. The Board of Directors shall have complete discretion and authority in the interpretation of the Code. The Board of Directors may recommend revisions to the Code as the need arises.

Known or suspected violations of the Code shall be reported to the Corporate Ethics Officer immediately. In the case of any violation of the Code, the Board of Directors shall exercise its discretion in formulating an appropriate response, including but not limited to, reporting and disciplinary action.

The Board of Directors has the right to make exceptions to any provision of the Code, the waiver of which would be in the best interests of Select Bank & Trust, its officers, employees, shareholders, and customers. Any change in the Code that applies to the Senior Officers, or the granting of a waiver of any provision of the Code to any Officer and/or Director, shall be publicly reported within four business days after such change or waiver. Public reporting shall mean disclosure through the filing of a Form 8-K with the Securities and Exchange Commission.

**CONFIDENTIALITY**  
*Directors, Officers, and Employees*

As a financial institution, there is no principle more critical to maintaining public trust than that of the confidentiality of Select Bank & Trust relationship with its customers. In the course of their service, Directors, Officers, and Employees routinely obtain information about Select Bank & Trust customers and suppliers (including financial information and information about their business activities). While that information is a part of Select Bank & Trust business records, it is Select Bank & Trust policy, and a legal requirement under the Bank Secrecy Act, Title V of the Gramm Leach Bliley Act and other state and federal banking laws, that such information be kept in confidence, used only for Select Bank & Trust business purposes, and not discussed with any person outside the necessary course of Select Bank & Trust business. Even within Select Bank & Trust, such information should be shared or discussed only with those who have a legitimate business need. The improper disclosure of confidential information about a customer or supplier, or the use of any such information to further the personal interest or financial gain of a Director, Officer, Employee, or one of his or her Related Interests, can severely damage Select Bank & Trust reputation and, under certain circumstances, may result in disciplinary action under this Code and civil liability.

By virtue of their positions with Select Bank & Trust, Directors, Officers, and Employees are routinely advised of financial and other information about Select Bank & Trust and its business. Frequently, such financial information, or the details of events or trends in Select Bank & Trust business, are provided to and discussed with Directors, Officers, or Employees prior to any disclosure to Select Bank & Trust shareholders or to the investing public. The proper management of corporate information and its disclosure to the public is of vital importance to Select Bank & Trust, and “leaks” or premature disclosure of confidential information can have a material adverse impact on Select Bank & Trust. It is Select Bank & Trust policy that all information about Select Bank & Trust given to a Director, Officer, or Employee in the course of his service as such must be kept confidential and may not be disclosed by the Director, Officer, or Employee to any other person (including his Related Interests and Officers and Employees of Select Bank & Trust who are not already privy to such information) under any circumstances. Likewise, Directors, Officers, and Employees should not discuss with other persons details of the affairs of Select Bank & Trust or the substance of events or discussions which transpire at meetings of the Board or of any committees of the Board. Directors, Officers, and Employees may publicly discuss with other persons financial and other information which has been publicly disclosed by Select Bank & Trust in the form of its annual, quarterly, and other current reports and press releases, but only after two business days from the date such information actually has been disclosed to the public.

**GIFTS AND GRATUITIES**  
*Directors, Officers, and Employees*

The receipt by a Director, Officer, Employee, or one of their Related Interests of any gift or gratuity from an existing or prospective customer or supplier of Select Bank & Trust may create, at a minimum, the appearance of a conflict of interest and breach of such person’s duty of loyalty, and, at its extreme, may be a violation of state and Federal laws, including the Bank

Bribery Act, which strictly prohibit the acceptance of bribes by bank directors, officers, and employees. A “gift” includes any type of gratuity, favor, service, discount or price concession, loan, legacy or inheritance, or any type of compensation or fee, including cash, securities, or other property, or any other thing having a monetary value in excess of \$100.00.

Directors, Officers, Employees, agents, accountants, and attorneys of Select Bank & Trust may not:

- (1) Solicit anything of value for themselves or for any third party in return for any business, service, or confidential information of Select Bank & Trust; or
- (2) Accept anything of value (other than their bona fide salary, wages, or fees) from anyone in connection with the business of Select Bank & Trust, either before or after a transaction is discussed or consummated.

Because of this rule, Directors, Officers, Employees, and their Related Interests should not accept any “gift” from an existing or prospective customer or supplier of Select Bank & Trust if the gift is in any manner related to or given in connection with Select Bank & Trust business with that customer or supplier or if the gift appears to the Director, Officer, or Employee to be motivated by a desire to influence such person in connection with Select Bank & Trust business activities or a business transaction to which Select Bank & Trust is or will be a party.

It is recognized that some gifts are not connected with Select Bank & Trust business even though they may be given by customers or suppliers and that Directors, Officers, and Employees, under appropriate circumstances, should be permitted to accept such gifts. Such circumstances include the following: (1) acceptance of gifts, gratuities, amenities, or favors based on obvious family or personal relationships (such as those between the parents, children, or spouse of a bank official) where the circumstances make it clear that it is those relationships rather than the business of Select Bank & Trust concerned which are the motivating factors; (2) acceptance of meals, refreshments, entertainment, accommodations, or travel arrangements, all of reasonable value, in the course of a meeting or other occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations, provided that the expense would be paid for by Select Bank & Trust as a reasonable business expense if not paid for by another party (if under \$100.00 in value); (3) acceptance of loans from other banks or financial institutions on customary terms to finance proper and usual activities of bank officials, such as home mortgage loans, except where prohibited by law; (4) acceptance of advertising or promotional material of reasonable value, such as pens, pencils, note pads, key chains, calendars, and similar items; (5) acceptance of discounts or rebates on merchandise or services that do not exceed those available to other customers; (6) acceptance of gifts of reasonable value that are related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement, holiday, or birthday (if under \$100.00 in value); or (7) acceptance of civic, charitable, educational, or religious organization awards for recognition of service and accomplishment (if under \$100.00).

While the acceptance of certain gifts may not be prohibited, the potential for the *appearance* of a conflict of interest is still present. Any such gift of *more than nominal value* (more than \$100.00) offered to or received by a Director, Officer, Employee, or a Related Interest from an existing or prospective customer or supplier of Select Bank & Trust should be disclosed to the Board of Directors in writing. Written records of such reports should be maintained by Select Bank & Trust, and should be reviewed in order to determine whether or not the gift violates the Bank Bribery Act or poses a threat to the integrity of Select Bank & Trust.

State and Federal banking laws prohibiting the offer or acceptance of bribes, including the Bank Bribery Act, are aggressively enforced and the penalties for violations are severe. Any offer of a bribe to a Director, Officer, or Employee of Select Bank & Trust should immediately be reported to the Chairman of the Audit Committee.

### **CIVIC, CHARITABLE, AND POLITICAL ACTIVITIES** *Directors, Officers, and Employees*

Directors, Officers, and Employees are encouraged to be active citizens in their respective communities and to actively participate in civic, community, and charitable affairs, as their good works in those areas reflect favorably on Select Bank & Trust. However, Directors, Officers, and Employees should undertake such activities as private citizens. While Select Bank & Trust takes seriously its obligations as a corporate citizen and lends its support, financial and otherwise, to worthwhile civic, community, and charitable causes, there are financial and other considerations which must enter into a decision by Select Bank & Trust to support any such cause. Unless authorized by the CEO, a Director, Officer, or Employee should not commit Select Bank & Trust as a sponsor of or a contributor to, or use or commit to the use of Select Bank & Trust name, equipment, facilities, or personnel on behalf of, any civic, community, or charitable cause without the permission of the CEO.

State and Federal law strictly prohibits Select Bank & Trust from using its funds or assets in support of political candidates, campaigns, or parties. Except as may be permitted by laws applicable to the activities of a political action fund, in no event may political contributions be made in Select Bank & Trust name or with its funds, nor may Select Bank & Trust name, equipment, facilities, or personnel be used, directly or indirectly, in support of any political candidate, campaign, or party. To avoid any appearance of corporate support or endorsement, no Director, Officer, or Employee should state or imply that Select Bank & Trust supports or will support, or identify Select Bank & Trust in any manner with, any political candidate, campaign, or party, and any political activities by Directors, Officers, and Employees should be conducted outside of Select Bank & Trust premises.

## **CODE OF ETHICS SUPPLEMENT FOR DIRECTORS AND OFFICERS**

Directors and Officers of Select Bank & Trust are affected by numerous legal requirements. Described below are certain of those requirements which are particularly sensitive due to the fact that innocent and unintentional violations by Directors and/or Officers can result in significant personal liability, and due to the fact that Select Bank & Trust to some extent is dependent on information supplied by Directors and Officers in order to prevent violations.

### **CONFIDENTIALITY**

#### ***Directors***

Directors may find that as a result of their service on the Board of Select Bank & Trust, that direct or indirect contacts or overtures are made to them individually regarding the position of Select Bank & Trust as to its independence or its interest in affiliating or merging with some third party. Any such third party inquiries of a Director should be immediately reported to the CEO. It would be appropriate for such Director to advise the full Board of Directors of such inquiry at its next regular or special meeting. Further, the Director receiving such inquiry should make no statement that can be interpreted to indicate that the Board would have any interest whatsoever in entertaining such discussions. The Director should indicate to such person that matters of this nature should be addressed directly with the CEO. Directors should be mindful that, due to their position, their comments, either intentional or otherwise, could improperly signal the stated position of the Board with regard to Select Bank & Trust mission and purpose. In addition, Directors shall refrain at all times from initiating any contact, direct or indirect, with any unrelated third party regarding that party's or some other party's interest in engaging in discussions with Select Bank & Trust to effect a combination, share exchange, merger, or the like unless the Director has this responsibility directly delegated to him by the CEO or the Board of Directors. The Board of Directors, acting as a corporate body, has the ultimate fiduciary duty to Select Bank & Trust shareholders in matters of this nature and no individual Director should entertain or initiate any discussions that would run counter to the established position of the Board as to the future course of Select Bank & Trust. In light of the increasing interconnectedness of the financial services industry, the issue of independence or affiliation has become increasingly sensitive. A material breach of this policy may be considered to be a breach of that Director's fiduciary duty to Select Bank & Trust. Any such material breach may also be reason for the Nominating Committee to reconsider such Director's suitability for re-nomination once such Director's term expires or may result in that Director being asked to resign as a Director. Additional potential disciplinary actions are discussed below.

### **DUTY OF LOYALTY**

#### ***Directors and Officers***

Among their other duties, Directors and Officers have a "duty of loyalty" under North Carolina law, which requires that they act in a manner they reasonably believe to be in the best interests of

Select Bank & Trust. A “conflict of interest” is a situation in which a personal or private financial interest of a Director or Officer (or of a Related Interest) conflicts with, **or could reasonably appear to conflict with**, the interests of Select Bank & Trust. If the conflict is between the Director or Officer’s interest and the interest of Select Bank & Trust, the law prohibits the Director or Officer from using that position to further a personal or private financial interest at the expense or to the detriment of Select Bank & Trust. A material violation puts the Director or Officer at risk of liability for damages incurred by Select Bank & Trust. If the Director or Officer’s interest conflicts with the interest of one of Select Bank & Trust customers and its dealings with Select Bank & Trust, then Select Bank & Trust policy of integrity and fairness suggests that the Director or Officer not further a personal or private financial interest to the detriment of Select Bank & Trust customer. A violation of such policy does damage to Select Bank & Trust reputation for fair dealing with its customers. Because such conduct may result in the risk of civil liability on the part of Select Bank & Trust, the Director or Officer’s action may also conflict with the best interest of Select Bank & Trust.

While all conflicts of interest cannot be avoided, Directors and Officers should attempt to plan their personal and private financial affairs so as to avoid conflicts (or the reasonable appearance of a conflict) to the greatest extent possible. In cases where there is a conflict of interest or a transaction which could reasonably appear to be a potential conflict of interest, that individual should fully disclose the circumstances of the conflict to the Board of Directors, if a Director, or to the CEO, if an Officer, and abstain from participation in any decision-making by Select Bank & Trust in connection with the transaction giving rise to the conflict.

Listed below are certain common examples of situations which may pose a conflict of interest or the appearance of a conflict for a Director or Officer. While these examples are not intended to describe all situations in which a conflict or the appearance of a conflict will arise, they will provide general guidance as to the types of situations in which Directors and Officers must be sensitive to their duties and obligations. The principles outlined below are not exhaustive and apply in varied circumstances and fact patterns.

## **Conflicts of Interest**

The duty of loyalty requires that, at all times, Directors and Officers must act in a manner reasonably believed to be in the best interests of Select Bank & Trust, and that they must not use their positions for personal or private financial gain to the detriment of Select Bank & Trust. Self-dealing by a Director or Officer violates the duty of loyalty and is aggressively dealt with by banking regulators.

**Loans to, or Investments in, Bank Customers or Potential Bank Customers.** Directors and officers of Select Bank & Trust should consider whether an individual or entity to which they make a loan or in which they make an investment may be a suitable customer for Select Bank & Trust. Directors and officers have a duty not to take advantage of a business opportunity that falls within the scope of Select Bank & Trust products or services until after Select Bank & Trust has had an opportunity to assess and pass upon the potential transaction. For directors or officers that have outstanding notes receivable, loan assets, or investments in customers of Select Bank & Trust or other

entities that are applying to become customers for products or services offered by Select Bank & Trust, such relationships should be fully disclosed to Select Bank & Trust, in writing, and the director/officer should abstain from any approvals, votes, or credit underwriting decisions with respect to the customer or Potential Customer.

**Sales of Goods or Services to Select Bank & Trust.** Directors, Officers, or their Related Interests are often in the business of supplying goods and services of a type which are used by Select Bank & Trust. No law prohibits Directors, Officers, or their Related Interests from selling goods and services to Select Bank & Trust; however, such transactions involve an inherent conflict of interest and should be conducted only on the same basis and terms as an unrelated party and in a manner which is fair to Select Bank & Trust. Prior to any such transaction (or immediately upon learning after the fact that a Director or Officer's Related Interest is involved in any such transaction) that person should disclose fully to the Board of Directors the nature of his interest in any such transaction with Select Bank & Trust. Any such transaction which is not routine or conducted in the ordinary course of Select Bank & Trust business, or which is material to Select Bank & Trust, should be approved by Select Bank & Trust full Board of Directors before being effected.

**Purchases of Property or Assets from Select Bank & Trust.** Purchases of property or assets by Directors, Officers, or their Related Interests from Select Bank & Trust should be made on the same basis and terms as an unrelated party and in a manner which is fair to Select Bank & Trust, and may only be made after full disclosure by the Director or Officer of the nature of the interest in the transaction and after approval of the transaction by the Board of Directors.

Purchases of property or assets of a loan customer of Select Bank & Trust which are being sold through a foreclosure or repossession sale, or which have been acquired by Select Bank & Trust at such a sale or otherwise in the course of liquidating a customer's loan, are discouraged and should be avoided. However, there are circumstances (such as the lack of other willing purchasers) under which such a purchase may benefit Select Bank & Trust. In those cases, a purchase by a Director, Officer, or such person's Related Interest may be appropriate, but only after consideration by and the pre-approval of the Board of Directors. The same procedures will apply regarding purchases of assets by Directors, Officers, or their Related Interests directly from a distressed borrower.

In the event that Select Bank & Trust develops a Trust Department, it is noted that purchases by Directors, Officers, or their Related Interests of property or assets from trusts or estates administered by Select Bank & Trust Trust Department are prohibited under North Carolina law.

**Use of Select Bank & Trust Assets, Facilities, and Personnel.** Select Bank & Trust equipment and facilities, and the services of its personnel, are valuable assets. The use of such assets by a Director, Officer, or such person's Related Interest for personal or other purposes which do not further the business interests of Select Bank & Trust and without compensation for such use and without the prior approval of the CEO is a misuse of



corporate assets. At a minimum, such misuse of assets may constitute a violation of the Director or Officer's duty of loyalty. At its extreme, such misuse may constitute a misapplication or misappropriation of Select Bank & Trust assets by the Director or Officer. From time to time, Select Bank & Trust may extend the use of certain of its equipment or facilities, or the services of certain of its personnel, to Directors or Officers in the course of their service to Select Bank & Trust. However, Directors and Officers should avoid any unauthorized use of such assets and under no circumstances may such assets be used for political purposes such as meetings, rallies, planning sessions, and the like.

### **Other Investments**

Directors and Officers should be sensitive to the effect or potential appearance of an effect that personal investments may have on their actions or judgment as Directors or Officers. As a part of the duty of Directors and Officers to disclose to Select Bank & Trust their direct and indirect interests in Select Bank & Trust business transactions, each Director and Officer should disclose to the Board of Directors in writing any personal direct or indirect beneficial ownership or ownership by a Related Interest of:

- more than 5% of the outstanding shares of any class of stock of any publicly traded company; or
- any stock or other equity interest in the business of any customer, supplier or competitor of Select Bank & Trust (other than interests of less than 5% in publicly traded companies).

Such disclosure should be made to the Board of Directors at the time of the filing of a Form 13D or Form 13G with the Securities and Exchange Commission in the case of a public company or immediately after an investment in a customer, Potential Customer, supplier, or competitor. A Director or Officer may not be aware of such an investment in an entity which is a current customer, supplier, or competitor. A Director or Officer's duty to disclose that investment arises upon learning of such status. Directors and Officers should abstain from any approvals, votes, or credit underwriting decisions with respect to a customer or Potential Customer.

### **Other Directorships and Management Interlocks**

The duty of loyalty requires that Directors and Officers must not compete with Select Bank & Trust or engage in activities that adversely affect Select Bank & Trust reputation, encroach on the time or attention devoted to the duties of a Director or Officer of Select Bank & Trust, or adversely affect the quality of service rendered as a Director or Officer. While Directors of Select Bank & Trust are not prohibited from serving as directors of other entities, under certain circumstances such service may pose potential conflicts of interest or violations of the Director or Officer's duty of loyalty to Select Bank & Trust. Directors and Officers should notify the Board of Directors if they accept a position, or agree to allow their names to be placed in nomination for election, as a director of any other entity (other than charitable, civic, or other non-profit entities).

With certain exceptions, the Management Interlocks Act prohibits a Director or Officer of Select Bank & Trust from also serving as a management official of any other, unaffiliated depository institution or a depository institution holding company.

A “management official” is an employee or officer with management functions, a director (including an advisory or honorary director), or any person who is a nominee serving in any such capacity. A “depository institution” is a commercial bank, savings bank, trust company, savings and loan, credit union, or similar deposit taking institution. A “depository institution holding company” is a bank holding company or savings and loan holding company.

**Directors and Officers should contact Select Bank & Trust CEO and/or its legal counsel before accepting any position with any other depository institution or holding company, or with any company that has a subsidiary that is a depository institution or depository institution holding company.**

## **BANKING AND LOAN TRANSACTIONS WITH SELECT BANK & TRUST**

### *Directors and Officers*

It is anticipated that, whenever possible, Directors and Officers will utilize banking and lending services of Select Bank & Trust and that they will recommend Select Bank & Trust to others, including their Related Interests. While Directors and Officers should expect to be treated as well as any other customer similarly situated, they should not expect or attempt to arrange more favorable treatment for themselves or for their Related Interests. Directors and Officers must be sensitive to and use all best efforts to avoid circumstances in which it may reasonably appear that they are attempting to misuse their positions or influence. All transactions between Select Bank & Trust and a Director, Officer, or such person’s Related Interests should be conducted on the same basis and terms as an unrelated party in accordance with Select Bank & Trust standard policies and procedures, with full disclosure of the Director’s or the Officer’s interest, and in such a manner as to avoid the appearance of self dealing. Furthermore, interested Directors and Officers should abstain from any participation in the decision-making process related to any such transaction. All loan transactions between Select Bank & Trust and a Director, Officer, or such person’s Related Interests must be conducted in compliance with state and Federal laws and regulations which apply to such loans.

With certain exceptions, Federal Reserve Board Regulation O provides that extensions of credit by Select Bank & Trust to a Director, Officer, or to any Related Interest thereof, must (i) be approved in advance by the Board of Directors; (ii) be made on substantially the same terms, including interest rate and collateral, as, and following credit underwriting procedures that are not less stringent than, those prevailing at the time for comparable transactions by Select Bank & Trust with other persons; **and** (iii) not involve more than normal risk of repayment or present other unfavorable features.

A Director, Officer, or any Related Interest is prohibited from “knowingly” receiving (or from “knowingly” permitting any of such person’s Related Interests to receive), directly or indirectly, any extension of credit which does not comply with Regulation O. Select Bank & Trust is

required to maintain a listing of Directors' and Officers' Related Interests, and Directors and Officers, at least annually, are asked to disclose to Select Bank & Trust the identities of their Related Interests.

While Select Bank & Trust lending personnel obviously know the identities of its Directors and Officers, from time to time they may not know the identities of all Related Interests of Directors and Officers. **Before any Related Interest of a Director or Officer obtains any extension of credit from Select Bank & Trust, the Director or Officer should notify Select Bank & Trust lending officer that the borrower is a Related Interest and that the extension of credit must comply with the requirements of Regulation O.**

## **TRANSACTIONS IN SELECT BANK & TRUST COMMON STOCK** *Directors and Officers*

The following are legal restrictions or requirements on transactions by Directors, Officers, and certain of their Related Interests that involve Select Bank & Trust common stock. **For the reasons outlined below, Directors or Officers should contact Select Bank & Trust CEO or CFO before any transaction involving Select Bank & Trust common stock “beneficially owned” (see definition below) by them is effected, whether the transaction is effected by them or by any other person.**

1. **Section 16(a) Reporting.** Ordinarily, **any** transaction that involves a change in a Director or Officer's “beneficial ownership” of Select Bank & Trust common stock (including without limitation any purchase, sale, gift, inheritance, stock dividend or split, transfer into or receipt from an estate or trust, purchase by dividend reinvestment, receipt of shares in lieu of fees, etc.) **must be reported by that Director or Officer to the Securities and Exchange Commission under Rule 16(a)** (promulgated pursuant to Section 16(a) of the Securities Exchange Act of 1934) within two business days of the date on which the transaction occurs. Directors' and Officers' late reports and failures to report are required to be disclosed in Select Bank & Trust proxy statement each year.

In addition to transactions effected directly by a Director or Officer, transactions effected by various other persons will change the Director's or Officer's “beneficial ownership” of Select Bank & Trust common stock (and, therefore, will be reportable under Rule 16(a) by the Director or Officer). To be a “beneficial owner” of any stock, the Director or Officer must be considered to have a “pecuniary interest” in it. This includes, without limitation, shares held by (i) certain members of the Director or Officer's immediate family; (ii) certain corporations, partnerships, or other entities in which the Director or Officer is involved; (iii) certain trusts in which the Director, Officer, or an immediate family member is involved as trustee or beneficiary; and (iv) shares which the Director, Officer, or other family member or entity may acquire through the exercise or conversion of a “derivative security” such as an option, warrant, or convertible security.

Select Bank & Trust routinely prepares and electronically files required Rule 16(a) reports for Directors and Officers. However, Directors or Officers should notify Select

Bank & Trust of a stock transaction **before** the transaction is effected so that the required report can be prepared, signed, and filed before the applicable filing deadline.

2. **Section 16(b) “Short-Swing Profit Liability.”** A purchase or sale of Select Bank & Trust common stock “beneficially owned” by a Director or Officer that occurs within 6 months **before or after** any “matching transaction” (a sale or purchase of “beneficially owned” stock) will result in personal liability on the part of the Director or Officer under Section 16(b) of the Securities Exchange Act of 1934 for any “short-swing profits.” A “short-swing profit” will exist if the price at which stock is sold exceeds the price at which it is purchased within any 6-month period. For liability to be imposed, it is sufficient that stock “beneficially owned” by a Director or Officer be the subject of “matching transactions” within a 6-month period, even if the Director or Officer is not directly involved in either of those transactions. Therefore, a Director or Officer may incur liability for transactions effected by other persons or entities as long as those transactions involve stock “beneficially owned” by the Director or Officer.

Select Bank & Trust routinely evaluates Directors’ and Officers’ stock transactions under Section 16(b). However, to prevent liability in the case of any particular stock transaction, the evaluation must take place **before** the transaction is effected.

3. **Insider Trading Conditions.** It is illegal for a Director or Officer to buy or sell securities of Select Bank & Trust or any other company based on material non-public information concerning Select Bank & Trust or that other company. Also, it is illegal for a Director or Officer to engage in “tipping” by disclosing any such information to another person who buys or sells in reliance on such information.

It is the policy of Select Bank & Trust Board of Directors that:

(a) A Director or Officer who has material, non-public information about Select Bank & Trust, or who has such information about any other company obtained during such service as a Director or Officer, **may not** (i) buy or sell any securities of Select Bank & Trust or of that other company, or engage in any other action to take advantage of, or which would create the appearance of taking advantage of, such information; (ii) cause or knowingly allow immediate family members or any corporation or other entity (including a trust, estate, etc.) affiliated with the Director or Officer to buy or sell such securities, or to engage in any other action to take advantage of, or which would create the appearance of taking advantage of such information; (iii) or disclose or pass such information on to any other person;

(b) Even following the public disclosure (by press release or otherwise) of material events or information about Select Bank & Trust, Directors and Officers (and members of their immediate families and Related Interests) should not engage in transactions involving Select Bank & Trust securities until a period of at least two (2) business days have elapsed to assure full public dissemination of that information.

A Director or Officer may be in possession of material, non-public information without knowing it or without recognizing the significance of the information. Also, a Director or Officer may be accused of having such information merely because of that position. Select Bank & Trust routinely assists Directors and Officers to reduce “insider trading” risks by evaluating proposed stock transactions in light of the existence or materiality of recent events within Select Bank & Trust and any undisclosed corporation information. However, if that evaluation is to reduce a Director or Officer’s risk of liability in the case of any particular stock transaction, it must take place **before** the transaction is effected.

## **DISCIPLINARY ACTION**

### *Directors*

Directors are expected to follow the provisions of this Code, other policies referred to in this document, additional policies that apply to their position, and the spirit and letter of all laws and regulations. A violation of this Code of Ethics or these other policies, laws, and regulations, including any failure to report a known or suspected violation of the same, constitutes grounds for disciplinary action, even where there is no loss to Select Bank & Trust.

Such disciplinary action may include, but are not limited to the following:

Public or private censure by the Board of Directors

Dismissal from Board of Directors committee assignments

A recommendation against re-nomination for election to the Board of Directors

A request for resignation from the Board of Directors

Acceptance of a Contingent Resignation by the Board of Directors (as a condition to appointment or nomination and election, each Director shall agree to execute a contingent resignation that is effective upon acceptance by two-thirds of the remaining Directors)

Pursuit of forcible removal from the Board of Directors or reconstitution of the Board of Directors, in accordance with bylaws provisions and applicable law.

Civil litigation

Any such disciplinary actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code.

Violations of laws or regulations will be promptly reported, as required or appropriate, to regulatory authorities. As a condition to appointment or nomination and election, each Director shall agree to issue, after violating this Code or other policies, laws, or regulations and upon Select Bank & Trust request, a public statement or press release stating that Director's culpability and subsequent penalty (which may include resignation or removal from the Board and any civil, criminal, or other penalties incurred by that Director) but only if Select Bank & Trust believes that such a factual announcement is appropriate and is reasonably designed to protect Select Bank & Trust business and reputation for integrity.

In addition to reports to Select Bank & Trust regulatory authorities, violations of this Code or applicable laws and regulations may subject a Director to criminal prosecution, regulatory investigation, or civil legal action by Select Bank & Trust or others.

**STATEMENT OF ACKNOWLEDGEMENT**

I have read and understand the Code of Ethics that is set forth herein above. I also understand that I will be asked to read, review, and sign the Code of Ethics on an annual basis.

Signed in the capacity indicated below this \_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
\_\_\_ Director

\_\_\_ Officer

\_\_\_ Employee

**STATEMENT OF CULPABILITY**

In the event of my breach of a provision of this Code of Ethics, which breach is not waived by the Board of Directors in accordance with the provisions of the Code, I, the undersigned member of the Board of Directors of Select Bancorp, Inc. and/or Select Bank & Trust, hereby agree to issue upon Select Bank & Trust written request, a public statement or press release disclosing my culpability and any resultant penalty, provided however, that such statement shall be required only if the Board of Directors determines that such a factual announcement is appropriate and is reasonably designed to protect Select Bank & Trust business and reputation for integrity, as indicated by a two-thirds vote of directors at a duly called meeting of the applicable Board(s) of Directors at which a quorum is present.

\_\_\_\_\_  
Director

**CONTINGENT RESIGNATION**

In the event of my breach of a provision of this Code of Ethics, which breach is not waived by the Board of Directors in accordance with the provisions of the Code, I, the undersigned member of the Board of Directors of Select Bancorp, Inc. and/or Select Bank & Trust, hereby agree to execute and tender, upon request by a majority of the other members of the Board of Directors of Select Bank & Trust, a contingent resignation that shall be effective upon acceptance by the remaining members of the Board of Directors of Select Bank & Trust, as indicated by a two-thirds vote of such remaining directors at a duly called meeting of the applicable Board(s) of Directors at which a quorum is present.

\_\_\_\_\_  
Director