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**FEDERAL DEPOSIT INSURANCE CORPORATION**  
**Washington, D.C. 20429**

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported) September 5, 2018

**CARTER BANK & TRUST**

(Exact name of registrant as specified in its charter)

<b>Virginia</b> (State or other jurisdiction of incorporation)	<b>N/A</b> (Commission File Number)	<b>20-5539935</b> (IRS Employer Identification No.)
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<b>1300 KINGS MOUNTAIN ROAD</b> <b>MARTINSVILLE, VIRGINIA</b> (Address of principal executive offices)	<b>24112</b> (Zip Code)
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Registrant's telephone number, including area code **(276)656-1776**

**NOT APPLICABLE**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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### **Item 7.01. Regulation FD Disclosure**

Carter Bank & Trust (“CB&T”) made available on September 5, 2018 the presentation to be presented at the Raymond James Emerging Bank Symposium to be held on September 6, 2018. The presentation is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference. The presentation is also available on CB&T’s website at [www.carterbankandtrust.com](http://www.carterbankandtrust.com).

The information in this Current Report on Form 8-K is being furnished under Item 7.01 and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities and Exchange Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits**

Exhibit.

99.1 Raymond James Emerging Bank Symposium Presentation

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 5, 2018

**Carter Bank & Trust**

By: /s/ Wendy S. Bell  
Wendy S. Bell  
Executive Vice President &  
Chief Financial Officer

**Exhibit 99.1**

Raymond James Emerging Bank Symposium Presentation

# Carter Bank & Trust Strategic Update September 6, 2018



# Cautionary Statement Regarding Forward Looking Statements

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During the course of this presentation, management may make “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 regarding Carter Bank & Trust that are subject to risks, uncertainties and assumptions. These forward-looking statements include, among others: statements of goals, intentions, earnings expectations, and other expectations; estimates of risks and future costs and benefits; assessments of probable loan and lease losses; assessments of market risk; and statements of the ability to achieve financial and other goals. These forward-looking statements are subject to significant known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the forward-looking statements because they are based upon or are affected by, among others: management’s estimates and projections of future interest rates, market behavior, and other economic conditions; future laws and regulations; and a variety of other matters which, by their nature, are subject to significant uncertainties. Any forward-looking statements are based upon management’s beliefs and assumptions at the time they are made and speak only as of their date. The Carter Bank & Trust undertakes no obligation to publicly update or revise any forward-looking statements or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties and assumptions, Carter Bank & Trust’s actual future results may differ materially from those indicated, and you should not put undue reliance on any forward-looking statements. In addition, our past results of operations do not necessarily indicate our future results.

- Introduction to Carter Bank and Trust
- 2018 Q2 Results
- Strategic Initiatives Update
- Future Focus
- Balance Sheet Repositioning
- Why Invest in CARE
- Questions



# Intro to CB&T

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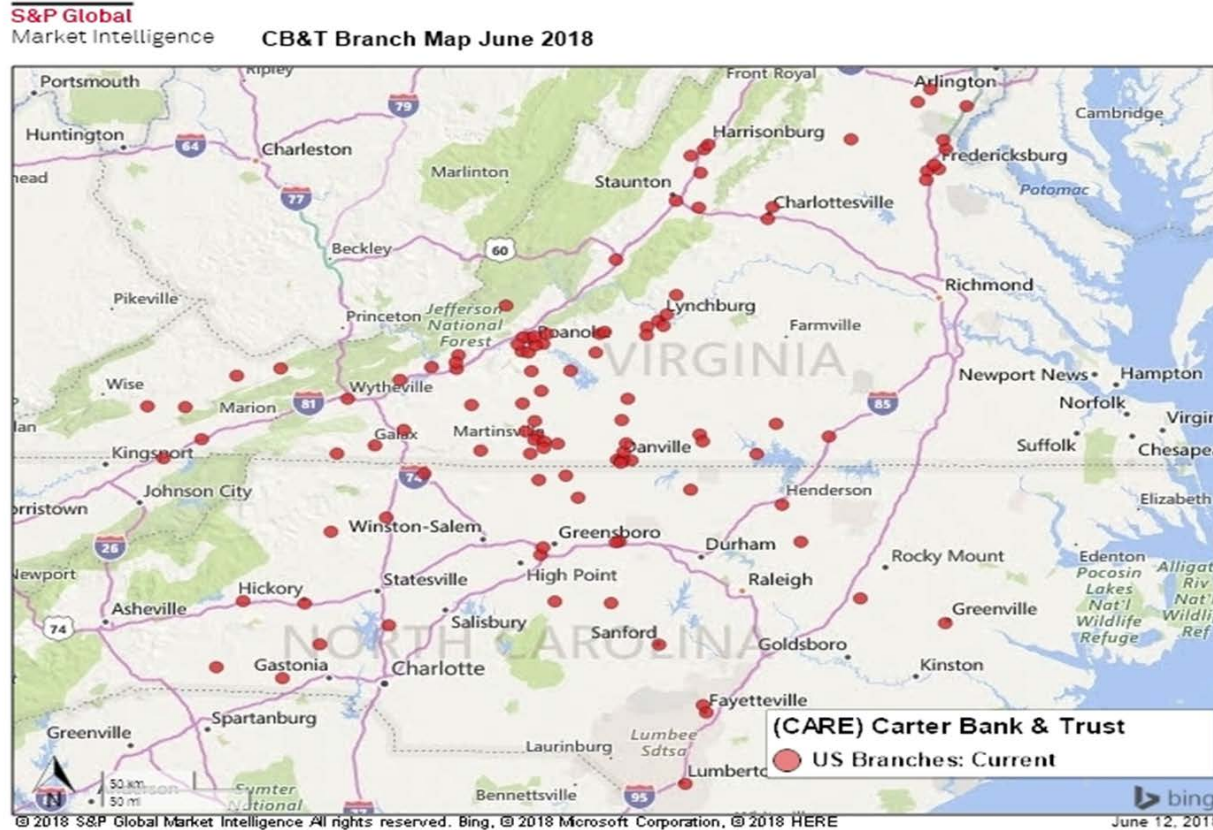
# Executive Management Team

Name	Title	Years of Experience			Prior Positions
		In Current Role	With CB&T	In Banking	
Litz Van Dyke	Chief Executive Officer	1	2	30+	Practice Manager, Chief Operating Officer, President and Chief Executive Officer
Phyllis Karavatakis	President & Chief Banking Officer	1	40	40	Chief Administrative Officer and Chief Lending Officer
Wendy Bell	EVP- Chief Financial Officer	1	1	30+	SVP, Senior Finance Officer, Chief Accounting Officer and Controller
Jane Ann Davis	EVP- Chief Administration Officer	1	34	30+	EVP, Chief Financial Officer and Chief Operating Officer
Tony Kallsen	EVP- Chief Credit Officer	<1	<1	27+	SVP, Senior Credit Officer and Chief Credit Officer
Bradford Langs	EVP- Chief Strategy Officer	1	1	30+	Chief Risk Officer, Chief Credit Officer and Treasurer
Matthew Speare	EVP- Chief Information Officer	1	1	15+	Chief Technology Officer and Chief Information Officer
Rich Spiker	EVP- Chief Lending Officer	<1	<1	25+	Chief Lending Officer and Market Executive
Loran Adams	SVP- Director of Regulatory Risk Management	1	1	30+	Director of Internal Audit and Senior Risk Officer



# Overview of Carter Bank & Trust

## Branch Footprint



## Overview

- Bank established de nova in 1974 as First National Bank of Rocky Mount
- Current Carter Bank charter established in 2006
- Headquartered in Martinsville, VA
- 4<sup>th</sup> largest Community Bank Headquartered in Virginia
  - 105 branches (VA - 78 & NC - 27)
- Assets: \$4.1 billion
- Gross Loans: \$2.7 billion
- Deposits: \$3.6 billion

# Key Financial Metrics

	6/30/18	12/31/17	12/31/16
Total Assets	\$4.1 Billion	\$4.1 Billion	\$4.5 Billion
Total Loans	\$2.7 Billion	\$2.7 Billion	\$2.7 Billion
Total Deposits	\$3.6 Billion	\$3.7 Billion	\$4.1 Billion
Total Capital Ratio	14.90%	14.15%	13.35%
Tier 1 Capital	\$13.65%	12.93%	12.22%
Leverage Ratio	9.78%	9.33%	8.10%
Market Capitalization	\$472 Million	\$461 Million	\$349 Million
Market Value	\$17.96	\$17.55	\$13.29
Price to Tangible Book	1.24x	1.21x	0.93x
Net Earnings	\$16.0 Million (YTD)	(\$681) Thousand	\$16.0 Million

# Q2 2018 Financial Highlights

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# Actual Balance Sheet: Month-end

	Month-end Balance		Variance to Prior
	June-18	Dec-17	Year
Cash and Due From Banks	\$99,999	\$116,898	\$(16,899)
Securities	865,689	947,201	(81,512)
FRB Excess Reserves	88,624	151,715	(63,091)
Portfolio Loans, gross	2,749,726	2,684,464	65,262
Loans Held-for-Sale	1,121	517	604
Unearned Interest	(2)	(19)	17
Allowance for Loan Losses	(38,530)	(35,318)	(3,212)
Loans, net	2,712,315	2,649,644	62,671
Other	322,884	246,834	76,050
<b>Total Assets</b>	<b>\$4,089,511</b>	<b>\$4,112,292</b>	<b>\$(22,781)</b>
LIFETIME FREE CHECKING	\$548,566	\$530,242	\$18,324
Interest Bearing DDA & Savings	1,010,588	1,085,124	(74,536)
Time Deposits	2,082,444	2,054,249	28,195
<b>Total Deposits</b>	<b>\$3,641,598</b>	<b>\$3,669,615</b>	<b>\$(28,017)</b>
Other	10,066	10,551	(485)
Equity	437,847	432,126	5,721
<b>Total Liabilities &amp; Equity</b>	<b>\$4,089,511</b>	<b>\$4,112,292</b>	<b>\$(22,781)</b>
<b>Profitability Ratio's</b>			
Allowance for Loan Losses			
to Total Loans	1.40%	1.32%	
Nonperforming Loans to Total Loans	2.19%	3.46%	
Return on Assets (YTD)	0.80%	-0.02%	
Return on Equity (YTD)	7.47%	-0.15%	

# Income Statement

(\$ Thousands, except per share data)

Quarter-to-Date

Favorable/ (Unfavorable)  
Variance to Prior

	June-18	June-17	Year
Net Interest Income	\$29,251	\$26,608	\$2,643
Provision for Loan Losses	1,730	12,742	11,012
Securities Gains, net	132	-	132
Fee Income-Deposits	780	591	189
Gain on Sales of OREO	915	-	915
Other Income	2,914	1,930	984
<b>Noninterest Income</b>	<b>\$4,741</b>	<b>\$2,521</b>	<b>\$2,220</b>
Loss on Sales and Write-down of OREO	-	1,759	1,759
Loss on Sales and Write-down of Bank Premises	71	288	217
Operating Expenses	22,951	18,558	(4,393)
<b>Noninterest Expense</b>	<b>\$23,022</b>	<b>\$20,605</b>	<b>\$(2,417)</b>
Taxes	2,041	(2,735)	(4,776)
<b>Net Income (Loss)</b>	<b>\$7,199</b>	<b>\$(1,483)</b>	<b>\$8,682</b>
<b>Pre-tax Pre-provision Earnings<sup>2</sup></b>	<b>\$10,970</b>	<b>\$8,524</b>	<b>\$2,446</b>
Earnings (Loss) per Share	\$0.27	-\$0.06	\$0.33
Net Interest Margin (FTE) <sup>1</sup>	3.23%	2.78%	0.45%
Core Efficiency <sup>3</sup>	61.64%	56.29%	-5.35%

(1) Net Interest Margin has been computed on a fully taxable equivalent basis (FTE) using the 21% federal income tax statutory rate.

(2) Pre-tax pre-provision is computed as net interest income plus noninterest income minus noninterest expense before provision for loan losses and provision for income taxes.

(3) Core Efficiency ratio excludes from total revenue, on a fully taxable equivalent basis, the impact of on gain on sale of securities and other nonrecurring gains and excludes from total noninterest expense the amortization of intangibles, loss on sale or write-down of assets and any other nonrecurring expenses deemed by management not to be related to normal operations.

# Income Statement

	Year-to-Date		Favorable/ (Unfavorable) Variance to Prior
	June-18	June-17	Year
Net Interest Income	\$56,688	\$53,117	\$3,571
Provision for Loan Losses	3,245	16,622	(13,377)
Securities Gains, net	1,000	-	1,000
Fee Income-Deposits	2,032	1,599	433
Gain on Sales of OREO	573	-	573
Other Income	5,525	3,869	1,656
<b>Noninterest Income</b>	<b>\$9,130</b>	<b>\$5,468</b>	<b>\$3,662</b>
Loss on Sales and Write-down of OREO	-	1,707	1,707
Loss on Sales and Write-down of Bank Premises	71	288	217
Operating Expenses	45,168	36,414	(8,754)
<b>Noninterest Expense</b>	<b>\$45,239</b>	<b>\$38,409</b>	<b>\$(6,830)</b>
Taxes	1,306	(1,265)	2,571
<b>Net Income</b>	<b>\$16,028</b>	<b>\$4,819</b>	<b>\$11,209</b>
<b>Pre-tax Pre-provision Earnings<sup>2</sup></b>	<b>\$20,579</b>	<b>\$20,176</b>	<b>\$403</b>
Earnings per Share	\$0.61	\$0.18	\$0.43
Net Interest Margin (FTE) <sup>1</sup>	3.13%	2.76%	0.37%
Core Efficiency <sup>3</sup>	63.11%	56.48%	-6.63%

(1) Net Interest Margin has been computed on a fully taxable equivalent basis (FTE) using the 21% federal income tax statutory rate.

(2) Pre-tax pre-provision is computed as net interest income plus noninterest income minus noninterest expense before provision for loan losses and provision for income taxes.

(3) Core Efficiency ratio excludes from total revenue, on a fully taxable equivalent basis, the impact of on gain on sale of securities and other nonrecurring gains and excludes from total noninterest expense the amortization of intangibles, loss on sale or write-down of assets and any other nonrecurring expenses deemed by management not to be related to normal operations.



# Strategic Update

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# Strategic Initiatives Outlined in 2017

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- Address Regulatory Concerns Outlined in the BSA Consent Order
- Focus on Credit Quality
- Upgrading Technology Infrastructure
- Improve Net Interest Margin
- Diversify Revenue Streams/Enhance Earnings
- Leverage Franchise Strengths



# Strategic Initiatives – 2018 Update

## Address Regulatory Concerns Outlined in the BSA Consent Order

- **Policies and Procedures Updated**
- **Staff Augmented**
- **Internal Controls Enhanced**
- **Training Enhanced**
- **Look Back Complete**
- **Upcoming - Implementation of an Automated Teller Platform**
- **Upcoming - Implementation of an Automated Transaction Monitoring System**



# Strategic Initiatives – 2018 Update

## Focus on Credit Quality

- **Orderly and Timely Disposition of OREO**
  - \$15 million in OREO sold over the past several months
  - Approximately \$28 million of current OREO Assets under contract with expected Q3 or Q4 2018 close date.
- **Reduce Adversely Classified Loans**
  - Non Accrual Loans down \$32.7 million since 12-31-17 (as of 6-30-18)
  - Adversely Classified Loans down \$62.3 million since 12-31-17 (as of 6-30-18)
  - Loans Risk Rated Substandard or worse reduced by \$108.7 million since 12-31-17 (as of 6-30-18)



# Strategic Initiatives – 2018 Update

## Focus on Credit Quality

- **Create Granularity and Diversity in Loan Portfolio**
  - New CLO officer added late summer of 2017
  - New Lenders added in several key markets – Eastern NC, Western NC, Charlottesville, Roanoke and Lynchburg
  - New Relationship and Transaction Limits now in place
- **Enhance Credit Risk Management Infrastructure**
  - New CCO hired in January 2018
  - Loan Review Staff enhanced
  - New Credit Analysts added with C&I experience
  - New Loan Committee Structure in place
  - Special Assets Department established in 2017

# Strategic Initiatives – 2018 Update

## Upgrading Technology Infrastructure

- **Data and Voice Infrastructure – complete – VOIP & Bandwidth Enhanced**
  - Customer Contact Center opened in August of 2018
- **Core Banking Platform**
  - Conversion in 4<sup>th</sup> quarter of 2018 – 1<sup>st</sup> Mock Conversion Successfully completed in August of 2018



# Strategic Initiatives – 2018 Update

## Upgrading Technology Infrastructure

- **Ancillary Business Platforms**
  - BSA Platform – FCRM – implementation in November
  - Prologue – Finance & Accounting – Complete
  - Document Imaging – Complete
  - Human Resources System - Complete
- **Digital Channels – 1<sup>st</sup> quarter of 2019**
  - Commercial Cash Management 2<sup>nd</sup> quarter of 2019



# Strategic Initiatives – 2018 Update

## Improve Net Interest Margin

- **Actively work to improve cost of funds**
  - Cost of Funds has only increased by 1 bp from 12-31-17 to 6-30-18 (1.12% vs 1.13%) even in a rising rate environment.
  - Net Interest Margin (FTE) has improved by 37 bps from 6-30-17 to 6-30-18 (2.76% vs. 3.13%)
- **Invest liquidity in higher yielding instruments**
  - Yield on Earning assets has risen 36 bps from 6-30-17 to 6-30-18 (3.69% vs 4.05%)
  - FRB Excess Reserves + Securities has gone from 31% of Assets to 23% of Assets (6-30-17 vs 6-30-18). Same Period: Loans have gone from 62% to 67%.



# Strategic Initiatives – 2018 Update

## Improve Net Interest Margin

- **More emphasis on low cost funding – DDA**
  - Noninterest Bearing Deposits: 14% of total deposits as of 12-31-17 compared to 15% as of 6-30-18
  - Digital Channels are key to this initiative – Consumer and Business Transaction accounts – significant focus in 2019



# Strategic Initiatives – 2018 Update

## Diversify Revenue Streams/Earnings Enhancement

- **Examine Fee opportunities**
  - Updated Fee Schedule early 2018
  - MSB's are now charged for accounts
  - Commercial Loan Swaps will be offered in 3Q of 2018
- **Enhance Product Offerings – Technology**
  - Core Conversion in November
  - Cash Management, Equity Lines, Online/Mobile, Overdraft Protection, etc.

# Strategic Initiatives – 2018 Update

## Diversify Revenue Streams/Earnings Enhancement

- **Examine Alternative Revenue Lines**
  - Lending Club- completed late 2017
  - Syndicated C&I Credits- completed early 2018
  - Bankers Healthcare Group
  - SWAP Product
- **Insurance**
  - Merged Independent Agency into Banker's Insurance at end of 2017
  - Further opportunity to leverage referral opportunities

# Strategic Initiatives – 2018 Update

## Diversify Revenue Streams/Earnings Enhancement

- **Mortgage Line of Business**
  - Director of Mortgage Line of Business hired in 2017
  - 4 Retail Originators hired YTD
  - \$90 million + in closings in 2018
  - \$60 million + in pipeline
- **Build out Lending team in Key Markets**
  - Commercial Lenders added in the following markets: Western NC, Eastern NC, Charlottesville, Roanoke, Lynchburg and New River Valley
- **Branch Optimization Project**
  - Total of 16 branches closed (Pending Nokesville closure in August)



# Strategic Initiatives – 2018 Update

## Leverage Franchise Strengths

- **No Change needed – continue to nurture**
  - Strong Core Deposit Base
  - Loyal Core Customer Base
  - Branch Footprint – Geographic Diversity
  - Loyal, Dedicated Employees
  - Strong Capital Position
  - Service Oriented Organization



# Continued Focus in 2018 and Beyond

- Address Regulatory Concerns Outlined in the BSA Consent Order
  - ✓ Success = Have Consent Order Lifted
- Focus on Credit Quality
  - ✓ Success = Substantial reduction in NPA's, NPL's, OREO, Adversely Classified Loans
- Upgrading Technology Infrastructure
  - ✓ Success = Successful Conversion to New Core Platform
- Improve Net Interest Margin
  - ✓ Success = Margin more reflective of our Peer Group 3.5%+
- Diversify Revenue Streams/Enhance Earnings
  - ✓ Success = ~ 75% of Revenue from Spread Income
- Leverage Franchise Strengths
  - ✓ Success = Not Losing what has made CB&T successful for over 40 years



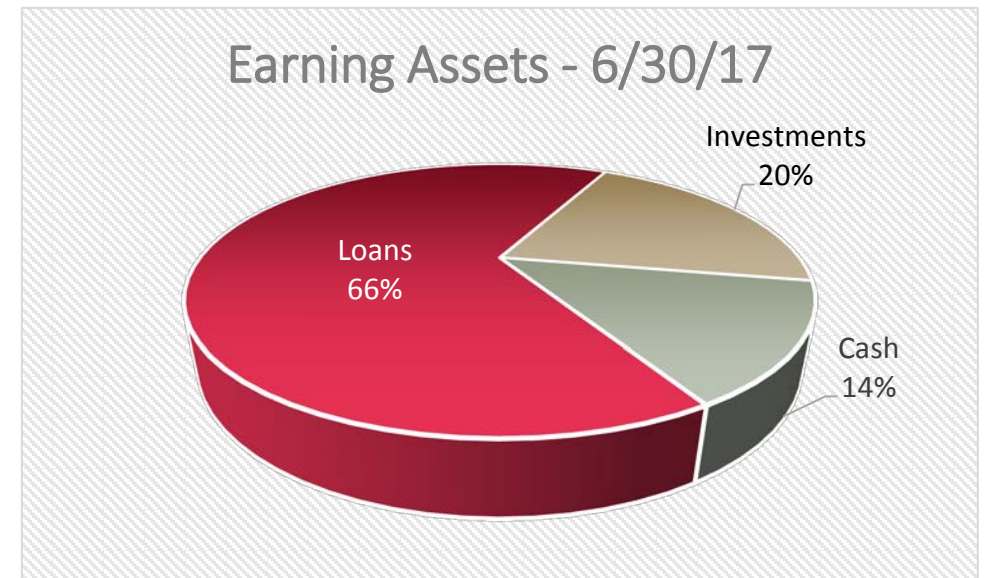
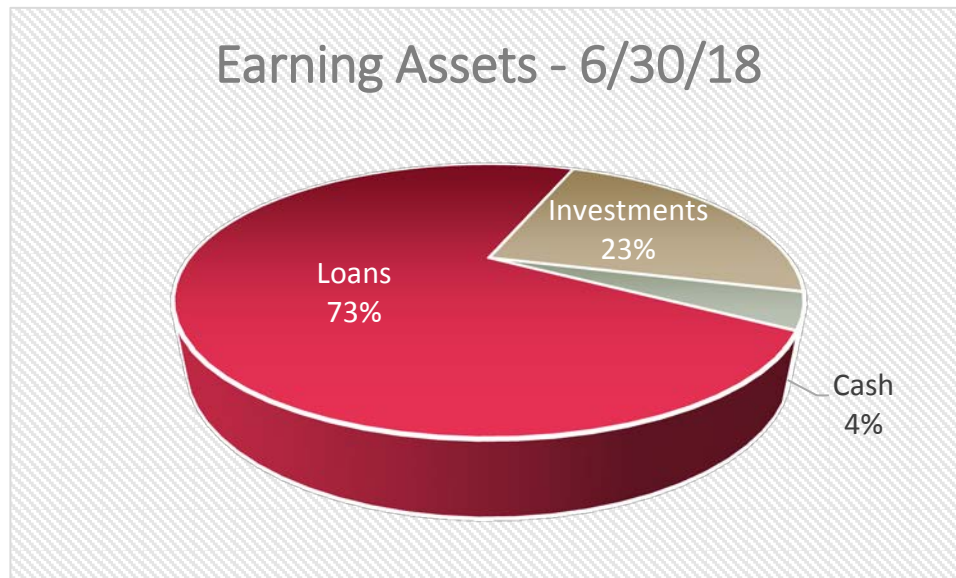
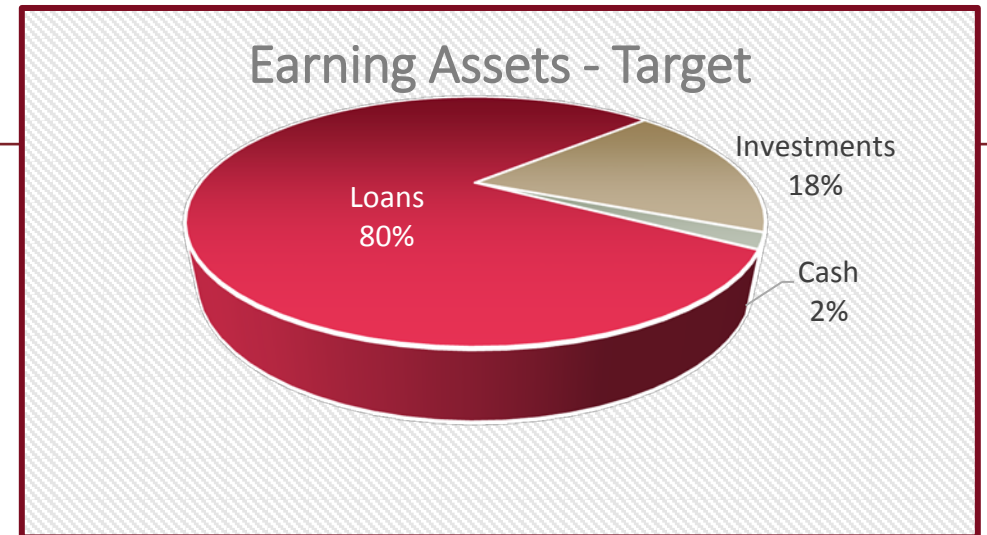
# Balance Sheet Transformation

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# Earning Assets

**Goal is to deploy cash into higher yielding loans and investments while foregoing undue concentration risk:**

- Earning Assets stand at \$3.75B.
- Our primary mandate is to use cash to grow the loan book with well diversified, higher yielding loan products to increase the NIIM and mitigate concentration risks.
- Our secondary mandate is to utilize the investment portfolio to hedge the loan portfolio while providing a steady stream of income to supplement earnings. The investment book can be liquidated, or pledged, on an as-needed basis to fund loan growth, when appropriate.

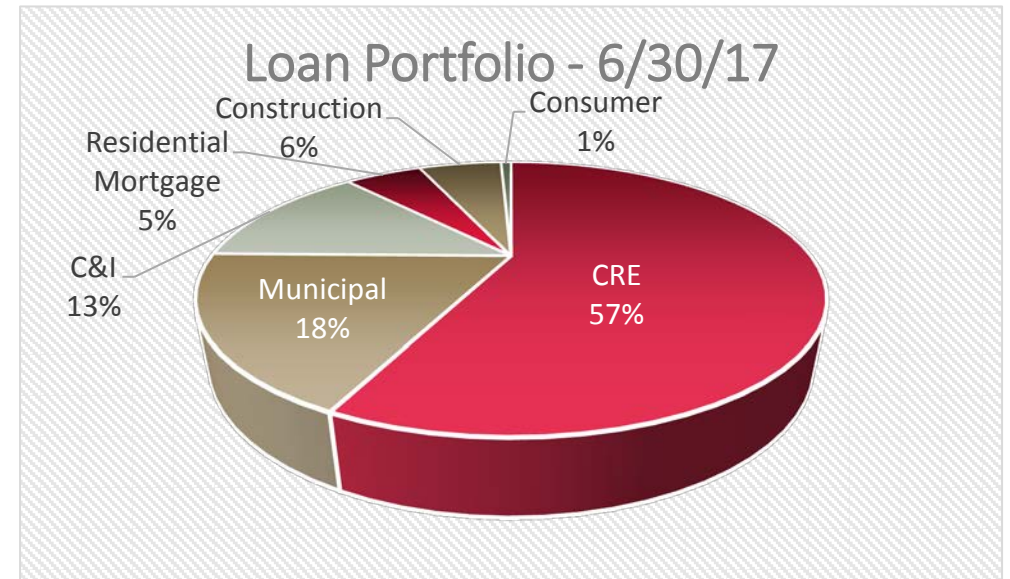
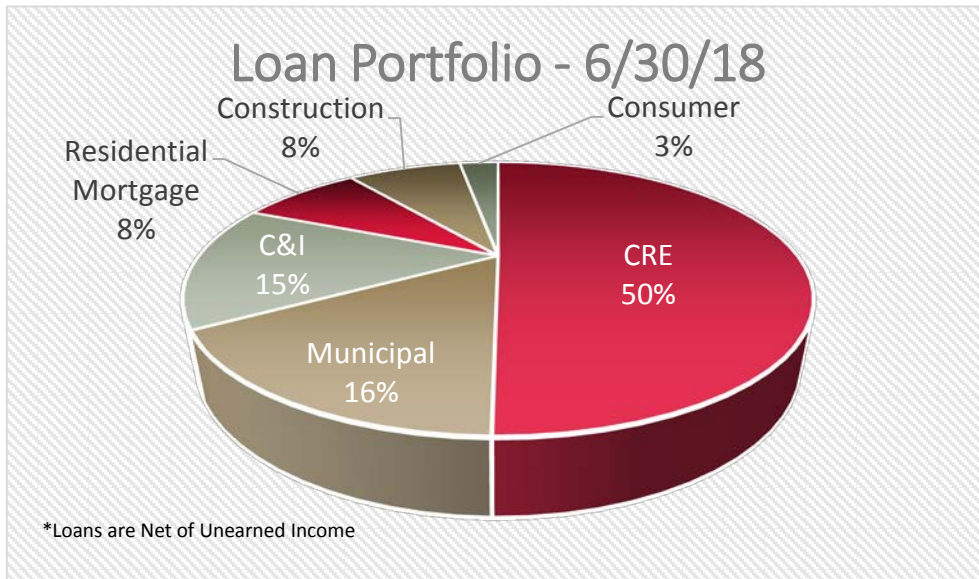
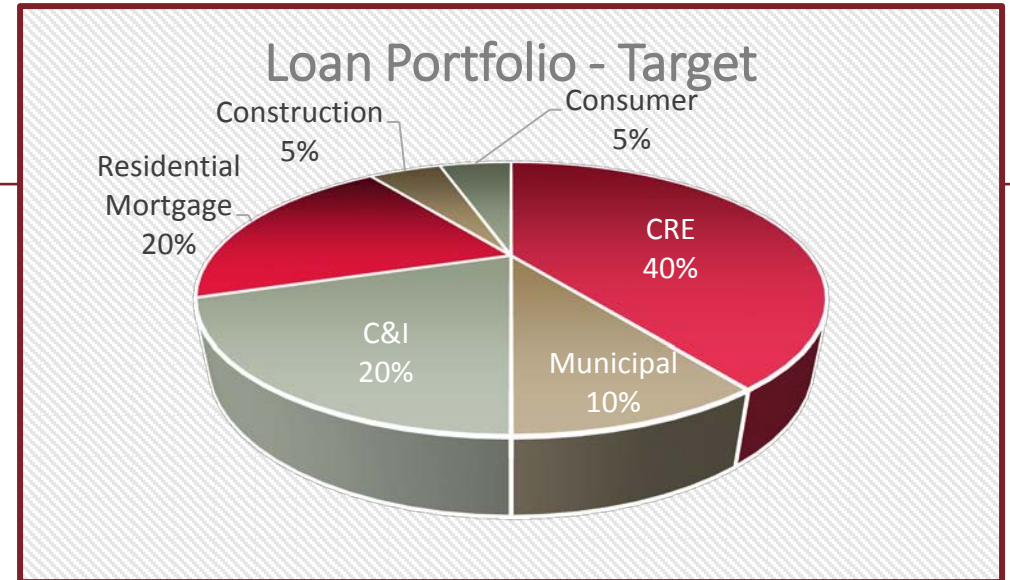




# Loans

**Goal is to better diversify and de-risk the loan portfolio by reducing dependency on CRE loans and increasing C&I loans, consumer loans and single-family mortgages:**

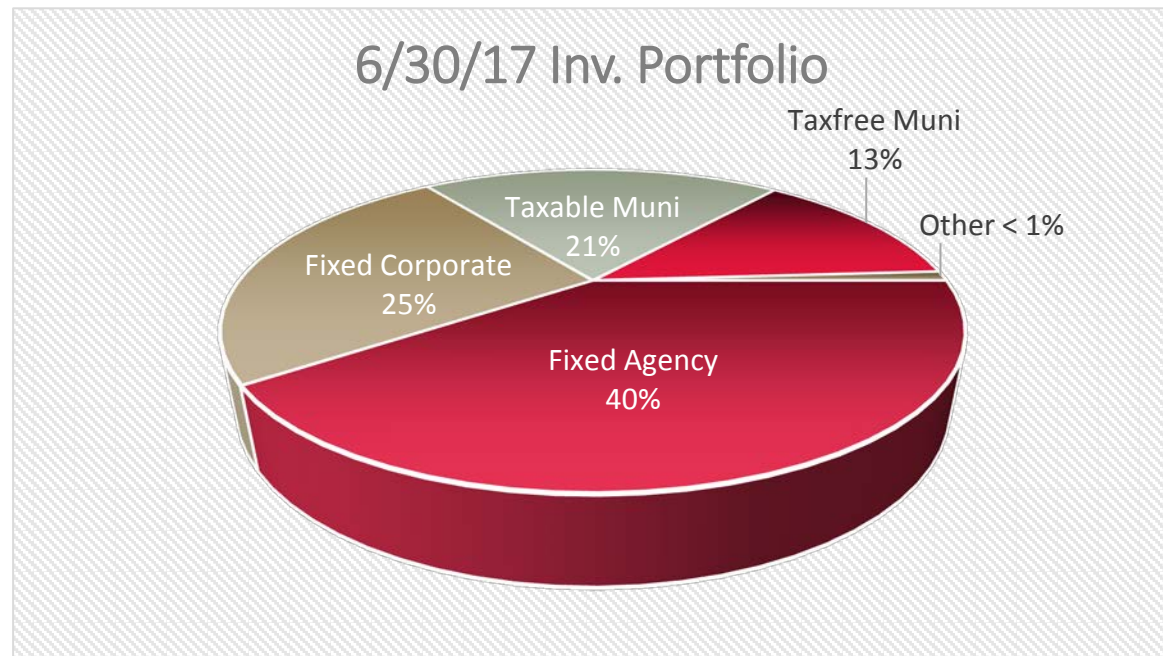
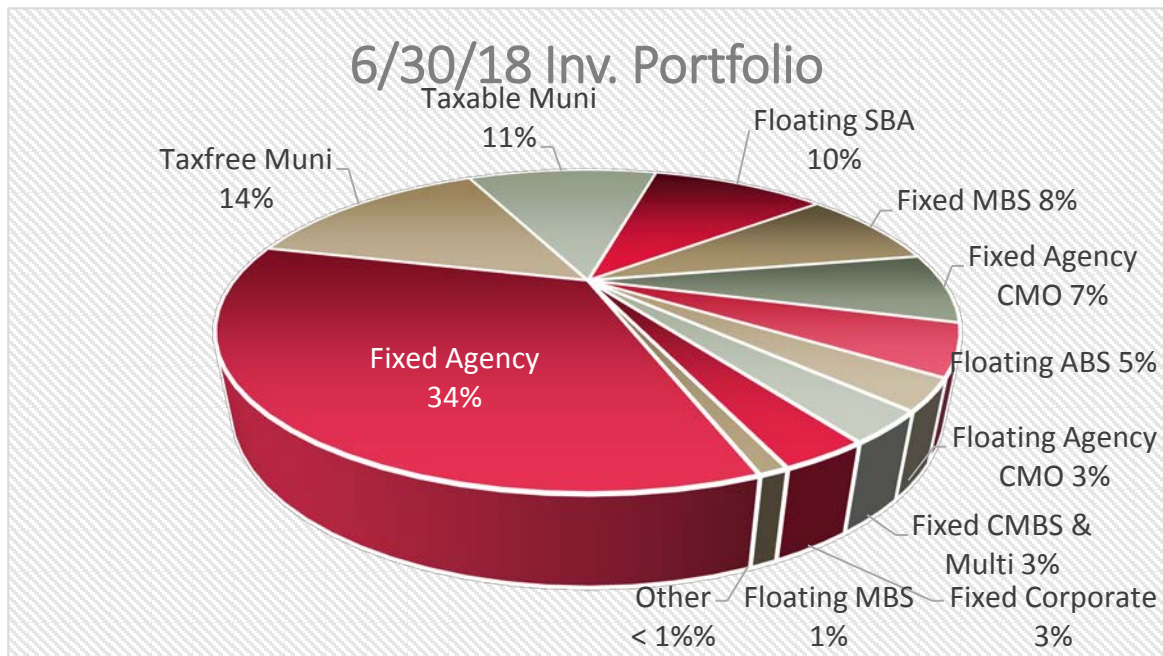
- Loans currently stand at \$2.75B (Net of Unearned Income).
- Our primary mandate is to always provide solutions to our customers in our footprint. CRE loans will continue to be a foundation of the portfolio.
- We are layering in additional loan products, tapping previously underutilized markets within the footprint and partnering with new borrowers to help with diversification, utilizing excess liquidity and maximizing the NIIM.



# Bond Portfolio

**Goal has been to increase diversification and percent of floating rate securities**

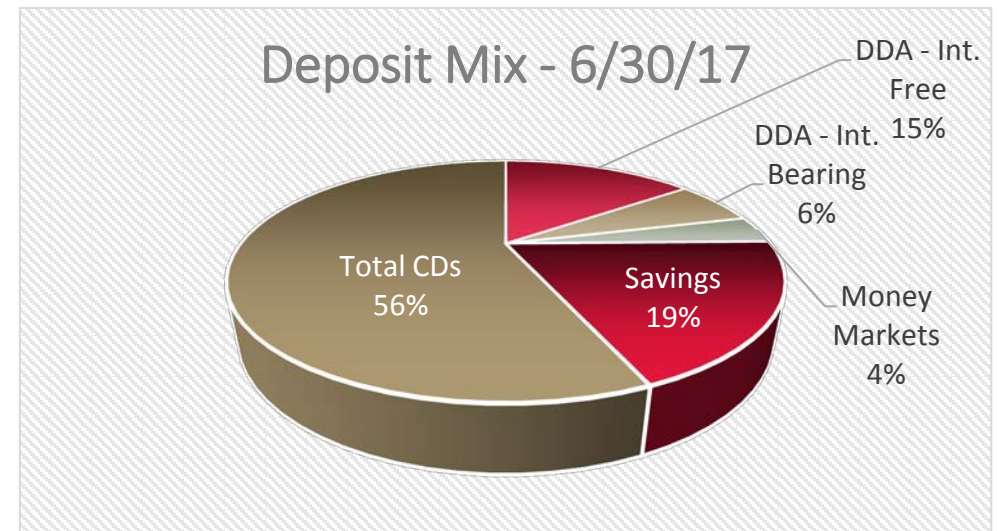
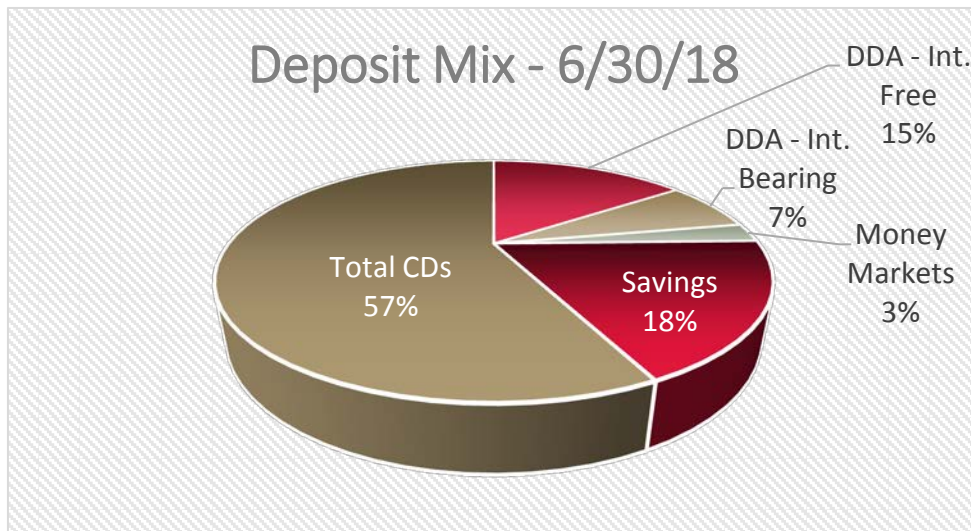
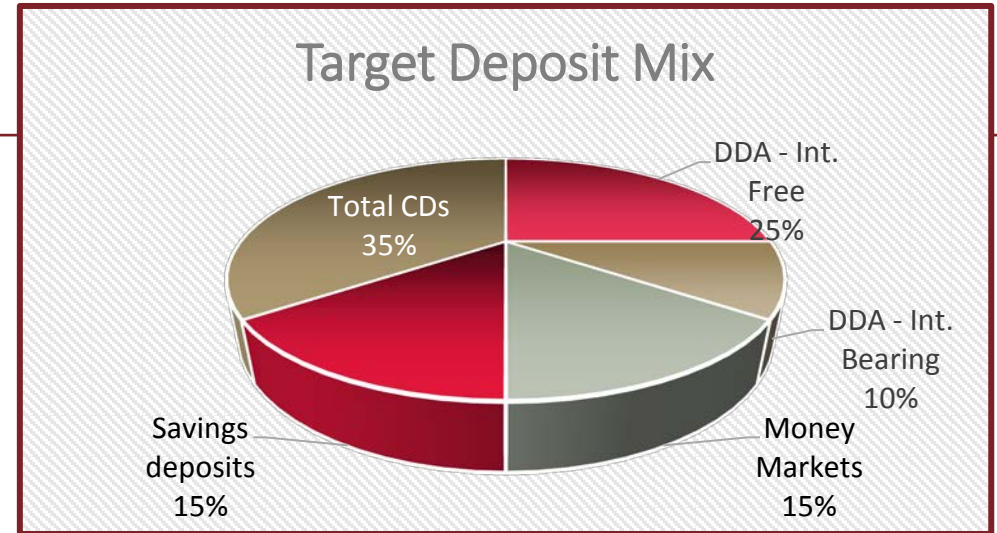
- Portfolio is about \$865.7MM, or ≈ 21% of total assets.
- Per below, much more diversified over the past year.
- The bond portfolio is now ≈ 20% floating rate (vs. 100% fixed rate a year ago) and has a shorter duration than our peer group.
- Can also use bonds for pledging and liquidity purposes, when needed.



# Deposits

**Goal is to diversify funding sources with a focus on lower cost funding, grow existing customer relationships, and add new relationships (both retail and commercial) post conversion:**

- Deposits currently stand at \$3.64B.
- Current dependence on CDs is high. CD maturities are closely monitored on a weekly basis.
- Recently conducted in-market CD specials to both retain existing customers and attract new customers.
- Need more lower cost core deposits. Growth in commercial accounts will be critical post core conversion, as we will be able to offer competitive products!



# Why Invest in CARE

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# Why Invest In Carter Bank & Trust?

We are currently trading at a significant discount to peers on a price / tangible book basis.

Company Name	Ticker	Location	Total Assets MRQ (\$000)	Market Cap of Traded	Price/ Tangible Book (%)
				Common Equity (\$M)	
Franklin Financial Network Inc	FSB	Franklin, TN	4,165,238	560.7	170.5
State Bank Finl Corp.	STBZ	Atlanta, GA	5,012,329	1,302.8	231.5
Seacoast Banking Corp. of FL	SBCF	Stuart, FL	5,922,681	1,480.1	268.9
QCR Holdings Inc.	QCRH	Moline, IL	4,106,883	697.1	186.7
USAmeriBancorp Inc.	-	Clearwater, FL	4,669,979	-	-
Lakeland Financial Corp.	LKFN	Warsaw, IN	4,760,869	1,274.7	264.8
Great Southern Bancorp Inc.	GSBC	Springfield, MO	4,568,863	854.2	177.8
Community Trust Bancorp Inc.	CTBI	Pikeville, KY	4,205,186	896.2	188.2
First Bancorp	FBNC	Southern Pines, NC	5,717,600	1,276.0	269.9
Peoples Bancorp Inc.	PEBO	Marietta, OH	3,972,091	701.3	209.2
City Holding Co.	CHCO	Cross Lanes, WV	4,374,383	1,279.6	300.7
Bar Harbor Bankshares	BHB	Bar Harbor, ME	3,541,055	468.1	188.7
Univest Corp. of Pennsylvania	UVSP	Souderton, PA	4,749,181	843.9	197.8
Bryn Mawr Bank Corp.	BMTC	Bryn Mawr, PA	4,394,203	1,001.1	298.8
TriState Capital Holdings Inc.	TSC	Pittsburgh, PA	5,233,936	862.7	248.9
Washington Trust Bancorp Inc.	WASH	Westerly, RI	4,737,242	1,043.6	299.0
Republic Bancorp Inc.	RBCA.A	Louisville, KY	5,265,945	935.7	161.8
Sandy Spring Bancorp Inc.	SASR	Olney, MD	8,152,600	1,404.7	209.9
Fidelity Southern Corp.	LION	Atlanta, GA	4,892,369	658.9	160.9
MainSource Financial Group	-	Greensburg, IN	4,600,000	-	-
<b>Minimum</b>			<b>3,541,055</b>	<b>468.1</b>	<b>160.9</b>
<b>Median</b>			<b>4,703,611</b>	<b>915.9</b>	<b>209.5</b>
<b>Average</b>			<b>4,852,132</b>	<b>974.5</b>	<b>224.1</b>
<b>Maximum</b>			<b>8,152,600</b>	<b>1,480.1</b>	<b>300.7</b>
<b>Carter Bank &amp; Trust</b>	<b>CARE</b>	<b>Martinsville, VA</b>	<b>4,089,511</b>	<b>459.5</b>	<b>121.2</b>

Source: SNL

Data as of June 30, 2018

Peer group includes banks with assets between \$4 billion and \$8 billion in the eastern United States.

## Reasons to Invest

- New Management With Proven Track Record
- Defined Strategic Initiatives designed to improve company performance
- Improving Profitability
- Significant Progress in improving Asset Quality
- Strengthened Credit Culture and Credit Risk Infrastructure
- Size creates scale and Franchise Value
- Attractive Markets – Geographic Diversity
- Stock currently trades at a Significant Discount to Peers

**Proud** of the Past  
Focused on the **Future**

FOCUSSED ON THE FUTURE



# Questions

