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) January 24, 2019

CARTER BANK & TRUST

(Exact name of registrant as specified in its charter)

Virginia	**N/A**	**20-5539935**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1300 KINGS MOUNTAIN ROAD MARTINSVILLE, VIRGINIA	**24112**
(Address of principal executive offices)	(Zip Code)

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))

Item 2.02. Results of Operations and Financial Condition

On January 24, 2019, Carter Bank & Trust announced by press release its earnings for the three and twelve months ended December 31, 2018. A copy of the press release is attached hereto as Exhibit 99.1. The information contained in this Report on Form 8-K furnished pursuant to Item 2.02 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Exchange Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

Exhibit.

99.1 Press Release announcing Fourth Quarter 2018 Financial Results

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: January 24, 2018

Carter Bank & Trust

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

Exhibit 99.1

Press Release announcing Fourth Quarter 2018 Financial Results

FOR IMMEDIATE RELEASE – January 24, 2019

Carter Bank & Trust Announces Fourth Quarter 2018 Financial Results

Martinsville, VA, January 24, 2019 – Carter Bank & Trust (the "Bank") (OTCQX:CARE) today announced net income of $3.4 million, or $0.13 earnings per share, for the fourth quarter of 2018, as compared to a net loss of $5.1 million, or $0.19 per share, for the fourth quarter of 2017.

For the year ended December 31, 2018, net income was $11.9 million, or $0.45 earnings per share, as compared to a net loss of $0.7 million, or $0.03 per share, in 2017. Pre-tax pre-provision earnings[1] were $31.2 million for the year ended December 31, 2018 as compared to $25.0 million for the same period of 2017.

Fourth Quarter 2018 Financial Highlights

- Fourth quarter net income of $3.4 million, or $0.13 earnings per share, as compared to a net loss of $7.5 million, or $0.29 per share, in the third quarter of 2018 and a net loss of $5.1 million, or $0.19 per share, over the same quarter of 2017;
- Net interest income increased $1.0 million, or 3.4%, to $29.1 million as compared to the linked quarter and increased $1.2 million, or 4.2%, over the same quarter in 2017;
- Net interest margin, on a fully taxable equivalent basis, increased nine basis points to 3.16% over the linked quarter and increased nine basis points over the same quarter last year, on a $72.7 million lower asset base and despite the negative impact of a lower taxable equivalent adjustment resulting from the lower corporate income tax rate in 2018;
- Provision for loan losses decreased $13.9 million as compared to linked quarter primarily due to a $10.1 million, or $0.30 per share, charge-off in the third quarter of 2018 of a legacy commercial real estate relationship and a specific reserve of $5.4 million, or $0.16 per share, to cover estimated additional impairment in the legacy commercial credit and was $12.8 million lower than the same quarter of 2017;
- A $1.9 million, or $0.06 per share, write-down of other real estate owned ("OREO") properties for updated appraisals that were received in the fourth quarter of 2018;
- A nonrecurring $3.5 million, or $0.11 per share, write-down on retail branch offices marketed for sale with a remaining book value of $6.8 million;
- Portfolio loans declined $103.5 million as compared to the linked quarter due to legacy credits that were paid down $177.0 million during the fourth quarter of 2018;
- Nonperforming loans increased slightly by $2.5 million as compared to September 30, 2018 and decreased $42.2 million from December 31, 2017. Nonperforming loans as a percentage of total loans were 1.88%, 1.72% and 3.46% as of December 31, 2018, September 30, 2018 and December 31, 2017, respectively.

2018 Year-to-Date Financial Highlights

- Year-to-date net income of $11.9 million, or $0.45 earnings per share, as compared to a net loss of $0.7 million, or $0.03 per share, in 2017;
- Net interest margin, on a fully taxable equivalent basis, improved 30 basis points to 3.10% year-over-year;
- Net interest income increased $6.9 million, or 6.5%, to $113.9 million year-over-year;
- Provision for loan losses declined $26.3 million, or 60.9%, as compared to 2017 and
- Securities gains of $1.3 million were realized in 2018 to take advantage of market opportunities, as compared to securities gains of $1.2 million in the same period of 2017.

Litz H. Van Dyke, Chief Executive Officer, stated, "We continued to aggressively address legacy balance sheet issues in 2018. While these efforts negatively impacted our financial results in 2018, we believe these efforts will benefit the company in the long-term as we significantly improved the overall risk profile and performance fundamentals of the Bank. "

Van Dyke continued, "Another key to our long-term success is our Information Technology systems upgrade which was successfully completed in November of 2018. Online consumer banking is on target to roll out in the first quarter of 2019, providing our customers with state of the art technology. As we have stated earlier, this new platform will be the foundation to provide additional products and services for our customers, provide operational efficiencies and cost savings throughout the organization ultimately creating value for our shareholders."

Operating Highlights

Net interest income increased $6.9 million to $113.9 million during 2018 as compared to the same period of 2017. The increase in net interest income was primarily driven by a $7.9 million increase in interest income, offset by an increase of $1.0 million in interest expense as compared to the same period of 2017. This is a result of seven increases by the Federal Reserve in short-term interest rates since March of 2017 as well as the intentional runoff of higher cost certificates of deposit. The net interest margin, on a fully taxable equivalent basis, increased 30 basis points to 3.10% over the past twelve months due to our deployment of excess cash into higher yielding and diversified investment securities and loans as well as the aforementioned runoff of higher cost deposits despite the decreased tax benefit from our tax-exempt securities and loans due to the decrease in the federal corporate income tax rate in 2018.

The provision for loan losses totaled $16.9 million for the period ended December 31, 2018, a decrease of $26.3 million as compared to the same period of 2017. At December 31, 2018, nonperforming loans were $50.7 million, a slight increase of $2.5 million from September 30, 2018 and a decrease of $42.2million from December 31, 2017. Net charge-offs were $13.0 million in 2018 as compared to $42.4 million of net charge-offs in the same period of 2017. The most significant loan charge-off in 2018 was for one legacy commercial credit relationship of $10.1 million that experienced deterioration in collateral values as a result of a new appraisal. During 2017, we dealt with significant impairment in several large commercial real estate loan relationships. This resulted in significant charge-offs as we aggressively worked toward resolution of these legacy credits. As a percentage of total loans, on an annualized basis, net charge-offs were 0.48%, 0.57% and 1.58% for the periods ending December 31, 2018, September 30, 2018 and December 31, 2017, respectively. Nonperforming loans as a percentage of total loans were 1.88%, 1.72% and 3.46% as of December 31, 2018, September 30, 2018 and December 31, 2017, respectively.

Noninterest income increased $4.3 million, or 37.8%, to $15.7 million, excluding net securities gains, for the period ending December 31, 2018 as compared to $11.4 million in the same period of 2017. The increase in noninterest income is attributable to increased service charges of $1.3 million, $1.2 million of earnings from bank owned life insurance and an increase of $2.2 million in income from OREO due to the acquisition of several large commercial properties generating income beginning in the first quarter of 2018, offset by a decrease of $0.7 million in insurance due to the sale of the insurance agency in the first quarter of 2018. Securities gains of $1.3 and $1.2 million were realized during 2018 and 2017, respectively, to take advantage of market opportunities and reduce the credit risk of the securities portfolio.

Total noninterest expense increased $5.1 million, or 5.4%, for 2018 to $99.7 million as compared to $94.6 million in the same period of 2017. Increases included $7.2 million, or 17.0% in salaries and employee benefits, $0.5 million in occupancy expense, $0.7 million in other taxes, $0.8 million in telephone expense, $1.3 million in OREO expenses, $0.8 million in conversion expenses (included in data processing license fee on income statement) and $4.1 million of tax credit amortization. The increase in salaries and benefits was expected and planned as investments were made in the appropriate infrastructure to support the Bank in the future. The increase in OREO expense is due to the aforementioned acquired properties. Also impacting noninterest expense were one-time charges of $3.5 million and $5.3 million on write-downs of retail branch offices marketed for sale in the fourth quarters of 2018 and 2017, respectively. Offsetting these increases were decreases of $4.4 million in data processing expenses due to the write-off of expenses that were previously capitalized and were fully expensed during 2017, a $1.6 million decrease in professional and legal fees related to regulatory and compliance reviews which were completed as of June 30, 2018, a $3.3 million of impairment on historic tax credit investments during the fourth quarter of 2017 and a decrease of $0.9 million in FDIC insurance expense attributable to lower FDIC assessment rates and a decrease in the assessment base.

Financial Condition

Total assets were $4.0 billion at December 31, 2018 and $4.1 billion at December 31, 2017. Total portfolio loans increased $19.3 million to $2.7 billion as of December 30, 2018 despite the reduction of several large legacy credits during 2018 totaling $286.4 million, which partially offset new loan growth. Nonperforming loans decreased $42.2 million to $50.7 million as of

December 31, 2018 from $92.9 million at December 31, 2017. The decrease in nonperforming loans is primarily due to the aforementioned charge-off of a legacy credit in the third quarter of 2018 and nonperforming credits migrating to OREO during the first quarter of 2018. OREO decreased $5.7 million as compared to September 30, 2018 due to the sale of properties during the fourth quarter of 2018 as well as the write-down of $3.5 million on retail bank offices marketed for sale with a remaining book value of $6.8 million and decreased $6.1 million as compared to December 31, 2017.

Federal Reserve Bank excess reserves increased $33.1 million at December 31, 2018 as compared to the year ago period primarily due to the aforementioned legacy credit reductions received during 2018.This excess cash was deployed during the twelve-month period into higher yielding and diversified securities, funded loan growth, and also funded the planned decrease in high cost deposits during the past twelve months.

The securities portfolio declined $164.4 million and is currently 19.4% of total assets at December 31, 2018 as compared to 23.0% of total assets at December 31, 2017. The decrease is a result of active balance sheet management. We have further diversified the securities portfolio as to bond types, maturities and interest rate structures.

Total deposits declined $78.4 million to $3.6 billion as of December 31, 2018 as compared to December 31, 2017. Noninterest-bearing deposits decreased slightly by $5.6 million, or 1.1%, to $524.6 million as of December 31, 2018 as compared to $530.2 million as of December 31, 2017. Money market and savings accounts declined $132.6 million, or 16.1%. Offsetting these decreases were increases of $16.2 million, or 6.2%, in interest-bearing demand deposits and $43.6 million, or 2.1%, in certificates of deposits as compared to December 31, 2017 due to recent special rate promotions during 2018. Noninterest-bearing deposits comprised 14.6% and 14.4% of total deposits at December 31, 2018 and December 31, 2017.

The allowance for loan losses was 1.45% of total loans as of December 31, 2018 as compared to 1.32% as of December 31, 2017. General reserves as a percentage of total loans were 1.26% at December 31, 2018 as compared to 1.31% as of December 31, 2017. The allowance for loan losses was 77.3% of nonperforming loans as of December 31, 2018 as compared to 38.0% of nonperforming loans as of December 31, 2017. In the view of management, the allowance for loan losses is adequate to absorb probable losses inherent in the loan portfolio.

The Bank remains well capitalized. The Bank’s Tier 1 Capital ratio increased to 13.97% as of December 31, 2018 as compared to 12.93% as of December 31, 2017. The Bank’s leverage ratio was 9.69% at December 31, 2018 as compared to 9.33% as of December 31, 2017. The Bank’s Total Risk-Based Capital ratio was 15.22% at December 31, 2018 as compared to 14.15% at December 31, 2017.

About Carter Bank & Trust

Headquartered in Martinsville, VA, Carter Bank & Trust is a state-chartered community bank in Virginia with $4.0 billion in assets and 105 branches in Virginia and North Carolina. For more information visit www.CarterBankandTrust.com.

Important Note Regarding Non-GAAP Financial Measures

Statements included in this press release include non-GAAP financial measures and should be read along with the accompanying tables in our definitions and reconciliations of GAAP to non-GAAP financial measures. This press release and the accompanying tables discuss financial measures, such as adjusted noninterest expense, adjusted efficiency ratio, and net interest income on a fully taxable equivalent basis, which are all non-GAAP measures. We believe that such non-GAAP measures are useful because they enhance the ability of investors and management to evaluate and compare the Bank's operating results from period to period in a meaningful manner. Non-GAAP measures should not be considered as an alternative to any measure of performance as promulgated under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Investors should consider the Bank's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Bank. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Bank's results or financial condition as reported under GAAP.

Important Note Regarding Forward-Looking Statements

This information contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to our financial condition, results of operations, plans, objectives, outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting Carter Bank & Trust and its future business and operations. Forward looking statements are typically identified by words or phrases such as "will likely result," "expect," "anticipate," "estimate," "forecast," "project," "intend," " believe," "assume," "strategy," "trend," "plan," "outlook," "outcome," "continue," "remain," "potential," "opportunity," "believe," "comfortable," "current," "position," "maintain," "sustain," "seek," "achieve" and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, could or may. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. The matters discussed in these forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results and trends to differ materially from those made, projected, or implied in or by the forward-looking statements depending on a variety of uncertainties or other factors including, but not limited to: credit losses; cyber-security concerns; rapid technological developments and changes; sensitivity to the interest rate environment including a prolonged period of low interest rates, a rapid increase in interest rates or a change in the shape of the yield curve; a change in spreads on interest-earning assets and interest-bearing liabilities; regulatory supervision and oversight; legislation affecting the financial services industry as a whole, and Carter Bank & Trust, in particular; the outcome of pending and future litigation and governmental proceedings; increasing price and product/service competition; the *ability to continue to introduce competitive new products and services on a timely, cost-effective basis; managing our internal growth and acquisitions; the possibility that the anticipated benefits from acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or more costly than anticipated; containing costs and expenses; reliance on significant customer relationships; general economic or business conditions; deterioration of the housing market and reduced demand for mortgages; deterioration in the overall macroeconomic conditions or the state of the banking industry that could warrant further analysis of the carrying value of goodwill and could result in an adjustment to its carrying value resulting in a non-cash charge to net income; re-emergence of turbulence in significant portions of the global financial and real estate markets that could impact our performance, both directly, by affecting our revenues and the value of our assets and liabilities, and indirectly, by affecting the economy generally and access to capital in the amounts, at the times and on the terms required to support our future businesses. Many of these factors, as well as other factors, are described in our filings with the FDIC. Forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. We caution you not to unduly rely on forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. Any forward-looking statement speaks only as to the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.*

CARTER BANK & TRUST
CONSOLIDATED FINANCIAL DATA
BALANCE SHEETS
(Unaudited)

(Dollars in Thousands, except per share data)	December 31, 2018	September 30, 2018	December 31, 2017
ASSETS			
Cash and Due From Banks	$ 47,413	$ 45,994	$ 58,533
Interest-Bearing Deposits in Other Financial Institutions	61,352	39,669	58,365
Federal Reserve Bank Excess Reserves	184,798	89,373	151,715
Total Cash and Cash Equivalents	**293,563**	**175,036**	**268,613**
Securities, Available-for-Sale, at Fair Value	782,758	785,128	947,201
Loans Held-for-Sale	2,559	-	517
Portfolio Loans	2,703,792	2,807,332	2,684,445
Allowance for Loan Losses	(39,199)	(40,378)	(35,318)
Portfolio Loans, net	**2,664,593**	**2,766,954**	**2,649,127**
Bank Premises and Equipment, net	85,841	83,035	77,273
Other Real Estate Owned, net	33,681	39,338	39,793
Goodwill	58,726	58,726	59,762
Other Intangibles	-	-	122
Bank Owned Life Insurance	51,161	50,773	-
Other Assets	66,717	69,198	69,884
TOTAL ASSETS	**$ 4,039,599**	**$ 4,028,188**	**$ 4,112,292**
LIABILITIES			
Deposits			
Noninterest-Bearing Demand	$ 524,614	$ 556,505	$ 530,242
Interest-Bearing Demand	277,174	211,002	260,979
Money Market	80,835	77,811	102,686
Savings	610,757	634,206	721,459
Certificates of Deposits	2,097,801	2,109,861	2,054,249
Total Deposits	**3,591,181**	**3,589,385**	**3,669,615**
Other Liabilities	12,204	11,139	10,551
TOTAL LIABILITIES	**3,603,385**	**3,600,524**	**3,680,166**
SHAREHOLDERS' EQUITY			
Common Stock, Par Value $1.00 Per Share, Authorized 100,000,000 Shares; 26,270,174 outstanding at December 31, 2018 and 26,257,761 outstanding at September 30, 2018 and December 31, 2017	26,270	26,258	26,258
Additional Paid-in-Capital	142,175	142,178	142,178
Retained Earnings	277,835	274,429	265,930
Accumulated Other Comprehensive Loss	(10,066)	(15,201)	(2,240)
TOTAL SHAREHOLDERS' EQUITY	**436,214**	**427,664**	**432,126**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 4,039,599**	**$ 4,028,188**	**$ 4,112,292**
PROFITABILITY RATIOS (ANNUALIZED)			
Return on Average Assets	0.29%	0.28%	-0.02%
Portfolio Loan to Deposit Ratio	75.29%	78.21%	73.15%
Allowance to Total Portfolio Loans	1.45%	1.44%	1.32%

CARTER BANK & TRUST
CONSOLIDATED FINANCIAL DATA
INCOME STATEMENTS
(Unaudited)

(Dollars in Thousands, except per share data)	Quarter-to-Date			Year-to-Date	
	December 31, 2018	**September 30, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Interest Income	$ 39,862	$ 38,207	$ 36,597	$ 152,019	$ 144,084
Interest Expense	10,773	10,079	8,669	38,114	37,111
NET INTEREST INCOME	**29,089**	**28,128**	**27,928**	**113,905**	**106,973**
Provision for Loan Losses	(118)	13,743	12,685	16,870	43,197
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**29,207**	**14,385**	**15,243**	**97,035**	**63,776**
NONINTEREST INCOME					
Gains on Sales of Securities, net	76	195	114	1,271	1,186
Service Charges, Commissions and Fees	1,218	978	663	4,228	2,920
Debit Card Interchange Fees	1,212	1,171	1,210	4,750	4,854
Insurance	238	1,013	1,114	1,855	2,582
Bank Owned Life Insurance Income	388	380	-	1,161	-
Gains on Sales of Bank Premises, net	-	13	-	-	-
Other Real Estate Owned Income	448	729	163	2,692	448
Other	252	131	172	1,029	601
TOTAL NONINTEREST INCOME	**3,832**	**4,610**	**3,436**	**16,986**	**12,591**
NONINTEREST EXPENSE					
Salaries and Employee Benefits	12,773	12,318	11,597	49,958	42,711
Occupancy Expense, net	2,864	2,802	2,943	10,312	9,780
FDIC Insurance Expense	765	749	900	2,985	3,890
Other Taxes	726	725	523	2,571	1,907
Telephone Expense	570	584	460	2,466	1,699
Professional and Legal Fees	806	870	3,264	5,288	6,856
Data Processing License Fee	519	255	1,331	1,242	5,604
Losses on Sales and Write-downs of Other Real Estate Owned, net	5,797	2,977	7,810	8,201	9,909
Losses on Sales and Write-downs of Bank Premises, net	128	-	7	186	714
Debit Card Expense	751	720	669	2,785	2,436
Tax Credit Amortization	1,015	1,015	-	4,060	-
Tax Credit Impairment	-	-	3,259	-	3,259
Other Real Estate Owned Expense	318	583	426	2,139	791
Other	2,668	1,762	2,261	7,520	5,023
TOTAL NONINTEREST EXPENSE	**29,700**	**25,360**	**35,450**	**99,713**	**94,579**
INCOME (LOSS) BEFORE INCOME TAXES	**3,339**	**(6,365)**	**(16,771)**	**14,308**	**(18,212)**
Income Tax (Benefit) Provision	(67)	1,164	(11,700)	2,403	(17,531)
NET INCOME (LOSS)	**$ 3,406**	**$ (7,529)**	**$ (5,071)**	**$ 11,905**	**$ (681)**
Average Shares Outstanding	26,263,563	26,257,761	26,257,761	26,259,223	26,257,761
PER SHARE DATA					
Earnings (Loss) Per Common Share Basic and Diluted	$ 0.13	$ (0.29)	$ (0.19)	$ 0.45	$ (0.03)
Market Value	$ 15.00	$ 19.40	$ 17.55	$ 15.00	$ 17.55
PROFITABILITY RATIOS (non-GAAP)					
Net Interest Margin (FTE)[2]	3.16%	3.07%	3.07%	3.10%	2.80%
Core Efficiency Ratio[3]	64.48%	62.37%	66.11%	64.15%	59.99%

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA

(Unaudited)

(Dollars in Thousands, except per share data)

DEFINITIONS AND RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES:

[1] Pre-tax pre-provision earnings are computed as net interest income plus noninterest income minus noninterest expense before the provision for loan losses and income tax (benefit) provision.

[2] Net interest income has been computed on a fully taxable equivalent basis ("FTE") using a 35% federal income tax rate for the 2017 periods and a 21% federal income tax statutory rate for the 2018 periods.

Net Interest Income (FTE) (non-GAAP)

	Quarter-to-Date			Year-to-Date	
	December 31, 2018	**September 30, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Interest Income	$ 39,862	$ 38,207	$ 36,597	$ 152,019	$ 144,084
Interest Expense	(10,773)	(10,079)	(8,669)	(38,114)	(37,111)
Tax Equivalent Adjustment[2]	838	917	2,245	3,815	8,505
NET INTEREST INCOME (FTE) (non-GAAP)	**$ 29,927**	**$ 29,045**	**$ 30,173**	**$ 117,720**	**$ 115,478**

[3]Core Efficiency Ratio (non-GAAP)

	Quarter-to-Date			Year-to-Date	
	December 31, 2018	**September 30, 2018**	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
NONINTEREST EXPENSE	**$ 29,700**	**$ 25,360**	**$ 35,450**	**$ 99,713**	**$ 94,579**
Less: One Time Regulatory and Compliance	-	-	(1,845)	(1,853)	(4,345)
Less: Losses on Sales and Write-downs of Other Real Estate Owned, net	(5,797)	(2,977)	(7,810)	(8,201)	(9,909)
Less: Losses on Sales and Write-downs of Bank Premises, net	(128)	-	(7)	(186)	(714)
Less: Tax Credit Impairment	-	-	(3,259)	-	(3,259)
Less: Tax Credit Amortization	(1,015)	(1,015)	-	(4,060)	-
Plus: Regulatory Review	-	-	(521)	323	(521)
Less: Contingent Liability	(250)	(331)	-	(581)	-
Less: Conversion Expense	(393)	(177)	(3)	(841)	(9)
Less: Conversion Vacation Accrual	(686)	-	-	(686)	-
CORE NET NONINTEREST EXPENSE (non-GAAP)	**$ 21,431**	**$ 20,860**	**$ 22,005**	**$ 83,628**	**$ 75,822**
NET INTEREST INCOME	**$ 29,089**	**$ 28,128**	**$ 27,928**	**$ 113,905**	**$ 106,973**
Plus: Taxable Equivalent Adjustment	838	917	2,245	3,815	8,505
NET INTEREST INCOME (FTE) (Non-GAAP)	**$ 29,927**	**$ 29,045**	**$ 30,173**	**$ 117,720**	**$ 115,478**
Less: Gains on Sales of Securities, net	(76)	(195)	(114)	(1,271)	(1,186)
Less: Gains on Sales Bank Premises, net	-	(13)	-	-	-
Less: Gain on OREO Income	(448)	-	(163)	(2,692)	(448)
Less: Other Gains	-	-	(47)	(374)	(47)
Noninterest Income	3,832	4,610	3,436	16,986	12,591
CORE NET INTEREST INCOME (FTE) (Non-GAAP) plus NONINTEREST INCOME	**$ 33,235**	**$ 33,447**	**$ 33,285**	**$ 130,369**	**$ 126,388**
[3]CORE EFFICIENCY RATIO (Non-GAAP)	**64.48%**	**62.37%**	**66.11%**	**64.15%**	**59.99%**