

FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to § 240.14a-12

CARTER BANK & TRUST

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously by preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

IMPORTANT ANNUAL MEETING INFORMATION

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.



Annual Meeting Proxy Card

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proposals — The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposal 2.

1. To elect the 13 persons listed below to serve as Directors of the Bank until the 2020 Annual Meeting of Shareholders:

	For	Withhold		For	Withhold		For	Withhold
01 - Michael R. Bird	<input type="checkbox"/>	<input type="checkbox"/>	02 - Robert W. Conner	<input type="checkbox"/>	<input type="checkbox"/>	03 - Gregory W. Feldmann	<input type="checkbox"/>	<input type="checkbox"/>
04 - Chester A. Gallimore	<input type="checkbox"/>	<input type="checkbox"/>	05 - Charles E. Hall	<input type="checkbox"/>	<input type="checkbox"/>	06 - James W. Haskins	<input type="checkbox"/>	<input type="checkbox"/>
07 - Phyllis Q. Karavatakis	<input type="checkbox"/>	<input type="checkbox"/>	08 - Lanny A. Kyle, O.D.	<input type="checkbox"/>	<input type="checkbox"/>	09 - George W. Lester, II	<input type="checkbox"/>	<input type="checkbox"/>
10 - E. Warren Matthews	<input type="checkbox"/>	<input type="checkbox"/>	11 - Catharine L. Midkiff	<input type="checkbox"/>	<input type="checkbox"/>	12 - Joseph E. Pigg	<input type="checkbox"/>	<input type="checkbox"/>
13 - Litz H. Van Dyke	<input type="checkbox"/>	<input type="checkbox"/>						

2. Ratification of the appointment of the independent registered public accounting firm of Crowe LLP as the independent auditors of the Bank for the fiscal year ending December 31, 2019.

For Against Abstain

3. To transact such other business as may be properly brought before the meeting or any adjournment thereof. The Board of Directors at present knows of no other business to be presented at the Annual Meeting.

Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below

All joint owners must sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title. If more than one trustee, all should sign and provide full title as such.

Date (mm/dd/yyyy) — Please print date below.

Signature 1 — Please keep signature within the box.

Signature 2 — Please keep signature within the box.

/ /

IF VOTING BY MAIL, YOU **MUST** COMPLETE SECTIONS A - C ON BOTH SIDES OF THIS CARD

PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.



Proxy — Carter Bank & Trust

ANNUAL MEETING OF SHAREHOLDERS OF CARTER BANK & TRUST

Proxy Solicited by Board of Directors for Annual Meeting — June 26, 2019

KNOW ALL MEN BY THESE PRESENT THAT I, the undersigned Shareholder of CARTER BANK & TRUST, MARTINSVILLE, VIRGINIA (the "Bank"), do hereby nominate and appoint Michael R. Bird, Robert W. Conner, and Gregory W. Feldmann, or _____, or any of them (with full power to act alone), my true and lawful attorney(s) with full power of substitution for me, and in my name, place and stead to vote all of the Common Stock of the Bank, standing in my name on its stock transfer books on April 30, 2019, at the Annual Meeting of its Shareholders to be held at the **Frith Center at Patrick Henry Community College, 645 Patriot Ave, Martinsville, Virginia 24112, June 26, 2019 at Ten O'clock A.M.**, or at any adjournment thereof with all the powers the undersigned would possess if personally present.

The undersigned hereby acknowledges receipt of the Bank's Proxy Statement dated May 24, 2019 and hereby revokes all proxies previously given. **THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND MAY BE REVOKED PRIOR TO ITS EXERCISE.** The Board of Directors recommends a vote "FOR" all director nominees in Proposal 1 and "FOR" Proposal 2. The Proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. **If no direction is made, this Proxy will be voted "FOR" all director nominees in Proposal 1, "FOR" Proposal 2 and according to the recommendations of the Board of Directors on any other matters that may properly come before the meeting or any adjournment thereof.**

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.
(Items to be voted appear on reverse side.)

Non-Voting Items

Change of Address — Please print your new address below.

Comments — Please print your comments below.

Meeting Attendance
Mark the box to the right
if you plan to attend the
Annual Meeting

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - C ON BOTH SIDES OF THIS CARD.

NOTICE TO HOLDERS OF SHARES OF COMMON STOCK OF



Carter Bank & Trust

1300 KINGS MOUNTAIN ROAD
MARTINSVILLE, VIRGINIA 24112

NOTICE IS HEREBY GIVEN that pursuant to its Bylaws and call of its Directors, the 2019 Annual Meeting of Shareholders of CARTER BANK & TRUST, Martinsville, Virginia will be held at the **Frith Center at Patrick Henry Community College, 645 Patriot Ave., Martinsville, Virginia 24112, Wednesday, June 26, 2019 at 10:00 a.m.**, for the purposes of considering and voting upon the following matters:

1. To elect the 13 persons listed in the proxy statement dated May 24, 2019 to serve as Directors of the Bank until the 2020 Annual Meeting of Shareholders.
2. To ratify the appointment of the independent registered public accounting firm of Crowe LLP as the independent auditors of the Bank for the fiscal year ending December 31, 2019.
3. To transact such other business as may be properly brought before the meeting or any adjournment thereof. The Board of Directors at the present knows of no other business to be presented at the Annual Meeting.

Only those shareholders of record at the close of business on April 30, 2019 shall be entitled to notice of the meeting and to vote at the meeting or any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders' Meeting to be held June 26, 2019. The 2019 Proxy Statement, Proxy Card, and Annual Report to Shareholders for the year ended December 31, 2018, are also available at www.carterbankandtrust.com.

By Order of the Board of Directors

/s/ James W. Haskins

James W. Haskins
Chairman of the Board

May 24, 2019

**CARTER BANK & TRUST
1300 Kings Mountain Road
Martinsville, Virginia 24112
PROXY STATEMENT**

**FIRST MAILED ON OR ABOUT MAY 24, 2019
FOR THE 2019 ANNUAL MEETING OF SHAREHOLDERS**

This proxy statement is furnished in connection with the solicitation of the proxies to be used at the 2019 Annual Meeting of Shareholders (the "Annual Meeting") of Carter Bank & Trust, Martinsville, Virginia (the "Bank") to be held June 26, 2019. The Bank is a banking institution, incorporated under Virginia law.

Proxies in the form enclosed herewith are solicited by the Board of Directors (or the "Board") of the Bank. In addition to the solicitation of proxies by this proxy statement, officers and regular employees of the Bank may solicit proxies from shareholders in person, by telephone, or by mail, acting without any compensation other than their regular compensation. The cost of soliciting proxies will be borne by the Bank. To obtain directions to attend the Annual Meeting and vote in person, please contact Tammy C. Ingram, Vice President & Accounting Operations Manager of the Bank, at 276-226-2097.

If the enclosed proxy is properly signed and returned to the Bank, the shares represented thereby will be voted at the Annual Meeting in accordance with the specifications made on the proxy. When no choice is indicated, the proxy will be voted "FOR" all Director nominees in Proposal 1, "FOR" Proposal 2 and according to the recommendations of the Board of Directors on any other matter that may properly come before the meeting or any adjournment thereof. Any proxy given pursuant to this solicitation may be revoked at any time prior to the voting by submitting a subsequently dated proxy or by delivering a notification of revocation in writing to the Board, or by attending the meeting and requesting to vote the shares in person.

The number of shares of common stock outstanding and entitled to vote at the 2019 Annual Meeting of Shareholders is [26,308,087] as of the record date. Only those shareholders of record at the close of business April 30, 2019 shall be entitled to vote at the meeting.

A majority of the shares entitled to be voted, represented in person or by proxy, will constitute a quorum for the transaction of business at the meeting. Each share is entitled to one vote upon each matter to be presented at the meeting.

With regard to the election of Directors, votes may be cast in favor of any given Director or withheld. If a quorum is present, the nominees receiving the greatest number of the votes cast (even if less than a majority) will be elected Directors; therefore, votes withheld will have no effect.

For the ratification of the selection of independent registered public accounting firm Crowe LLP as the independent auditors of the Bank for the 2019 fiscal year votes may be cast in favor or against, or you may abstain from voting. If a quorum is present, the proposal to ratify the selection of Crowe LLP as the Bank's independent registered public accounting firm will be approved if the votes cast in favor of the proposal exceed the votes cast against the proposal.

An abstention does not constitute a vote "for" or "against." "Broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owner or the persons entitled to vote the shares, and (ii) the broker does not have discretionary voting power on a particular matter) will be treated in the same manner as abstentions. The election of directors is not considered a routine matter and, therefore, brokers do not have discretionary voting power with respect to this proposal. The ratification of the selection of Crowe LLP as the Bank's independent registered public accounting firm for the 2019 fiscal year is considered a routine matter and, therefore, brokers do have discretionary voting power with respect to this

proposal. Although abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business, they will have no effect on the outcome of any of the proposals.

PROPOSAL 1

ELECTION OF DIRECTORS

The exact size of the Board of Directors shall be fixed by the Board of Directors prior to each annual meeting. As established in the Bylaws, the number of Directors shall at no time be less than 5 nor more than 30. The Board of Directors set the size of the Board at 13 Directors. The Nominating, Governance and Compensation Committee (previously known as the Governance and Compensation Committee); has recommended and the Board of Directors has nominated the 13 persons named below to the Board of Directors to serve until the 2020 Annual Meeting of Shareholders or until their successors have been elected and qualified. Each of the nominees is a current member of the Board of Directors. The Bank's Board of Directors believes that the nominees will be available and able to serve as Directors if elected, but if any of these nominees becomes unavailable or unable to serve, the persons named in the proxy may exercise discretionary authority to vote for a substitute proposed by the Bank's Board of Directors. In no event will a proxy be voted for more than 13 Directors.

It is the intent of the persons named in the proxy, unless otherwise directed therein, to vote “FOR” the election of the following nominees:

Name Current Position	Age	Director Since	Independence	Committee Memberships			
				Audit & Compliance	Investment/Interest Rate Risk	Credit Risk	Nominating, Governance & Compensation
Michael R. Bird CFO of Virginia Lutheran Homes, Inc.	64	2018	YES	Chair			
Robert W. Conner Retired Clerk of Circuit Court of Halifax County, Virginia	79	1985*	YES			Chair	✓
Gregory W. Feldmann President of Skyline Capital Strategies, LLC	62	2017	YES		Chair		✓
Chester A. Gallimore President Wills Ridge Supply	82	1978*	YES	✓			
Charles E. Hall Farmer	77	1978*	YES			✓	
James W. Haskins Chairman of the Board of Directors; Attorney and Principal of Young, Haskins, Mann, Gregory, McGarry and Wall, P.C.	78	1982*	YES				Chair
Phyllis Q. Karavatakis Vice Chairman of the Board of Directors; President and Chief Banking Officer of Carter Bank & Trust	63	2017	NO			✓	
Lanny A. Kyle, O.D. Retired Optometrist	65	2003*	YES				✓
George W. Lester, II Chairman of Lester Group, Inc.	80	1976*	YES	✓			
E. Warren Matthews Attorney at Harris, Matthews & Crowder, P.C.	78	1998*	YES	✓			
Catharine L. Midkiff Retired Executive from General Electric Capital Corporation	59	2018	YES	✓	✓		
Joseph E. Pigg President of Millard's Machinery, Inc.	83	1976*	YES		✓		
Litz H. Van Dyke CEO of Carter Bank & Trust	55	2017	NO		✓	✓	

*Indicates year first served as a director of one of the 10 banking institutions that were merged into and created Carter Bank & Trust in 2006 (each a “Merged Bank” and collectively, the “Merged Banks”). The Merged Banks were Blue Ridge Bank, N.A., Central National Bank, Community National Bank, First National Bank, First National Exchange Bank, Mountain National Bank, Patrick Henry National Bank, Patriot Bank, N.A., Peoples National Bank and Shenandoah National Bank.

The Board of Directors is not aware of any family relationship between any Director, executive officer or person nominated by the Bank to become a Director; nor is the Board of Directors aware of any involvement in legal proceedings that would be material to an evaluation of the ability or integrity of any Director, executive officer or person nominated to become a Director.

The following paragraphs provide information regarding each nominee’s specific experience, qualifications, attributes and skills that led to the conclusion that he or she should serve as a Director. We also believe that all of our Director nominees have a reputation for honesty and adherence to high ethical standards.

Michael R. Bird has more than 30 years of experience in the long-term care industry. He is the Chief Financial Officer of Virginia Lutheran Homes Inc., which owns and operates a continuing care retirement community and nursing and rehabilitation center in Roanoke, Virginia and subsidized apartments with supportive services in New Market, Virginia. Prior to this, he served as Chief Financial Officer of Waveny Care Network, a provider of long-term care, assisted living, independent living and home healthcare in New Canaan, Connecticut. He earned his Bachelor's Degree in Accounting from Central Connecticut State University in New Britain, Connecticut and MBA from Sacred Heart University in Fairfield, Connecticut. Mr. Bird chairs the Board's Audit and Compliance Committee. Mr. Bird was appointed to the Board of Directors of the Bank in January 2018. Mr. Bird is qualified to serve as a Director and Chair of the Audit and Compliance Committee due to his broad experience in finance and accounting.

Robert W. Conner is retired Clerk of Circuit Court of Halifax County. Mr. Conner is a long-time farmer in Halifax County. He also served as an organizing director of Community National Bank from 1985 until the merger into Carter Bank & Trust and as a director of Bank Building Corporation from 1995 until its merger with Carter Bank & Trust. He served as a director of CB&T Real Estate Holdings, Inc. from 2008 to 2016. Mr. Conner is a qualified candidate as a Director, as well as Chair of the Credit Risk and member of the Nominating, Governance and Compensation Committees, due to his skills and knowledge of the business community.

Gregory W. Feldmann is President of Skyline Capital Strategies, LLC, a management consultancy group providing advisory services in the areas of corporate finance, private equity, business and financial strategy, mergers and acquisitions, and performance related studies. He is former President and Director of StellarOne Bank. Mr. Feldmann was appointed to the Board of Directors of the Bank in February 2017. Mr. Feldmann is qualified to serve as a Director and Chair of the Investment/ Interest Rate Risk Committee and member of the Nominating, Governance and Compensation Committee due to his business and banking background in commercial banking, investment banking and brokerage and private equity and experience in other executive and leadership roles, both in private and public companies.

Chester A. Gallimore is President of Wills Ridge Supply. He also served as an organizing director of Blue Ridge Bank, N. A. from 1978 until the merger into Carter Bank & Trust. Mr. Gallimore is a qualified candidate to serve on the Board, as well as the Audit and Compliance Committee, due to his strong business background, knowledge and service as a Director of the Bank and its predecessors for over 40 years.

Charles E. Hall is a farmer. He also served as an organizing director of Blue Ridge Bank, N.A. from 1978 until the merger into Carter Bank & Trust and of Bank Building Corporation since 1995 until its merger with Carter Bank & Trust. He served as a director of CB&T Real Estate Holdings, Inc. from 2008 to 2016. Mr. Hall is qualified to serve as a Director and member of the Credit Risk Committee due to his knowledge of the banking industry and the business community.

James W. Haskins is an attorney and principal in the law firm of Young, Haskins, Mann, Gregory, McGarry, and Wall, P. C., Martinsville, Virginia. He also served as a director of Mountain National Bank from 1996 until the merger into Carter Bank & Trust and of Patrick Henry National Bank from 1982 until the merger into Carter Bank & Trust. Mr. Haskins was appointed as Chairman of the Board of Directors in April 2017; prior to that he served as Vice Chairman. Mr. Haskins is qualified to serve on the Board as well as Chair of the Nominating, Governance and Compensation Committee, due to his legal expertise and his prominence in the Bank's market area.

Phyllis Q. Karavatakis is President and Chief Banking Officer of Carter Bank & Trust. Prior to serving in this role, she served as Executive Vice President and Chief Lending Officer and various other roles in her over 40 years employed with the Bank. Ms. Karavatakis was appointed to the Board of Directors of the Bank in February 2017 and appointed Vice Chairman in April 2017. Ms. Karavatakis is qualified to serve as a Director and member of the Credit Risk Committee due to her business experience

along with in-depth knowledge of the banking industry.

Lanny A. Kyle, O. D. is a retired Optometrist. He formerly was Owner and President of Piedmont Optometric Association. He also served as a director of Mountain National Bank from 2003 until the merger into Carter Bank & Trust. Dr. Kyle is qualified to serve as a Director and member of the Nominating, Governance and Compensation Committee due to his management and financial skills.

George W. Lester, II is Chairman of the Lester Group, Inc., a forest products company in Martinsville, Virginia. He also served as an organizing director of Patrick Henry National Bank from 1976 until the merger into Carter Bank & Trust and Shenandoah National Bank from 1996 until the merger into Carter Bank & Trust. He served as a director of CB&T Real Estate Holdings Inc. from 2008 to 2016. Mr. Lester is considered to be a qualified candidate to serve on the Board, as well as the Audit and Compliance Committee, due to his strong business background and knowledge, broad community development, and service as a Director of the Bank and its predecessors for over 42 years.

E. Warren Matthews is an attorney in the firm of Harris, Matthews & Crowder, P.C. He also served as a director of Community National Bank from 1998 until the merger into Carter Bank & Trust. Mr. Matthews is considered to be a qualified candidate for service on the Board, as well as the Audit and Compliance Committee, due to his legal expertise and his prominence in the Bank's market area.

Catharine L. Midkiff worked for more than 20 years as an Executive with General Electric Capital Corporation in risk management, operations, and finance in its Asia, Europe, and United States markets. Prior to this, she served as Vice President and Director in other General Electric entities located in the United States, Japan, Korea, Thailand and Hong Kong. A Certified Public Accountant, Ms. Midkiff has a Bachelor's Degree in Commerce with a specialization in Finance and Accounting from the University of Virginia. She is certified in Six Sigma as a master black belt, the highest level credential in management techniques to improve business processes, primarily by reducing risks, and has completed numerous specialty programs, such as an asset-based finance program from the University of Pennsylvania's Wharton School and the Commercial Finance Association. Ms. Midkiff serves on the Board's Audit and Compliance and Investment/Interest Rate Risk Committees. Ms. Midkiff was appointed to the Board of Directors of the Bank in January 2018. Ms. Midkiff is qualified to serve as a Director and member of the Audit and Compliance and Investment/Interest Rate Risk Committees due to her broad based experience in accounting, risk management and finance with executive roles in public companies.

Joseph E. Pigg is President of Millard's Machinery, Inc., an industrial and logging equipment sales and service business. He also served as an organizing director of Patrick Henry National Bank from 1976 until the merger into Carter Bank & Trust and Shenandoah National Bank from 1996 until the merger into Carter Bank & Trust. His financial experience and prior service of over 42 years as a bank board member qualifies him to be a Director and member of the Investment/Interest Rate Risk Committee.

Litz H. Van Dyke is Chief Executive Officer of Carter Bank & Trust and previously served as Executive Vice President. Prior to joining Carter Bank & Trust in 2016, Mr. Van Dyke was a Practice Manager for CCG Catalyst Consulting Group based in Phoenix, Arizona, assisting banks with strategic advisory services. He served as Chief Operating Officer for StellarOne Corporation from 2008 to 2012. Mr. Van Dyke is a qualified candidate as a Director and member of the Investment/Interest Rate Risk and Credit Risk Committees due to his prior experience in senior executive roles with a number of Virginia-based banking institutions with responsibilities including credit administration, regulatory risk management, information technology, operations, marketing, and facilities as well as extensive work with commercial, retail, and mortgage lines of business.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE DIRECTOR NOMINEES LISTED ABOVE.

Executive Officers of the Registrant

The following individuals are executive officers of Carter Bank & Trust. Ages are given as of April 30, 2019:

Name	Age	Position	Business Experience During Past Five Years
A. Loran Adams	58	Executive Vice President and Director of Regulatory Risk Management since 2018	Prior to 2018, Senior Vice President and Director of Regulatory Risk Management since 2017, Director of Internal Audit, Georgia Bank & Trust from 2009 to 2016.
Wendy S. Bell	55	Executive Vice President and Chief Financial Officer since 2017	Prior to 2017, Senior Vice President and Senior Finance Officer, First Commonwealth Financial Corporation from 2010 to 2017.
Jane Ann Davis	56	Executive Vice President and Chief Administrative Officer since 2017	Prior to 2017, Executive Vice President and Chief Financial Officer and Chief Operating Officer.
Tony E. Kallsen	51	Executive Vice President and Chief Credit Officer since 2018	Prior to 2018, Senior Vice President and Senior Credit Officer, First Commonwealth Financial Corporation from 2010 to 2017.
Phyllis Q. Karavatakis	63	President and Chief Banking Officer since 2017	Prior to 2017, President and Chief Administrative Officer since 2016, Executive Vice President and Chief Lending Officer since 2014.
Bradford N. Langs	53	Executive Vice President and Chief Strategy Officer since 2017	Prior to 2017, Chief Risk Officer, Chief Credit Officer and Treasurer, Coastal States Bank from 2009 to 2017.
Matthew M. Speare	52	Executive Vice President and Chief Information Officer since 2017	Prior to 2017, Executive Vice President and Chief Information Officer, Regions Bank from 2013 to 2017.
Litz H. Van Dyke	55	Chief Executive Officer since 2017	Prior to 2017, Executive Vice President since July 2016; prior to joining Carter Bank & Trust, Practice Manager, CCG Catalyst Group from 2012 to 2016 and Chief Operating Officer, StellarOne Corporation from 2008 to 2012.

PRINCIPAL BENEFICIAL OWNERS OF CARTER BANK & TRUST COMMON STOCK

The following table sets forth certain information concerning the persons know by us to be the beneficial owners of more than 5% of the outstanding shares of the Bank's common stock.

Name and Address	Number of Shares Beneficially Owned	Percentage of Class (1)
First Citizens BancShares, Inc. 4300 Six Forks Road Raleigh, NC 27609	2,055,994 (2)	7.82%

(1) Percentage is based on 26,308,087 shares of common stock issued and outstanding.

(2) Based on the information provided by First Citizens BancShares, Inc. as of December 31, 2018.

BENEFICIAL OWNERSHIP OF CARTER BANK & TRUST COMMON STOCK BY DIRECTORS AND OFFICERS

The following table sets forth, as of April 15, 2019, the beneficial ownership of the Bank's common stock of each Director, the executive officers identified in the Summary Compensation Table (referred to as our "named executive officers") and the Bank's current Directors and executive officers as a group. For purposes of the table below, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 (the "Exchange Act") under which, in general, a person is deemed to be the beneficial owner of a security if he/she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he/she has the right to acquire beneficial ownership of the security within sixty days. Unless otherwise indicated, all persons listed below have sole voting and investment power over all the shares of common stock.

Name	Amount and Nature of Beneficial Ownership (1)	Ownership as a Percentage of Common Stock Outstanding (2)
Bell, Wendy S.	12,462	*
Bird, Michael R.	2,059	*
Conner, Robert W.	68,424	*
Feldmann, Gregory W.	2,759	*
Gallimore, Chester A.	116,284	*
Hall, Charles E.	32,400	*
Haskins, James W.	56,456	*
Karavatakis, Phyllis Q.	15,637	*
Kyle, Lanny A., O.D.	64,946	*
Langs, Bradford N.	2,327	*
Lester, George W., II	1,187,409	4.51%
Matthews, E. Warren	5,216	*
Midkiff, Catharine L.	7,359	*
Pigg, Joseph E.	226,747	*
Speare, Matthew M.	16,617	*
Van Dyke, Litz H.	4,879	*
All Directors and Executive Officers as a Group (19 Persons)	1,827,624	6.95%

(1) May include shares held by spouse, other family members, as trustee or through a corporation.

(2) Percentages are based on 26,308,087 shares of common stock issued and outstanding.

*Less than 1% of the outstanding common stock.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires that Directors and executive officers, and persons who beneficially own more than 10% of the Bank's equity securities, file reports of ownership and reports of changes in ownership of the Bank's outstanding equity securities. Based on a review of these reports filed by the Bank's officers and Directors, the Bank believes that its officers and Directors complied with all filing requirements under Section 16(a) of the Exchange Act during 2018, except that Mr. Adams, Ms. Bell, Ms. Davis, Mr. Kallsen, Ms. Karavatakis, Mr. Langs, Mr. Speare, and Mr. Van Dyke each filed a Form 4 seven days late in relation to a restricted stock award. The late filings were inadvertent.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

The Bank's compensation program is designed to offer competitive compensation to employees based on each individual's contribution to the Bank's overall success. As such, the program provides a competitive compensation package to attract and retain capable employees.

The compensation and benefits program consists of salary, annual incentive opportunity, equity compensation, a profit sharing plan, life, health and disability insurance and limited perquisites. In 2017, the Bank entered into employee agreements with its named executive officers, which are further described under "Employment Agreements," and in connection therewith granted phantom stock incentive awards to the named executive officers.

The Committee has the responsibility for administering the Bank's overall compensation program and for setting the salaries and incentive opportunities for the Bank's senior officers. In setting the compensation of the Bank's senior officers, the Committee has generally relied on the recommendations of the Chairman and Chief Executive Officer and the Board members' own significant personal knowledge of the compensation provided to other, similarly situated, executives in banking and other industries in the local area. The Committee established the compensation paid to the Bank's non-employee directors in 2018; beginning in December 2018, however, the Committee will review and recommend to the Board of Directors for approval the compensation of the Bank's non-employee directors. In 2017, the Compensation Committee engaged Matthews, Young & Associates, Inc. as an independent compensation consultant to assist in the development of our executive compensation program and to provide information on executive compensation at banks similar to Carter Bank & Trust including market trends and developments in executive compensation. The Committee also will review each individual's performance and contribution to the overall Bank goals in determining the level of salary for the coming year.

When setting compensation for fiscal 2018 and in determining compensation policies, the Committee took into account the results of the shareholder advisory vote on executive compensation that took place in June 2017. In that vote, which is advisory and non-binding, shareholders approved the compensation of our named executive officers as disclosed in the proxy statement for the 2017 Annual Meeting of Shareholders. A substantial majority (96%) of votes cast approved the compensation program described in the Bank's proxy statement for the 2017 Annual Meeting of Shareholders. The vote results were taken into consideration when setting the compensation for 2018 and the new say-on-pay vote results will be taken into consideration by the Board when setting the compensation for 2019. The next advisory vote to approve executive compensation will occur at our 2020 Annual Meeting of Shareholders.

Employment Agreements

On September 29, 2017, the Bank entered into employment agreements with Mr. Van Dyke and Ms. Karavatakis. The Bank entered into an employment agreement with Mr. Langs on May 31, 2017, with Mr. Speare on June 15, 2017, and with Ms. Bell on June 19, 2017. Prior to entering into these agreements, the Bank did not have any employment agreements with any Bank officers or employees. The terms of the agreements are substantially similar to each other as described below.

Van Dyke Employment Agreement

Mr. Van Dyke and the Bank entered into an employment agreement, dated as of September 29, 2017 (the "Van Dyke Agreement"), pursuant to which Mr. Van Dyke continues to serve as Chief Executive Officer of the Bank for an initial term of two years, beginning October 1, 2017. The employment term automatically renews on October 1, 2019 and on each subsequent two-year anniversary for an additional two-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Van Dyke Agreement, Mr. Van Dyke's initial annual base salary is \$500,000, subject to increase by the Bank's Board of Directors at its discretion. Mr. Van Dyke received a phantom stock award with an initial value of \$150,000 to be settled in cash, which vests on the third anniversary of the grant date, subject to continued employment by Mr. Van Dyke. He also receives \$700 per month as an automobile allowance. Mr. Van Dyke is eligible to participate in the Bank's annual bonus plan, employee benefit plans and programs on terms offered to similarly situated employees.

The Bank may terminate Mr. Van Dyke's employment with or without cause (as defined in the Van Dyke Agreement), with or without notice. Mr. Van Dyke also may voluntarily terminate his employment with the Bank at any time for Good Reason (as defined in the Van Dyke Agreement). In the event the Bank terminates Mr. Van Dyke's employment without cause or Mr. Van Dyke terminates his employment for Good Reason, Mr. Van Dyke will receive any unpaid base salary, any annual bonus compensation earned and awarded but not yet paid, and any vested benefits (collectively, the "Accrued Obligations"). He will also receive a monthly severance payment equal to one-twelfth of his annual base salary for 18 months and continued employee health insurance coverage for 18 months. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in the Van Dyke Agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

In the event the Bank terminates Mr. Van Dyke's employment without cause or Mr. Van Dyke terminates his employment for Good Reason within two years after a Change of Control (as defined in the Van Dyke Agreement), Mr. Van Dyke will receive the Accrued Obligations, plus a lump sum severance payment equal to 2.99 times his annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Mr. Van Dyke's highest annual bonus earned from the Bank for the three years prior to termination. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in the Van Dyke Agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

In the event of a termination for Cause, Mr. Van Dyke will be entitled to receive his Accrued Obligations. If he dies while employed by the Bank, the Bank will pay Mr. Van Dyke's spouse, if his spouse survives him, or, if not, his estate, his Accrued Obligations and an amount equal to his base salary from the date of his death through the end of the month in which his death occurs.

Bell Employment Agreement

On June 19, 2017, the Bank and Ms. Bell entered into an employment agreement pursuant to which Ms. Bell serves as Executive Vice President and Chief Financial Officer of the Bank (the "Bell Agreement"). The terms of the Bell Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Bell Agreement is two years, beginning on July 27, 2017. The employment term automatically renews on July 24, 2019 and on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Bell Agreement, Ms. Bell's initial annual base salary is \$330,000, subject to increase by the Bank's Board of Directors in its discretion. She also received a signing bonus in the amount of \$80,000, which is payable \$50,000 in 2017 and \$30,000 in 2018 and is subject to repayment to the Bank if Ms. Bell is terminated for Cause (as defined in the Bell Agreement) or resigns without Good Reason (as defined in the Bell Agreement) within 12 months of receipt. Ms. Bell also received a phantom stock award with an initial value of \$99,000 to be settled in cash, which vests on the third anniversary of the grant date, subject to continued employment by Ms. Bell. Ms. Bell was entitled to up to \$20,000 in relocation expenses and up to \$1,500

per month for up to six months in temporary housing expenses. She was also entitled to a real estate commission reimbursement of up to \$35,000 in connection with the sale of her existing current residence and reimbursement of legal expenses of up to \$3,500 in connection with the review and negotiation of the Bell Agreement. She will also receive \$500 per month as an automobile allowance.

In the event the Bank terminates Ms. Bell's employment without cause or Ms. Bell terminates her employment for Good Reason, in addition to the Accrued Obligations, she will also receive a monthly severance payment equal to one-twelfth of her annual base salary for 12 months and continued employee health insurance coverage for 12 months. In the event the Bank terminates Ms. Bell's employment without cause or Ms. Bell terminates her employment for Good Reason within two years after a Change of Control (as defined in the Bell Agreement), Ms. Bell will receive the Accrued Obligations, plus a lump sum severance payment equal to 24 months of her annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Ms. Bell's highest annual bonus earned from the Bank for the three years prior to termination.

Karavatakis Employment Agreement

On September 29, 2017, the Bank and Ms. Karavatakis entered into an employment agreement pursuant to which Ms. Karavatakis continues to serve as President of the Bank (the "Karavatakis Agreement"). The terms of the Karavatakis Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Karavatakis Agreement is one year, beginning on October 1, 2017. The employment term automatically renews on October 1, 2018 and on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Karavatakis Agreement, Ms. Karavatakis' initial annual base salary is \$325,000, subject to increase by the Bank's Board of Directors in its discretion. She also received a signing bonus in the amount of \$80,000, which is payable in two equal installments in 2017 and 2018 and is subject to repayment to the Bank if Ms. Karavatakis is terminated for Cause (as defined in the Karavatakis Agreement) or resigns without Good Reason (as defined in the Karavatakis Agreement) within 12 months of receipt. Ms. Karavatakis also received a phantom stock award with an initial value of \$97,500 to be settled in cash, which vests on the third anniversary of the grant date, subject to continued employment by Ms. Karavatakis. She also received \$500 per month as an automobile allowance.

In the event the Bank terminates Ms. Karavatakis' employment without cause or Ms. Karavatakis terminates her employment for Good Reason, in addition to the Accrued Obligations, she will receive a monthly severance payment equal to one-twelfth of her annual base salary for 12 months and continued employee health insurance coverage for 12 months. In the event the Bank terminates Ms. Karavatakis' employment without Cause or she terminates her employment for Good Reason within two years after a Change of Control (as defined in the Karavatakis Agreement), Ms. Karavatakis will receive the Accrued Obligations, plus a lump sum severance payment equal to two times her annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Ms. Karavatakis' highest annual bonus earned from the Bank for the three years prior to termination.

Speare Employment Agreement

On June 15, 2017, the Bank and Mr. Speare entered into an employment agreement pursuant to which Mr. Speare serves as Executive Vice President and Chief Information Officer of the Bank (the "Speare Agreement"). The terms of the Speare Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Speare Agreement

is one year, beginning on July 3, 2017. The employment term automatically renews on July 3, 2018 and on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Speare Agreement, Mr. Speare's initial annual base salary is \$325,000, subject to increase by the Bank's Board of Directors in its discretion. He also received a signing bonus in the amount of \$50,000, which is payable \$25,000 in 2017 and \$25,000 in 2018 and is subject to repayment to the Bank if Mr. Speare is terminated for Cause (as defined in the Speare Agreement) or resigns without Good Reason (as defined in the Speare Agreement) within 12 months of receipt. Mr. Speare also received a phantom stock award with an initial value of \$97,500 to be settled in cash, which vests on the third anniversary of the grant date, subject to continued employment by Mr. Speare. Mr. Speare was entitled to up to \$20,000 in relocation expenses and up to \$1,500 per month for up to six months in temporary housing expenses. He was also entitled to a real estate commission reimbursement of up to \$35,000 in connection with the sale of his existing current residence and reimbursement of legal expenses of up to \$2,500 in connection with the review and negotiation of the Speare Agreement. He also receives \$500 per month as an automobile allowance.

In the event the Bank terminates Mr. Speare's employment without Cause or Mr. Speare terminates his employment for Good Reason, in addition to the Accrued Obligations, he will also receive a monthly severance payment equal to one-twelfth of his annual base salary for 12 months and continued employee health insurance coverage for 12 months. In the event the Bank terminates Mr. Speare's employment without Cause or Mr. Speare terminates his employment for Good Reason within two years after a Change of Control (as defined in the Speare Agreement), Mr. Speare will receive the Accrued Obligations, plus a lump sum severance payment equal to 24 months of his annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Mr. Speare's highest annual bonus earned from the Bank for the three years prior to termination.

Langs Employment Agreement

On May 31, 2017, the Bank and Mr. Langs entered into an employment agreement pursuant to which Mr. Langs serves as Chief Strategy Officer of the Bank (the "Langs Agreement"). The terms of the Langs Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Langs Agreement is one year, beginning on June 19, 2017. The employment term automatically renews on June 19, 2018 and on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Langs Agreement, Mr. Langs' initial annual base salary is \$297,500, subject to increase by the Bank's Board of Directors in its discretion. He also received a signing bonus in the amount of \$125,000, which is payable \$50,000 in 2017 and \$75,000 in 2018 and is subject to repayment to the Bank if Mr. Langs is terminated for Cause (as defined in the Langs Agreement) or resigns without Good Reason (as defined in the Langs Agreement) within 12 months of receipt. Mr. Langs also received a phantom stock award with an initial value of \$85,500 to be settled in cash, which vests on the third anniversary of the grant date, subject to continued employment by Mr. Langs. Mr. Langs was entitled to up to \$20,000 in relocation expenses and up to \$1,500 per month for up to six months in temporary housing expenses. He also receives \$500 per month as an automobile allowance.

In the event the Bank terminates Mr. Langs' employment without cause or Mr. Langs terminates his employment for Good Reason, in addition to the Accrued Obligations, he will also receive a monthly severance payment equal to one-twelfth of his annual base salary for 12 months and continued employee health insurance coverage for 12 months. In the event the Bank terminates Mr. Langs' employment without Cause or Mr. Langs terminates his employment for Good Reason within two years after a Change of Control (as defined in the Langs Agreement), Mr. Langs will receive the Accrued Obligations, plus a lump

sum severance payment equal to 24 months of his annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Mr. Langs' highest annual bonus earned from the Bank for the three years prior to termination.

Base Salaries

Base salaries provide appropriate fixed cash compensation necessary to attract and retain executive talent. Base salaries are intended to be competitive. The Nominating, Governance and Compensation Committee reviews the base salaries of our named executive officers on an annual basis as well as at the time of any promotion or other material change in responsibilities. In addition to engaging independent consultant, Matthews, Young & Associates on base salaries, our Nominating, Governance and Compensation Committee also considers the following when setting base salaries: (a) the individual executive's overall performance and contribution to the Bank's performance, (b) overall Bank performance and (c) the individual's base salary relative to other executive officers.

Executive	2017 Base Salary (\$)	2018 Base Salary \$(1)	% Increase
Litz H. Van Dyke	500,000	570,000	14%
Wendy S. Bell	330,000	350,000	6%
Phyllis Q. Karavatakis	325,000	335,000	3%
Matthew M. Speare	325,000	345,000	6%
Bradford N. Langs	297,500	335,000	13%

(1) Base Salaries for all named executive officers were effective as of November 26, 2018.

Annual Incentive Plan

On November 15, 2018, with assistance from its independent compensation consultant, the Governance & Compensation Committee (which became the "Nominating, Governance and Compensation Committee" in December 2018) adopted an annual incentive plan for the purpose of awarding annual bonuses to certain employees of the Bank based upon the achievement of annual performance objectives established each year under the plan. The annual incentive plan covers the Bank's executive officers and certain executive vice presidents (each, a Participant), which includes all of the Bank's named executive officers. The goal of the annual incentive plan is to motivate Participants to maximize shareholder value by achieving performance while limiting risk appropriately and maintaining the safety and soundness of the Bank.

The plan is an annual incentive plan that is approved each year with a performance year running from January 1 through December 31. The Nominating, Governance and Compensation Committee will oversee the administration of the plan, as well as plan design, determination of performance measures, goals and weightings and award payouts, partly based on input from the Bank's CEO.

At the beginning of each year (except for 2018), the Nominating, Governance and Compensation Committee will develop a bonus template for each Participant. The primary elements of each template are:

- Percentage of base salary opportunity,
- Performance measures and goals selected from the Bank's approved budget numbers for the year or other objective measure, and

- Weightings assigned to the selected performance measures.

Under the annual incentive plan, a Participant can earn a bonus of up to a specific percentage of the Participant's base salary. For 2018, these percentages are as follows:

Participant	% of Base Salary
CEO, CFO, CBO, CSO	50%
All Other Participants	35%

Performance measures under the plan are determined each year, in the categories of profitability, capital effectiveness and safety and soundness. The performance measures, goals and weightings assigned to them may change from year to year, and will probably be the same for all participants in any given year, although that is subject to change.

The amount of bonus earned by a Participant each year will depend on the Bank's achievement with respect to the performance measure goals selected for that year, multiplied by the applicable weightings, multiplied by the Participant's base salary and percentage of base salary opportunity.

Bonus amounts earned based on the Bank's performance for a year will be reviewed and certified by the Nominating, Governance and Compensation Committee and paid to the Participant between January 1 and March 15 of the following year, generally shortly after the year's results have been finalized and the Bank's earnings for the year have been announced. The plan has both short-term and long-term elements to it, as the bonus amounts will be paid 2/3 in cash and 1/3 in shares of restricted common stock of the Bank, with time-based vesting in three annual installments.

For 2018, the Nominating, Governance and Compensation Committee selected the same performance measure goals and weightings for each of the named executive officers. The following table shows the performance measure goals for the annual incentive plan for 2018, as well as the weightings of these goals and the achievement with respect to each goal:

Performance Measure	Weighting	Maximum Performance Goal	Performance Achieved
Core ROAA (1)	35%	0.73%	41%
Core ROATCE (1)	35%	8.58%	33%
Regulatory Rating	30%	<i>confidential</i>	0%
Weighted Average Bonus Amount Earned			74%

(1) Core return on average assets and core return on average tangible common equity are calculated excluding all extraordinary items, whether positive or negative.

The Nominating, Governance and Compensation Committee reviewed the Bank's performance with respect to these goals for 2018, and bonus amounts were determined under the plan based on the achievement of the performance goals, multiplied by the named executive officer's base salary and percentage of base salary opportunity. As noted above, the bonus amounts were paid in early 2019, 2/3 in cash and 1/3 in shares of restricted common stock of the Bank, with time-based vesting in three annual installments, granted under the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan, which is discussed further below. The bonus amounts earned by the named executive officers for 2018 performance under this plan are reported as "Non-Equity Incentive Plan Compensation" for 2018 in the Summary Compensation Table.

Equity Compensation

On June 27, 2018, the Bank's shareholders approved the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan (the "Equity Plan"). The Equity Plan authorizes the issuance of up to 2,000,000 shares of common stock for awards to key employees and non-employee directors as determined by the Nominating, Governance and Compensation Committee, which has been appointed by the Board of Directors to administer the Equity Plan. The Equity Plan authorizes the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, performance units and performance cash awards. With respect to executive compensation, the purpose of the Equity Plan is to provide incentive to certain key employees and non-employee directors to associate their personal interests with the long-term financial success of the Bank and with growth in shareholder value, consistent with the Bank's risk management practices. In November 2018, the Bank granted restricted stock awards to several employees, including Mr. Speare, in connection with their contributions to the successful conversion of the Bank's core systems. The restricted stock granted in November 2018 vests in equal installments on each of the first, second and third anniversaries of the grant date, subject to accelerated vesting in certain circumstances.

As discussed above, the Nominating, Governance and Compensation Committee has granted during 2019 and anticipates granting in the future awards of restricted stock to employees, including the named executive officers, in connection with the annual incentive plan adopted in November 2018 and may also grant other equity awards under the Equity Plan as part of the Bank's compensation program.

CEO Pay Ratio

The Bank determined that the 2018 annual total compensation of the median compensated employee of all its employees, other than the CEO, as of December 31, 2018 was \$23,656; the CEO's 2018 annual total compensation was \$674,236; and the ratio of these amounts was 29:1.

While not required, the Bank chose to identify a new median employee due to changes in compensation. As of December 31, 2018, the Bank's total population consisted of 1,012 employees, all of whom work in the United States. This population consisted of all of its full-time and part-time employees. To identify the median compensated employee, we used a Consistently Applied Compensation Measure defined as gross wages as reported on each employee's 2018 IRS Form W-2. We further annualized pay for those individuals not employed for a full year in 2018, but who were employed as of December 31, 2018.

Once we identified our median compensated employee, we calculated the median compensated employee's and our CEO's 2018 annual total compensation in accordance with the requirements of the Summary Compensation Table.

This pay ratio is a reasonable estimate calculated in a manner consistent with Securities Exchange Commission ("SEC") rules based on our payroll and employment records and the methodology described above. The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

SUMMARY COMPENSATION TABLE

Fiscal 2016 - 2018

The table below reflects compensation received by each named executive officer.

Name and Principal Position with Carter Bank & Trust	Year	Salary (\$)	Bonus (1) (\$)	Stock Awards (2) (\$)	Option Awards (\$)	Non-equity Incentive Plan Compensation (3) (\$)	Change in Pension Value and Non- Qualified Deferred Comp. Earn. (\$)	All Other Comp.(4) (\$)	Total (\$)
Litz H. Van Dyke	2018	\$497,051	\$25,000	—	—	\$124,274	—	\$27,911	\$674,236
<i>Chief Executive Officer (5)</i>	2017	\$440,000	\$25,000	—	—	\$150,000	—	\$16,353	\$631,353
	2016	\$133,974	—	—	—	—	—	\$207	\$134,181
Wendy S. Bell	2018	\$326,039	\$30,000	—	—	\$82,021	—	\$22,715	\$460,775
<i>Executive Vice President and Chief Financial Officer(6)</i>	2017	\$145,962	\$50,000	—	—	\$99,000	—	\$18,709	\$313,671
Phyllis Q. Karavatakis	2018	\$320,353	\$40,000	—	—	\$80,778	—	\$22,149	\$463,280
<i>President and Chief Banking Officer</i>	2017	\$280,000	\$40,000	—	—	\$97,500	—	\$9,734	\$427,234
	2016	\$250,000	—	—	—	—	—	\$34,619	\$284,619
Matthew M. Speare	2018	\$320,353	\$41,250	\$29,255	—	\$56,545	—	\$19,027	\$466,430
<i>Executive Vice President and Chief Information Officer(7)</i>	2017	\$162,500	\$25,000	—	—	\$97,500	—	\$58,649	\$343,649
Bradford N. Langs	2018	\$315,769	\$75,000	—	—	\$80,778	—	\$21,035	\$492,582
<i>Executive Vice President and Chief Strategy Officer (8)</i>	2017	\$162,099	\$50,000	—	—	\$85,500	—	\$20,878	\$318,477

- (1) The amounts in the “Bonus” column represent the first installment (paid in 2017) and second installment (paid in 2018) of the sign-on bonuses granted to the named executive officer in connection with entering into an employment agreement with the Bank.
- (2) The amounts in this column reflect the grant date fair value for restricted stock granted during 2018 pursuant to the Equity Plan, calculated in accordance with ASC Topic 718, based on the closing price of the Bank’s common stock on the date of grant. These amounts do not include the portion of the annual incentive plan bonus payout for 2018 performance paid in restricted stock, which was granted in February 2019.
- (3) The amounts in this column for 2018 reflect the bonus amounts earned for 2018 performance under the annual incentive plan and include both the portion of the bonus paid in cash and the portion paid in shares of restricted stock that was granted in February 2019. In each case, the cash portion and the portion paid in restricted shares of these bonus amounts were paid in the year following the year in which the performance criteria was achieved.
- (4) The amount of compensation properly categorized in this column, including perquisites and other personal benefits that total more than \$10,000, is listed in the chart below for 2018.

The following table shows information on all other compensation to the named executive officers during 2018:

Name	Medical	Disability Insurance	Life Insurance	Car Allowance	Gross Ups Car Allowance	Total
Litz H. Van Dyke	\$9,064	\$806	\$5,885	\$8,400	\$3,756	\$27,911
Wendy S. Bell	\$9,064	\$806	\$4,113	\$6,000	\$2,732	\$22,715
Phyllis Q. Karavatakis	\$7,032	\$806	\$5,693	\$6,000	\$2,618	\$22,149
Matthew M. Speare	\$7,032	\$806	\$2,629	\$6,000	\$2,560	\$19,027
Bradford N. Langs	\$9,064	\$806	\$2,604	\$6,000	\$2,561	\$21,035

- (5) Mr. Van Dyke transitioned from Executive Vice President to Chief Executive Officer on April 18, 2017.
(6) Ms. Bell became Chief Financial Officer on July 24, 2017.
(7) Mr. Speare became Chief Information Officer on July 3, 2017.
(8) Mr. Langs became Chief Strategy Officer on June 19, 2017.

The table below reflects information regarding the restricted stock awards and annual incentive plan opportunities granted to the named executive officers during or for the year ended December 31, 2018.

Grants of Plan-Based Awards Fiscal 2018

The following table shows information on plan-based awards and restricted stock to the named executive officers during 2018:

Name	Approval Date	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (2)	Grant Date Fair Value of Stock and Option Awards
			Threshold (\$)	Target (\$)	Maximum (\$)		
Litz H. Van Dyke							
<i>Annual Incentive Plan</i>			--	--	\$ 285,000	--	--
<i>Restricted Stock</i>			--	--	--	--	\$ --
Wendy S. Bell							
<i>Annual Incentive Plan</i>			--	--	\$ 175,000	--	--
<i>Restricted Stock</i>			--	--	--	--	\$ --
Phyllis Q. Karavatakis							
<i>Annual Incentive Plan</i>					\$ 167,500	--	--
<i>Restricted Stock</i>			--	--	--	--	\$ --
Matthew M. Speare							
<i>Annual Incentive Plan</i>					\$ 172,500	--	--
<i>Restricted Stock</i>	11/15/18	11/19/18	--	--	--	1,638	\$ 29,255
Bradford N. Langs							
<i>Annual Incentive Plan</i>					\$ 167,500	--	--
<i>Restricted Stock</i>			--	--	--	--	\$ --

- (1) Reflects the maximum bonus that each named executive officer could earn for 2018 performance under the annual incentive plan. The annual incentive plan does not have threshold or target performance levels. The actual amounts earned by the named executive officers for 2018 performance under this plan, which were paid partly in cash and partly in shares of restricted stock with a three-year vesting period, are reported as "Non-Equity Incentive Plan Compensation" for 2018 in the Summary Compensation Table.

- (2) The stock awards in this column represent the number of shares of restricted stock the Nominating, Governance & Compensation Committee granted in 2018 to the named executive officer under the Equity Plan in connection with the core conversion. The restricted stock has a three-year vesting period.
- (3) The amounts in this column represent the grant date fair value of the restricted stock award granted on November 19, 2018, calculated in accordance with ASC Topic 718, based on the closing price of the Bank's common stock on the date of grant.

Outstanding Equity Awards at Fiscal 2018 Year-End

The table below reflects certain information regarding the phantom stock awards and restricted stock awards held by each named executive officer as of December 31, 2018. None of the named executive officers held any other equity awards as of December 31, 2018.

Name	Grant Date	Stock Awards			
		Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested \$(3)
Litz H. Van Dyke	10/1/17			—	\$130,450
Wendy S. Bell	7/24/17			—	\$95,489
Phyllis Q. Karavatakis	10/1/17			—	\$84,792
Matthew M. Speare	7/3/17 11/19/18	1,638	\$24,570	—	\$94,958
Bradford N. Langs	6/19/17			—	\$83,442

- (1) The amounts in this column reflect the number of shares of restricted stock granted during 2018 pursuant to the Equity Plan. The restricted stock vests in equal 1/3 installments on the first, second and third anniversaries of the grant date, subject to accelerated vesting under certain circumstances. This table does not include the portion of the annual incentive plan bonus payout for 2018 performance paid in restricted stock, which was granted in February 2019.
- (2) The amounts in this column represent the fair market value of the restricted stock as of December 31, 2018. The closing price of the Bank's common stock was \$15.00 on that date.
- (3) The amounts in this column reflect the value of each phantom stock award as of December 31, 2018, based on the closing price of the Bank's common stock on December 31, 2018. The phantom stock awards vest on the third anniversary of the grant date, subject to the named executive officer's continued employment on such date and will be settled in cash.

Securities Authorized for Issuance under Equity Compensation Plans

The following table contains summary information as of December 31, 2018 with respect to the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan, the only equity compensation plan under which Bank securities are authorized for issuance.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Rights and Warrants	Weighted-Average Exercise Price of Outstanding Options, Rights and Warrants	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	—	—	1,987,587
Equity compensation plans not approved by security holders (2)	—	—	—
Total	—	—	1,987,587

- (1) Shares available to be granted under the Equity Plan as of December 31, 2018, in the form of stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, performance units and performance cash awards.
- (2) The Bank does not have any equity compensation plans that have not been approved by shareholders.

Qualified Profit Sharing Plan

The Qualified Profit Sharing Plan covers all full-time employees that have been employed for six (6) months and have reached the age of 20-1/2 as of the first day of the plan year. Persons who have reached the age of 62 are fully vested regardless of length of service. For eligibility and vesting purposes, employees receive credit for previous employment with any of the Merged Banks, the Mortgage Company of Virginia, Bank Services of Virginia, Inc. and Bank Services Insurance, Inc. Vesting is based on the number of Years of Service.

The vesting schedule is as follows:

Years of Service	Vested Percentage	Forfeitable Percentage
1	0	100%
2	20%	80%
3	40%	60%
4	60%	40%
5	100%	0%

Each year the Board of Directors determines what amount, if any, is to be allocated to the plan out of accumulated or current earnings of the Bank. The contributions to the plan were \$1.7 million in 2018, none in 2017, and \$2.4 million in 2016.

None of the named executive officers participated in the plan during 2018. The Bank did not have any deferred compensation plans during 2018.

Potential Payments upon Termination or Change of Control

The following table shows the estimated payments to or benefits that would have been received by each of the named executive officers upon the following termination events or upon a change of control of the Bank, in each case assuming that each termination event or the change of control occurred on December 31, 2018, and assuming a stock price of \$15.00 which was the closing stock price of the Bank's common stock on December 31, 2018. The amounts reflected in the following table are estimates, as the actual amounts that would have been paid to or received by a named executive officer can only be determined at the time of termination or change of control.

The following table reports only amounts that are increased, accelerated or otherwise paid or payable as a result of the applicable termination or change of control event and, as a result, excludes amounts accrued through December 31, 2018, such as accrued but unpaid salary and annual bonus compensation amounts for completed performance periods and vested account balances under the 401(k) Plan and other plans. The table also excludes any amounts that are available generally to all salaried employees and in a manner that does not discriminate in favor of the Bank's executive officers.

Payments and Benefits	Death	Termination Due to Incapacity	Termination Without Cause or for Good Reason Not in Connection with Change of Control (1)(2)	Termination Without Cause or for Good Reason within 2 Years Following a Change of Control (3)(4)(5)	Termination For Cause or Without Good Reason	Change of Control with no Related Termination of Employment
Litz H. Van Dyke						
Cash Severance	\$ —	\$ —	\$750,000	\$1,495,000	\$ —	\$ —
Equity Vesting ⁽⁶⁾	—	—	—	—	—	—
Health Care Coverage	—	—	\$13,064	\$13,064	—	—
Total	\$ —	\$ —	\$763,064	\$1,508,064	\$ —	\$ —
Wendy S. Bell						
Cash Severance	\$ —	\$ —	\$330,000	\$660,000	\$ —	\$ —
Equity Vesting ⁽⁶⁾	—	—	—	—	—	—
Health Care Coverage	—	—	\$8,710	\$13,064	—	—
Total	\$ —	\$ —	\$338,710	\$673,064	\$ —	\$ —

Payments and Benefits	Death	Termination Due to Incapacity	Termination Without Cause or for Good Reason Not in Connection with Change of Control (1)(2)	Termination Without Cause or for Good Reason within 2 Years Following a Change of Control (3)(4)(5)	Termination For Cause or Without Good Reason	Change of Control with no Related Termination of Employment
Phyllis Q. Karavatakis						
Cash Severance	\$ —	\$ —	\$325,000	\$650,000	\$ —	\$ —
Equity Vesting ⁽⁶⁾	—	—	—	—	—	—
Health Care Coverage	—	—	\$6,773	\$10,160	—	—
Total	\$ —	\$ —	\$331,773	\$660,160	\$ —	\$ —
Matthew M. Speare						
Cash Severance	\$ —	\$ —	\$325,000	\$650,000	\$ —	\$ —
Equity Vesting ⁽⁷⁾	24,570	24,570	—	24,570	—	24,570
Health Care Coverage	—	—	\$6,773	\$10,160	—	—
Total	\$24,570	\$24,570	\$331,773	\$684,730	\$ —	\$24,570
Bradford N. Langs						
Cash Severance	\$ —	\$ —	\$297,500	\$595,000	\$ —	\$ —
Equity Vesting ⁽⁶⁾	—	—	—	—	—	—
Health Care Coverage	—	—	\$6,773	\$10,160	—	—
Total	\$ —	\$ —	\$304,273	\$605,160	\$ —	\$ —

(1) Under his employment agreement, if Mr. Van Dyke resigns for good reason or his employment is terminated without cause not in connection with a change of control, Mr. Van Dyke will be entitled to receive monthly severance payments equal to one-twelfth of his annual base salary for 18 months and continued employee health insurance coverage for 18 months. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in Mr. Van Dyke's employment agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

(2) For each named executive officer other than Mr. Van Dyke, under his or her employment agreement, if the named executive officer resigns for good reason or his or her employment is terminated without cause not in connection with a change of control, the named executive officer will be entitled to receive monthly severance payments equal to one-twelfth of his or her annual base salary for 12 months and continued employee health insurance coverage for 12 months. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in the employment agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

- (3) Under his employment agreement, if Mr. Van Dyke resigns for good reason or his employment is terminated without cause within two years after a change of control Mr. Van Dyke will be entitled to receive a lump sum severance payment equal to 2.99 times his annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Mr. Van Dyke's highest annual bonus earned from the Bank for the three years prior to termination. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in Mr. Van Dyke's employment agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.
- (4) For each named executive officer other than Mr. Van Dyke, under his or her employment agreement, if the named executive officer resigns for good reason or his or her employment is terminated without cause within two years after a change of control, the named executive officer will be entitled to receive to receive a lump sum severance payment equal to 2 times his or her annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to the named executive officer's highest annual bonus earned from the Bank for the three years prior to termination. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in the employment agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.
- (5) Each named executive officer's employment agreement provides for change of control benefits on a "best net" approach, under which the named executive officer's change of control benefits will be reduced to avoid the golden parachute excise tax under Section 280G of the Internal Revenue Code unless without such a reduction the named executive officer would receive more after-tax compensation than with a reduction. The amounts shown in this column do not reflect any reductions that might be made pursuant to these provisions.
- (6) None of the named executive officers held any equity awards as of December 31, 2018 that would have experienced accelerated vesting upon any of these termination events or upon a change of control of the Bank.
- (7) Restricted shares granted to the named executive officers become fully vested upon termination of the named executive officer's employment due to (a) death, (b) disability, (c) retirement (with the consent of the Nominating, Governance and Compensation Committee) at or after age 59 years and six months, with 7 full years of employment where there is no cause for termination and the named executive officer is subject to a non-competition agreement upon retirement, or (d) a change in control of the Bank. In the event of termination of the named executive officer's employment for good reason or without cause, all then unvested restricted shares would be forfeited in the absence of the Nominating, Governance and Compensation Committee's exercise of discretion to waive such forfeiture. Ms. Karavatakis was the only named executive officer eligible for retirement under these provisions as of December 31, 2018.

DIRECTOR COMPENSATION

For 2018, the Nominating, Governance and Compensation Committee determines the fees to be paid to non-employee directors based on the recommendation of the Chief Executive Officer, which is based on a review of Director fees paid by comparable community banks in Carter Bank & Trust's trade area. For 2018, the Chairman of the Board received \$3,000 for each Board meeting and the chairman for each committee received \$750 for each committee meeting attended. For 2018, the non-employee directors were paid \$2,000 for each Board meeting regardless of whether they attend or not, and were paid \$500 for each committee meeting attended. Carter Bank & Trust did not pay its Directors an annual retainer for 2018.

Effective January 1, 2019, the Nominating, Governance and Compensation Committee approved a change in non-employee director compensation. Beginning in 2019, non-employee directors will no longer receive per-meeting fees and will instead receive an annual cash retainer, payable monthly, and an annual stock retainer in the form of an annual award of time-based restricted stock under the Equity Plan. The Chairman of the Board will receive an annual cash retainer in the amount of \$48,000, each committee chair will receive an annual cash retainer in the amount of \$40,000, and each other non-employee director will receive an annual cash retainer in the amount of \$36,000. The annual stock retainer for each director will be paid in the form of restricted stock in the amount of \$24,000 based on the closing price of the Bank's stock on the grant date, which restricted stock will vest in equal installments on each of the first, second and third anniversaries of the grant date, subject to accelerated vesting in certain circumstances.

Beginning in 2019, any changes to non-employee director compensation will be reviewed and recommended by the Nominating,

Governance and Compensation Committee and approved by the Board of Directors.

**DIRECTOR COMPENSATION TABLE
FISCAL 2018**

The following table provides compensation information for the year ended December 31, 2018 for each non-employee member of the Board of Directors.

Name (1)	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Michael R. Bird	\$ 33,250	—	—	—	—	—	\$ 33,250
Robert W. Conner	\$ 40,000	—	—	—	—	—	\$ 40,000
Gregory W. Feldmann	\$ 38,000	—	—	—	—	—	\$ 38,000
Chester A. Gallimore	\$ 28,000	—	—	—	—	—	\$ 28,000
Charles E. Hall	\$ 33,000	—	—	—	—	—	\$ 33,000
James W. Haskins	\$ 55,750	—	—	—	—	—	\$ 55,750
Lanny A. Kyle, O.D.	\$ 35,000	—	—	—	—	—	\$ 35,000
George W. Lester, II	\$ 36,750	—	—	—	—	—	\$ 36,750
E. Warren Matthews	\$ 36,000	—	—	—	—	—	\$ 36,000
Catharine L. Midkiff	\$ 30,500	—	—	—	—	—	\$ 30,500
Joseph E. Pigg	\$ 25,000	—	—	—	—	—	\$ 25,000

- (1) Litz Van Dyke, Chief Executive Officer, and Phyllis Karavatakis, Vice Chairman of the Board and President and Chief Banking Officer, are not included in this table because they are officers of the Bank and did not receive separate compensation for service as a Director. The compensation received by Mr. Van Dyke and Ms. Karavatakis as officers of the Bank in 2018 is included in the Summary Compensation Table on page 20. Sidney D. Mason is also not included in this table because he resigned from the Board effective January 1, 2018 and received no compensation during 2018.

NOMINATING, GOVERNANCE AND COMPENSATION COMMITTEE REPORT

The Nominating, Governance and Compensation Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion & Analysis included above. Based upon such review, the related discussions and such other matters deemed relevant and appropriate by the Committee, the Committee has recommended to the Board of Directors the inclusion of the Compensation Discussion & Analysis in this proxy statement.

MEMBERS OF THE NOMINATING, GOVERNANCE AND COMPENSATION COMMITTEE

Robert W. Conner
Gregory W. Feldmann
James W. Haskins
Lanny A. Kyle, O.D.

Nominating, Governance and Compensation Committee Interlocks and Insider Participation

None of the members of the Board of Directors currently serve as an officer or employee of Carter Bank & Trust except Mr. Van Dyke and Ms. Karavatakis and none of the Directors served as an officer or employee of Carter Bank & Trust during 2018 except Mr. Van Dyke and Ms. Karavatakis. None of the executive officers of Carter Bank & Trust have served as a member of a compensation committee of any other entity which has an executive officer serving as a member of the Bank's Board of Directors.

DIRECTOR INDEPENDENCE

All of the Bank's current Directors, other than the Chief Executive Officer, Mr. Van Dyke, and Vice Chairman of the Board and President and Chief Banking Officer, Ms. Karavatakis, satisfy the director independence requirements of the Nasdaq listing standards. All of the Bank's Directors during 2018, other than Mr. Van Dyke and Ms. Karavatakis, satisfied the director independence requirements of the Nasdaq listing standards.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors held twelve regular meetings during 2018. During 2018, each member of the Board of Directors attended at least 75% of the aggregate of: (1) the Bank's Board meetings held during the period and (2) the number of meetings of all committees on which he or she served for the Bank.

The Board of Directors meets regularly once a month. Carter Bank & Trust has not adopted a formal policy on Board members' attendance at annual meetings of shareholders, although all Board members are encouraged to attend. Thirteen Directors attended the 2018 Annual Meeting of Shareholders on June 27, 2018.

Carter Bank & Trust has created and designated a separate committee of its Board of Directors as the Audit and Compliance Committee. Current members of the Bank's Audit and Compliance Committee are Messrs. Chester A. Gallimore, George W. Lester, II, E. Warren Matthews, Michael R. Bird (Chairman) and Ms. Catharine Midkiff, each of whom is "independent" for this purpose according to Nasdaq listing standards and the regulations of the "SEC". The Audit and Compliance Committee engages the Bank's independent registered public accounting firm, approves the scope of the independent registered public accounting firm's audit, reviews the reports of examination by the applicable Bank regulatory agencies and the independent registered public accountant, and the internal auditor, and reports to the Board of Directors periodically. The Audit and Compliance Committee met nine times during 2018. The Audit and Compliance Committee operates pursuant to a written charter that has been adopted by the Board and is reviewed periodically by the Audit and Compliance Committee for changes to recommend to the Board for approval. The charter is available on the Bank's website at www.carterbankandtrust.com under "Investor Relations".

The Board of Directors has determined that Mr. George W. Lester II, Catharine L. Midkiff and Michael R. Bird each qualify as an "audit committee financial expert" within the meaning of applicable regulations of the SEC, promulgated pursuant to the Sarbanes-Oxley Act of 2002.

The Nominating, Governance and Compensation Committee consists of four Directors. The current members of the Committee are Chairman James W. Haskins, and Messrs. Robert W. Conner, Gregory W. Feldmann, and Lanny A. Kyle, O.D. Each Director satisfies the independence requirements of the Nasdaq listing standards. Additional information regarding the function of the Committee is provided on the prior page and in the "Compensation Discussion & Analysis" section.

The Nominating, Governance and Compensation Committee evaluates Director candidates and recommends to the Board of Directors nominees for election to the Board. The Board has no prescribed minimum qualifications for nominees and will consider recommendations to the Board from shareholders as appropriate. The Committee also administers the annual incentive plan discussed below. The Committee also administers the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan (the "Equity Plan") and grants equity awards under the plan. In addition to its compensation-related responsibilities, the Committee also makes recommendations to the Board of Directors regarding individuals to be nominated to serve on the Board of Directors and regarding corporate governance matters. The nominating, Governance and Compensation Committee operates pursuant to a written charter, most recently approved by the Board of Directors on December 19, 2018. This charter is reviewed periodically by the Nominating, Governance and Compensation Committee for changes to recommend to the Board of Directors for approval.

A copy of this charter can be found on the Bank's website at carterbankandtrust.com under "Investor Relations". The Nominating, Governance and Compensation Committee met 10 times during 2018.

Generally, nominees for Director are identified and suggested by the members of the Board or management using their business networks. The Board has not retained any executive search firms or other third parties to identify or evaluate Director candidates in the past and does not intend to in the near future. In evaluating candidates, the Nominating, Governance and Compensation Committee considers all appropriate factors, which may include high level leadership experience, knowledge of issues affecting the Bank, availability for meetings and consultation on Bank matters, strength of character, mature judgment, independence of thought and an ability to work collegially. The Nominating, Governance and Compensation Committee may also consider the extent to which a candidate would fill a present need on the Board.

Although the Bank has no formal policy regarding diversity, as a matter of practice in its evaluation of candidates, the Nominating, Governance and Compensation Committee, may consider whether the Board of Directors, as a whole, is diverse and includes individuals with various backgrounds, career experience, technical skills, industry knowledge and experience financial expertise and local or community ties.

The Board has not established any specific minimum qualifications that a candidate for Director must meet in order to be nominated for Board membership. Rather the Board will evaluate the mix of skills and experience that the candidate offers, consider how a given candidate meets the Board's current expectations and needs and make a determination regarding whether a candidate should be nominated for election by the shareholders as a Director.

The Nominating, Governance and Compensation Committee will evaluate Director recommendations from shareholders if made in writing. Director candidates recommended by shareholders will be considered on the same basis as Director candidates referred from other sources. While there are no formal procedures for shareholders to submit Director candidate recommendations, written recommendations of Director candidates should include the name, address and telephone number of the recommended candidate, along with a brief statement of the candidate's qualifications to serve as a Director. All such shareholder recommendations should be submitted to the Secretary of the Bank c/o Vice President/Accounting Operations Manager of the Bank at the address provided on the first page of this proxy statement, by January 31, 2020 in order to be considered by the Nominating, Governance and Compensation Committee, for the next annual election of directors. In addition, in accordance with the Bank's Articles of Incorporation and/or Bylaws, nominations for election to the Board of Directors may be made by any shareholder of any outstanding class of capital stock of the Bank entitled to vote for the election of Directors. Notices of nominations, other than those made by or on behalf of the existing Board of Directors of the Bank, must be made in writing and be delivered to the Secretary of the Bank c/o Vice President/Accounting Operations Manager of the Bank at the address provided on the first page of this proxy statement not less than 90 days or more than 120 days before the first anniversary of the prior year's annual meeting; provided that if the annual meeting is changed by more than 30 days from the first anniversary of the prior year's annual meeting, the notice must be delivered no earlier than 120 days before the annual meeting and no later than 90 days before the annual meeting or the tenth day after notice of the annual meeting was mailed.

Such notice shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each nominee; (b) the name and residence address of the notifying shareholder; (c) the number of shares of capital stock of the Bank owned by the notifying shareholder; (d) a description of all arrangements or understandings between the notifying shareholder and any other person or persons (including their names) in connection with the nomination and any material interest of the notifying shareholder in the nomination; (e) a brief description of the background and credentials of the person being nominated for Director including name, age, business address and residence address, principal occupation or employment, number of shares of capital stock of the Bank owned by the nominee; (f) any other information relating to such nominee required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act, including

the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and (g) a written representation and agreement by the notifying shareholder that the shareholder is not and will not become a party to any agreement, arrangement or understanding with any other party or shareholder regarding the nomination. Nominations not made in accordance with these requirements may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the judges of election may disregard all votes cast for each such nominee.

BOARD LEADERSHIP STRUCTURE AND RISK OVERSIGHT

The Board of Directors believes that the Bank and its shareholders are best served by a leadership structure with separate positions for Chairman and Chief Executive Officer, with Mr. James W. Haskins serving as Chairman of the Board and Mr. Litz H. Van Dyke serving as Chief Executive Officer of Carter Bank & Trust. The Board believes that this leadership structure is the most efficient and effective leadership structure for the Bank at this time. The current leadership structure allows Mr. Van Dyke to focus on providing day-to-day leadership and management of the Bank, while Mr. Haskins, who has stepped into the role of Chairman from Vice Chairman, can maintain responsibility for leading the Board in its oversight function and consideration of broader corporate strategy. The Board will continue to evaluate the best leadership structure for the Bank in the future.

The Board of Directors is responsible for consideration and oversight of risk facing the Bank and is responsible for ensuring that material risks are identified and managed appropriately. The Audit and Compliance Committee meets quarterly and reviews the Bank's major financial risk exposures and reviews the steps management is taking to monitor and control such exposures, including results of internal and external audits. Directors also serve on various committees that focus on major areas of risk in the Bank that include, but are not limited to, loans, investments, audit, and governance and compensation. Directors discuss risk and risk reduction strategies with management within those committees. All such discussions are included in committee reports to the full Board of Directors.

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Bank does not have a formal process for shareholders to send communications to the Board of Directors. Shareholders who wish to contact the Board of Directors or any of its members may do so by addressing their written correspondence to Board of Directors, Carter Bank & Trust, c/o Vice President and Accounting Operations Manager, 1300 Kings Mountain Rd, Martinsville, Virginia 24112. Correspondence directed to an individual Board member will be referred, unopened, to that member. Correspondence not directed to a particular Board member will be referred, unopened, to the Chairman of the Board.

RELATED PERSON TRANSACTIONS

In the ordinary course of business, executive officers and their related interests were customers of, and had transactions with the Bank. Loan transactions with Directors and officers, principal security holders and associates were made in the ordinary course of the Bank's business, on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable loans to unrelated parties and did not involve more than normal risk of collectability or present other unfavorable features. These extensions of credit equaled \$23.1 million or 5.3% of the equity capital of Carter Bank & Trust as of December 31, 2018 and \$17.0 million or 3.9%, as of December 31, 2017. The maximum aggregate amount of such indebtedness outstanding during 2018 was \$23.1 million, or 5.3% of total year-end capital. The Bank expects to have similar banking transactions in the future with its Directors, officers, principal security holders and their associates.

Procedures for Approving Related Party Transactions

The Board of Directors has adopted a written policy with respect to related party transactions that governs the review, approval

or ratification of covered related party transactions. The Audit and Compliance Committee oversees this policy. The policy generally provides that the Bank may enter into a related party transaction only if the Audit and Compliance Committee approves or ratifies such transaction in accordance with the guidelines set forth in the policy and if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party, the transaction involves compensation approved by the Nominating, Governance and Compensation Committee or with respect to loans to or similar relationships with related parties, the loan or other relationship has been approved in accordance with the Bank's Regulation O loan policy and procedures.

In the event management determines to recommend a related party transaction, the transaction must be presented to the Audit and Compliance Committee for approval. After review, the Audit and Compliance Committee will approve or disapprove such transaction and management will update the Audit and Compliance Committee as to any material change to the approved related party transaction. If advance approval by the Audit and Compliance Committee is not feasible, management may preliminarily enter into a related party transaction and the related party transaction shall be considered and, if the Audit and Compliance Committee determines it to be appropriate, ratified by the Audit and Compliance Committee at its next meeting. The Audit and Compliance Committee approves only those related party transactions that are in, or are not inconsistent with, the best interests of the Bank and its shareholders, as the Audit and Compliance Committee determines.

For purposes of this policy, a "related party transaction" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships) in which the Bank is, was or will be a participant and the amount involved exceeds \$120,000 and in which any related party had, has or will have a direct or indirect material interest. For purposes of determining whether a transaction is a related party transaction, the Audit and Compliance Committee refers to Item 404 of Regulation S-K.

Carter Bank & Trust is a party to an agreement with Young, Haskins, Mann, Gregory, McGarry and Wall, P.C. to provide legal services of which Chairman and Director James W. Haskins is an Attorney and Principal. During 2018, Carter Bank & Trust paid \$264,000 in various legal fees to Young, Haskins, Mann, Gregory, McGarry and Wall, P.C.

A "related party" is (i) any person who is, or at any time since the beginning of the last fiscal year was, an executive officer, Director, or nominee for Director of the Bank, (ii) any person who is known to own more than 5% of the Bank's outstanding equity securities, (iii) any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law and any person (other than a tenant or employee) sharing the household of any of the foregoing persons, and (iv) any entity owned or controlled by any of the foregoing persons or in which such person has a substantial ownership interest or control.

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

As disclosed in the Bank's Current Report on Form 8-K filed with the FDIC on March 19, 2019, the Bank's Audit and Compliance Committee conducted a competitive process to determine the Bank's independent registered public accounting firm for the fiscal year ending December 31, 2019. The Audit and Compliance Committee invited several independent registered public accounting firms to participate in this process, including Yount, Hyde & Barbour P.C.

On March 13, 2019, the Audit and Compliance Committee approved the dismissal of Yount, Hyde & Barbour P.C. as the Bank's independent registered public accounting firm, effective upon the filing of the Bank's Annual Report on Form 10-K for the year ended December 31, 2018, which was filed with the FDIC on March 14, 2019. Yount, Hyde & Barbour, P.C. audited the Bank's financial statements as of and for the fiscal years ended December 31, 2018 and 2017 and the effectiveness of the Bank's internal control over financial reporting as of December 31, 2018 and 2017.

The audit reports of Yount, Hyde & Barbour P.C. on the Bank's consolidated financial statements for the fiscal years ended

December 31, 2018 and 2017 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2018 and 2017 and the subsequent interim period through March 14, 2019, there have been no “disagreements” (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between the Bank and Yount, Hyde & Barbour P.C. on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Yount, Hyde & Barbour P.C. would have caused Yount, Hyde & Barbour P.C. to make reference thereto in its reports on the consolidated financial statements for such years. Except as described below, during the fiscal years ended December 31, 2018 and 2017 and through March 14, 2019, there have been no “reportable events” (as defined in Item 304(a)(1)(v) of Regulation S-K). On March 16, 2017, Yount, Hyde & Barbour P.C. issued its audit report (the “YHB Report”) regarding the Bank’s internal control over financial reporting which stated that, as of December 31, 2016, the Bank had not maintained effective internal control over financial reporting. The YHB Report identified a material weakness in the Bank’s internal control over financial reporting based on control deficiencies in the Bank’s process of estimating the allowance for loan losses. This material weakness did not affect the unqualified audit report of Yount, Hyde & Barbour P.C. dated March 16, 2017 regarding the Bank’s financial statements for the year ended December 31, 2016. As disclosed in Item 9A of the Bank’s Annual Report on Form 10-K for the year ended December 31, 2017, the Bank concluded that the material weakness was fully remediated as of December 31, 2017. The Audit and Compliance Committee discussed the YHB Report with Yount, Hyde & Barbour P.C. and the Bank has authorized Yount, Hyde & Barbour P.C. to respond fully to any inquiries of Crowe LLP regarding the material weakness that was fully remediated as of December 31, 2017.

On March 13, 2019, the Audit and Compliance Committee approved the appointment of Crowe LLP as the Bank’s new independent registered public accounting firm to perform independent audit services for the fiscal year ending December 31, 2019. During the fiscal years ended December 31, 2018 and 2017 and through March 14, 2019, neither the Bank, nor anyone acting on its behalf, consulted Crowe LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to the consolidated financial statements of the Bank, and no written report or oral advice was provided to the Bank by Crowe LLP that was an important factor considered by the Bank in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a “disagreement” (within the meaning of Item 304(a)(1)(iv) of Regulation S-K and the related instructions) or a “reportable event” (as defined in Item 304(a)(1)(v) of Regulation S-K).

Representatives of Yount, Hyde & Barbour, P.C. and Crowe LLP are expected to be present at the Annual Meeting and will be given the opportunity to make a statement if they so desire and to respond to appropriate questions.

PROPOSAL 2

RATIFICATION OF INDEPENDENT AUDITORS

The Audit and Compliance Committee of Carter Bank & Trust's Board of Directors has appointed Crowe LLP to serve as the Bank's independent registered public accounting firm for 2019 and recommends that the Bank's shareholders vote for the ratification of that appointment. The Audit and Compliance Committee considered the compatibility of proposed permitted non-audit services to be provided by and fees to be paid to Crowe LLP and determined that such services and fees are compatible with the independence of Crowe LLP. In the event the shareholders fail to ratify the appointment, the Audit and Compliance Committee will reconsider this appointment and make such determination as it would be in the Bank's and its shareholders' best interests

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR RATIFICATION OF THE SELECTION OF CROWE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019.

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

In fulfilling its oversight responsibilities for the financial statements for fiscal year 2018, the Audit and Compliance Committee:

- Monitored the preparation of the annual financial report by the Bank's management;
- Reviewed and discussed the annual audit process and the audited financial statements for the fiscal year ended December 31, 2018 with management and Yount, Hyde & Barbour, P.C.;
- Discussed with management, Yount, Hyde & Barbour, P.C. and the Bank's internal auditor the adequacy of the system of internal controls;
- Discussed with Yount, Hyde & Barbour, P.C. the matters required to be discussed by Statement on Auditing Standards No. 1301, Communications with Audit Committees, relating to the conduct of the audit; and
- Received written disclosures and a letter from Yount, Hyde & Barbour, P.C. regarding its independence as required by the Public Company Accounting Oversight Board (PCAOB) Rule 3526. The Audit and Compliance Committee discussed with Yount, Hyde & Barbour, P.C. its independence.

The Audit and Compliance Committee also considered the status of pending litigation, taxation matters and other areas of oversight relating to the financial reporting and audit process that the Audit and Compliance Committee determined appropriate.

In performing all of these functions, the Audit and Compliance Committee acts only in an oversight capacity. In its oversight role, the Audit and Compliance Committee relies on the work and assurances of the Bank's management, which has the primary responsibility for the financial statements and reports, and of the independent registered public accountant, who, in their report, express an opinion on the conformity of the Bank's annual financial statements to accounting principles generally accepted in the United States of America. Based on the reviews and discussions described above, the Audit and Compliance Committee recommended to the Board that the audited financial statements be included in the Bank's Annual Report on Form 10-K for fiscal year 2018 for filing with the FDIC.

MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE

Michael R. Bird, Chairman
Chester A. Gallimore
George W. Lester, II
Catharine L. Midkiff
E. Warren Matthews

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Yount, Hyde & Barbour, P.C. served as the independent registered public accounting firm for Carter Bank & Trust for the years ended December 31, 2018 and 2017. As discussed above, Crowe LLP has been selected by the Audit and Compliance Committee to serve as the independent registered public accounting firm for Carter Bank & Trust for 2019.

The following table presents the aggregate fees for Carter Bank & Trust and its wholly-owned subsidiaries, for professional audit services rendered by Yount, Hyde & Barbour, P.C. for the audit of the annual financial statements for the years ended December 31, 2018 and 2017 and fees billed for other services rendered by Yount, Hyde & Barbour, P.C. during those periods. Crowe LLP did not perform any accounting or audit services for Carter Bank & Trust during those periods.

	Years Ended December 31,	
	2018	2017
Audit fees ¹	\$176,748	\$176,900
Tax fees ²	5,827	4,546
Total Fees	<u>\$182,575</u>	<u>\$181,446</u>

¹Audit fees consist of audit and review services, report on internal control over financial reporting and review of documents filed with the FDIC.

²Tax fees consist of assistance with 2016 IRS audit during 2018, as well as, research and consultation on various tax matters in 2017.

The Audit and Compliance Committee, considered the compatibility of the non-audit related services performed by and fees paid to Yount, Hyde & Barbour, P.C. in 2018 and determined that such services and fees were compatible with the independence of Yount, Hyde & Barbour, P.C. as the Bank's independent auditors.

Also, the Audit and Compliance Committee of the Board of Directors of the Bank pre-approves all audits (including audit-related) and permitted non-audit services to be performed by the independent auditors. With respect to other permitted services, the Audit and Compliance Committee pre-approves specific engagements, projects and categories of services on a fiscal year basis.

OTHER BUSINESS

As of the date of this proxy statement, management of the Bank has no knowledge of any matters to be presented for consideration at the Annual Meeting other than the proposals referred to above. If any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy intend to vote such proxy, to the extent entitled, according to the recommendations of the Board of Directors.

SHAREHOLDER PROPOSALS FOR 2020 ANNUAL MEETING

If any shareholder intends to present a proposal at the 2020 Annual Meeting of Shareholders (including nominations of directors) or have a proposal considered for inclusion in the Bank's proxy materials for the 2020 Annual Meeting of Shareholders pursuant to Rule 14a-8 under the Exchange Act, the proposal must be in proper form in accordance with the federal proxy rules and the Bank's Bylaws as applicable, and must be received by the Secretary of the Bank c/o Vice President/Accounting Operations Manager, at the Bank's main office in Martinsville, Virginia no later than March 28, 2020 and no earlier than February 26, 2020; provided however, if the 2020 Annual Meeting of Shareholders is changed by more than 30 days from the first anniversary date of the 2019 Annual Meeting of Shareholders (June 26, 2019), notice must be delivered no earlier than 120 days before the 2020 Annual Meeting of Shareholders and no later than 90 days before the 2020 Annual Meeting of Shareholders or the tenth day following the day on which notice of the 2020 Annual Meeting of Shareholders is mailed.

The proxy solicited by the Board of Directors for the 2020 Annual Meeting of Shareholders will confer discretionary authority on the persons named in the accompanying proxy to vote on any shareholder proposal presented at the meeting if the Bank has not received proper notice of such proposal.

By Direction of the Board of Directors

/s/ James W. Haskins

James W. Haskins
Chairman of the Board

May 24, 2019

A copy of the Bank's Annual Report on Form 10-K (including exhibits) as filed with the FDIC for the year ended December 31, 2018, will be furnished without charge to shareholders upon written request to Chief Financial Officer, Carter Bank & Trust, 1300 Kings Mountain Road, Martinsville, Virginia 24112.