
FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) April 25, 2019

CARTER BANK & TRUST

(Exact name of registrant as specified in its charter)

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

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

Registrant's telephone number, including area code **(276)656-1776**

NOT APPLICABLE

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition

On April 25, 2019, Carter Bank & Trust announced by press release its earnings for the three months ended March 31, 2019. A copy of the press release is attached hereto as Exhibit 99.1. The information contained in this Report on Form 8-K furnished pursuant to Item 2.02 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Exchange Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

Exhibit.

99.1 Press Release announcing First Quarter 2019 Financial Results

SIGNATURES

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

Carter Bank & Trust

Date: April 25, 2019

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

Exhibit 99.1

Press Release announcing First Quarter 2019 Financial Results

Carter Bank & Trust Announces First Quarter 2019 Financial Results

Martinsville, VA, April 25, 2019 – Carter Bank & Trust (the “Bank”) (NASDAQ:CARE) today announced net income of \$7.5 million, or \$0.29 earnings per share, for the first quarter of 2019, as compared to net income of \$8.8 million, or \$0.34 earnings per share, for the first quarter of 2018. Pre-tax pre-provision earnings¹ were \$9.6 million for the quarters ended March 31, 2019 and 2018.

First Quarter 2019 Financial Highlights

- First quarter net income of \$7.5 million, or \$0.29 earnings per share, as compared to net income of \$3.4 million, or \$0.13 earnings per share, in the fourth quarter of 2018 and net income of \$8.8 million, or \$0.34 earnings per share, over the same quarter of 2018;
- Net interest income declined \$1.2 million, or 4.1%, to \$27.9 million as compared to the linked quarter primarily due to two fewer days in the first quarter and a nine basis point increase in funding costs compared to the fourth quarter of 2018, but increased \$0.5 million, or 1.7%, over the same quarter in 2018;
- Net interest margin, on a fully taxable equivalent basis, declined seven basis points to 3.09% over the linked quarter, but increased five basis points over the same quarter last year;
- Solid portfolio loan growth of \$141.8 million, or 5.2%, as compared to the linked quarter and growth of \$184.7 million, or 6.9%, as compared to March 31, 2018;
- Total deposits increased \$27.1 million to \$3.6 billion as of March 31, 2019 as compared to December 31, 2018. Noninterest-bearing deposits increased by \$35.3 million, or 6.7%, to \$559.9 million as compared to linked quarter and money market accounts increased \$31.7 million, or 39.2%, due to recent special rate promotions during the first quarter of 2019;
- Nonperforming loans declined \$1.1 million, or 2.3% as compared to December 31, 2018 and decreased \$13.0 million, or 20.7%, from March 31, 2018. Nonperforming loans as a percentage of total portfolio loans were 1.74%, 1.88% and 2.35% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Litz H. Van Dyke, Chief Executive Officer, stated, “Our performance this quarter reflects solid loan and deposit growth as a result of our various strategic initiatives designed to grow loans and core deposits. In addition, there were a couple of important strategic milestones achieved during the first quarter. First was our successful roll out of our online and mobile banking platforms. These new platforms will be the foundation to provide additional products and services as well as greater convenience to our customers. The second important milestone was the transition of our common stock to the Nasdaq Global Select Market. This will provide our shareholders greater liquidity in trading our stock and help enhance shareholder value by allowing the market capitalization of our company to more accurately reflect our franchise value. “

Operating Highlights

Net interest income increased \$0.5 million, or 1.7%, to \$27.9 million during the first quarter of 2019 as compared to the same period of 2018. The net interest margin, on a fully taxable equivalent basis, increased five basis points to 3.09% over the past twelve months. The increases in short-term interest rates continue to positively impact both net interest income and net interest margin, but are somewhat muted by lower replacement loan yields from legacy loan pay-downs during 2018. The yield on interest-earning assets increased 40 basis points, offset by a 43 basis point increase in funding costs as compared to the same period of 2018.

The provision for loan losses totaled \$1.6 million for the period ended March 31, 2019 and \$1.5 million for the same period of 2018. At March 31, 2019, nonperforming loans were \$49.6 million, a decrease of \$1.1 million, or 2.3% as compared to December 31, 2018. Net charge-offs were \$1.3 million in the first quarter of 2019 as compared to \$33 thousand of net recoveries in the same period of 2018. As a percentage of total loans, on an annualized basis, net charge-offs (recoveries) were 0.18% and (0.01)% for the quarters ending March 31, 2019 and 2018, respectively. Nonperforming loans as a percentage of total portfolio loans were 1.74%, 1.88% and 2.35% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Noninterest income at March 31, 2019, excluding net securities gains, was essentially flat as compared to the same period of 2018. The stable comparison was due to higher debit card interchange fees and higher bank owned life insurance earnings, which were offset by lower income from other real estate owned ("OREO") due to the sale of several large commercial properties over the last 12 months that generated income beginning in the first quarter of 2018 and lower insurance commissions due to the sale of the bank owned insurance agency in the first quarter of 2018. Securities gains of \$31 thousand and \$0.9 million were realized during the first quarter of 2019 and 2018, respectively, to take advantage of market opportunities and reduce the credit risk of the securities portfolio.

Total noninterest expense decreased \$0.5 million, or 2.0%, for the first quarter of 2019 to \$22.1 million as compared to \$22.6 million in the same period of 2018. The reduction was primarily driven by decreases of \$0.2 million in salaries and employee benefits, \$0.6 million in legal and professional fees, \$0.5 million in tax credit amortization and \$0.4 million in OREO expenses. The decrease in salaries and benefits were primarily attributable to an increase in salary deferrals on new loan originations due to increased new loan volumes in the first quarter of 2019. The decrease in legal and professional fees were related to regulatory and compliance reviews which were completed as of June 30, 2018. Offsetting these decreases were increases of \$0.5 million in data processing expense due to our core conversion completed in the fourth quarter of 2018 and \$0.5 million in occupancy expense as a result of higher depreciation for hardware and software and amortization of maintenance agreements related to the aforementioned core conversion.

Financial Condition

Total assets were \$4.1 billion at March 31, 2019 and \$4.0 billion at December 31, 2018. Total portfolio loans increased \$141.8 million, or 5.2%, to \$2.8 billion as of March 31, 2019 as compared to December 31, 2018. Nonperforming loans decreased \$1.1 million to \$49.6 million, or 2.3% as of March 31, 2019 as compared to \$50.7 million at December 31, 2018. OREO decreased \$3.1 million at March 31, 2019 as compared to December 31, 2018 due to the sale of properties during the first quarter of 2019. Closed retail bank offices declined \$1.4 million from December 31, 2018 and have a remaining book value of \$5.3 million at March 31, 2019.

Federal Reserve Bank excess reserves decreased \$100.2 million at March 31, 2019 as compared to December 31, 2018. The balance was higher at year-end primarily due to large legacy credit reductions received late in December of 2018. This excess cash was deployed into higher yielding and diversified securities, funded loan growth, and also funded the planned decrease in high cost deposits.

The securities portfolio increased \$15.9 million and is currently 19.5% of total assets at March 31, 2019 as compared to 19.4% of total assets at December 31, 2018. The increase is a result of deposit growth and active balance sheet management. We have further diversified the securities portfolio as to bond types, maturities and interest rate structures.

Total deposits increased \$27.1 million to \$3.6 billion as of March 31, 2019 as compared to December 31, 2018. Noninterest-bearing deposits increased by \$35.3 million, or 6.7%, to \$559.9 million as of March 31, 2019 as compared to \$524.6 million as of December 31, 2018 and money market accounts increased \$31.7 million, or 39.2%, due to recent special rate promotions during the first quarter of 2019. Offsetting these increases were decreases of \$16.2 million, or 5.9%, in interest-bearing demand deposits, \$10.3 million, or 1.7%, in savings accounts and \$13.4 million in certificates of deposits as compared to December 31, 2018. Noninterest-bearing deposits comprised 15.5% and 14.6% of total deposits at March 31, 2019 and December 31, 2018, respectively.

The allowance for loan losses was 1.39% of total portfolio loans as of March 31, 2019 as compared to 1.45% as of December 31, 2018. General reserves as a percentage of total loans were 1.20% at March 31, 2019 as compared to 1.26% as of December 31, 2018. The allowance for loan losses was 79.8% of nonperforming loans as of March 31, 2019 as compared to 77.3% of nonperforming loans as of December 31, 2018. In the view of management, the allowance for loan losses is adequate to absorb probable losses inherent in the loan portfolio.

The Bank remains well capitalized. The Bank's Tier 1 Capital ratio decreased to 13.61% as of March 31, 2019 as compared to 13.97% as of December 31, 2018. The Bank's leverage ratio was 9.85% at March 31, 2019 as compared to 9.69% as of December 31, 2018. The Bank's Total Risk-Based Capital ratio was 14.86% at March 31, 2019 as compared to 15.22% at December 31, 2018.

About Carter Bank & Trust

Headquartered in Martinsville, VA, Carter Bank & Trust is a state-chartered community bank in Virginia and trades on the Nasdaq Global Select Market under the symbol CARE. The Bank has \$4.1 billion in assets and 105 branches in Virginia and North Carolina. For more information visit www.CarterBankandTrust.com.

Important Note Regarding Non-GAAP Financial Measures

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

Important Note Regarding Forward-Looking Statements

This information contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to our financial condition, results of operations, plans, objectives, outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting Carter Bank & Trust and its future business and operations. Forward looking statements are typically identified by words or phrases such as "will likely result," "expect," "anticipate," "estimate," "forecast," "project," "intend," "believe," "assume," "strategy," "trend," "plan," "outlook," "outcome," "continue," "remain," "potential," "opportunity," "believe," "comfortable," "current," "position," "maintain," "sustain," "seek," "achieve" and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, could or may. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. The matters discussed in these forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results and trends to differ materially from those made, projected, or implied in or by the forward-looking statements depending on a variety of uncertainties or other factors including, but not limited to: credit losses; cyber-security concerns; rapid technological developments and changes; sensitivity to the interest rate environment including a prolonged period of low interest rates, a rapid increase in interest rates or a change in the shape of the yield curve; a change in spreads on interest-earning assets and interest-bearing liabilities; regulatory supervision and oversight; legislation affecting the financial services industry as a whole, and Carter Bank & Trust, in particular; the outcome of pending and future litigation and governmental proceedings; increasing price and product/service competition; the

ability to continue to introduce competitive new products and services on a timely, cost-effective basis; managing our internal growth and acquisitions; the possibility that the anticipated benefits from acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or more costly than anticipated; containing costs and expenses; reliance on significant customer relationships; general economic or business conditions; deterioration of the housing market and reduced demand for mortgages; deterioration in the overall macroeconomic conditions or the state of the banking industry that could warrant further analysis of the carrying value of goodwill and could result in an adjustment to its carrying value resulting in a non-cash charge to net income; re-emergence of turbulence in significant portions of the global financial and real estate markets that could impact our performance, both directly, by affecting our revenues and the value of our assets and liabilities, and indirectly, by affecting the economy generally and access to capital in the amounts, at the times and on the terms required to support our future businesses. Many of these factors, as well as other factors, are described in our filings with the FDIC. Forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. We caution you not to unduly rely on forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. Any forward-looking statement speaks only as to the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

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

(Dollars in Thousands, except per share data)

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|---------------------|----------------------|---------------------|
| ASSETS | | | |
| Cash and Due From Banks | \$ 42,493 | \$ 47,413 | \$ 52,030 |
| Interest-Bearing Deposits in Other Financial Institutions | 60,430 | 61,612 | 62,880 |
| Federal Reserve Bank Excess Reserves | 84,644 | 184,798 | 97,367 |
| Total Cash and Cash Equivalents | 187,567 | 293,823 | 212,277 |
| Securities, Available-for-Sale, at Fair Value | 798,669 | 782,758 | 954,127 |
| Loans Held-for-Sale | 6,285 | 2,559 | - |
| Portfolio Loans | 2,845,606 | 2,703,792 | 2,661,063 |
| Allowance for Loan Losses | (39,572) | (39,199) | (36,866) |
| Portfolio Loans, net | 2,806,034 | 2,664,593 | 2,624,197 |
| Bank Premises and Equipment, net | 86,751 | 85,841 | 79,896 |
| Other Real Estate Owned, net | 30,592 | 33,681 | 63,263 |
| Goodwill | 58,726 | 58,726 | 58,726 |
| Bank Owned Life Insurance | 51,522 | 51,161 | 50,000 |
| Other Assets | 71,836 | 66,457 | 70,307 |
| TOTAL ASSETS | \$ 4,097,982 | \$ 4,039,599 | \$ 4,112,793 |
| LIABILITIES | | | |
| Deposits: | | | |
| Noninterest-Bearing Demand | \$ 559,924 | \$ 524,614 | \$ 574,811 |
| Interest-Bearing Demand | 260,922 | 277,174 | 264,939 |
| Money Market | 112,526 | 80,835 | 107,624 |
| Savings | 600,450 | 610,757 | 690,315 |
| Certificates of Deposits | 2,084,444 | 2,097,801 | 2,031,887 |
| Total Deposits | 3,618,266 | 3,591,181 | 3,669,576 |
| Other Liabilities | 29,947 | 12,204 | 10,340 |
| TOTAL LIABILITIES | 3,648,213 | 3,603,385 | 3,679,916 |
| SHAREHOLDERS' EQUITY | | | |
| Common Stock, Par Value \$1.00 Per Share, Authorized 100,000,000 Shares: | | | |
| 26,308,087 outstanding at March 31, 2019, | | | |
| 26,270,174 outstanding at December 31, 2018 and 26,257,761 at March 31, 2018 | 26,308 | 26,270 | 26,258 |
| Additional Paid-in-Capital | 142,183 | 142,175 | 142,178 |
| Retained Earnings | 285,124 | 277,835 | 274,759 |
| Accumulated Other Comprehensive Loss | (3,846) | (10,066) | (10,318) |
| TOTAL SHAREHOLDERS' EQUITY | 449,769 | 436,214 | 432,877 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 4,097,982 | \$ 4,039,599 | \$ 4,112,793 |
| PROFITABILITY RATIOS (ANNUALIZED) | | | |
| Return on Average Assets | 0.75% | 0.29% | 0.88% |
| Return on Average Shareholders' Equity | 6.89% | 2.75% | 8.33% |
| Portfolio Loan to Deposit Ratio | 78.65% | 75.29% | 72.52% |
| Allowance to Total Portfolio Loans | 1.39% | 1.45% | 1.39% |
| CAPITALIZATION RATIOS | | | |
| Shareholders' Equity to Average Assets | 10.93% | 10.70% | 10.62% |
| Tier 1 Leverage Ratio | 9.85% | 9.69% | 9.62% |
| Risk-Based Capital - Tier 1 | 13.61% | 13.97% | 13.31% |
| Risk-Based Capital - Total | 14.86% | 15.22% | 14.56% |

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

(Dollars in Thousands, except per share data)

| | Quarter-to-Date | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Interest Income | \$ 39,133 | \$ 39,862 | \$ 35,588 |
| Interest Expense | 11,243 | 10,773 | 8,151 |
| NET INTEREST INCOME | 27,890 | 29,089 | 27,437 |
| Provision for Loan Losses | 1,627 | (118) | 1,515 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 26,263 | 29,207 | 25,922 |
| NONINTEREST INCOME | | | |
| Gains on Sales of Securities, net | 31 | 76 | 868 |
| Service Charges, Commissions and Fees | 1,232 | 1,218 | 1,252 |
| Debit Card Interchange Fees | 1,174 | 1,212 | 1,133 |
| Insurance | 274 | 238 | 535 |
| Bank Owned Life Insurance Income | 361 | 388 | - |
| Other Real Estate Owned Income | 290 | 448 | 549 |
| Other | 448 | 252 | 394 |
| TOTAL NONINTEREST INCOME | 3,810 | 3,832 | 4,731 |
| NONINTEREST EXPENSE | | | |
| Salaries and Employee Benefits | 12,035 | 12,773 | 12,260 |
| Occupancy Expense, net | 2,827 | 2,864 | 2,325 |
| FDIC Insurance Expense | 714 | 765 | 838 |
| Other Taxes | 643 | 726 | 477 |
| Telephone Expense | 505 | 570 | 669 |
| Professional and Legal Fees | 649 | 806 | 1,210 |
| Data Processing | 721 | 519 | 268 |
| Losses on Sales and Write-downs of Other Real Estate Owned, net | 188 | 5,797 | 342 |
| Losses on Sales and Write-downs of Bank Premises, net | 170 | 128 | - |
| Debit Card Expense | 710 | 751 | 652 |
| Tax Credit Amortization | 563 | 1,015 | 1,015 |
| Other Real Estate Owned Expense | 89 | 318 | 531 |
| Other | 2,296 | 2,668 | 1,972 |
| TOTAL NONINTEREST EXPENSE | 22,110 | 29,700 | 22,559 |
| INCOME BEFORE INCOME TAXES | 7,963 | 3,339 | 8,094 |
| Income Tax Provision (Benefit) | 422 | (67) | (735) |
| NET INCOME | \$ 7,541 | \$ 3,406 | \$ 8,829 |
| Shares Outstanding, at End of Period | 26,308,087 | 26,270,174 | 26,257,761 |
| Average Shares Outstanding | 26,293,108 | 26,263,563 | 26,257,761 |
| PER SHARE DATA | | | |
| Earnings Per Common Share - Basic and Diluted | \$ 0.29 | \$ 0.13 | \$ 0.34 |
| Book Value | \$ 17.10 | \$ 16.60 | \$ 16.49 |
| Tangible Book Value ² | \$ 14.86 | \$ 14.37 | \$ 14.25 |
| Market Value | \$ 19.19 | \$ 15.00 | \$ 17.05 |
| PROFITABILITY RATIOS (non-GAAP) | | | |
| Net Interest Margin (FTE) ³ | 3.09% | 3.16% | 3.04% |
| Core Efficiency Ratio ⁴ | 66.17% | 64.48% | 64.96% |

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA
NET INTEREST MARGIN (FTE) (QTD AVERAGES)
(Unaudited)

| (Dollars in Thousands) | March 31, 2019 | | | December 31, 2018 | | | March 31, 2018 | | |
|---|---------------------|------------------|---------------|---------------------|------------------|--------------|---------------------|------------------|--------------|
| | Average Balance | Income/Expense | Rate | Average Balance | Income/Expense | Rate | Average Balance | Income/Expense | Rate |
| ASSETS | | | | | | | | | |
| Interest-Bearing Deposits with Banks | \$ 170,031 | \$ 1,021 | 2.44% | \$ 151,221 | \$ 920 | 2.41% | \$ 204,746 | \$ 862 | 1.71% |
| Tax-Free Investment Securities | 110,955 | 1,018 | 3.72% | 110,148 | 1,027 | 3.70% | 169,171 | 1,843 | 4.42% |
| Taxable Investment Securities | 701,390 | 4,122 | 2.38% | 693,162 | 3,757 | 2.15% | 772,468 | 3,755 | 1.97% |
| Tax-Free Loans | 401,066 | 3,314 | 3.35% | 407,391 | 2,965 | 2.89% | 434,428 | 3,336 | 3.11% |
| Taxable Loans | 2,396,152 | 30,568 | 5.17% | 2,394,188 | 32,032 | 5.31% | 2,230,068 | 26,879 | 4.89% |
| Total Interest-Earning Assets | \$ 3,779,594 | \$ 40,043 | 4.30% | \$ 3,756,110 | \$ 40,701 | 4.30% | \$ 3,810,881 | \$ 36,675 | 3.90% |
| LIABILITIES | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Interest-Bearing Demand | \$ 271,214 | \$ 641 | 0.96% | \$ 236,604 | \$ 549 | 0.92% | \$ 264,680 | \$ 404 | 0.62% |
| Money Market | 90,601 | 243 | 1.09% | 82,003 | 170 | 0.82% | 116,845 | 132 | 0.46% |
| Savings | 606,317 | 486 | 0.33% | 619,703 | 488 | 0.31% | 710,837 | 526 | 0.30% |
| Certificates of Deposit | 2,098,658 | 9,854 | 1.90% | 2,104,294 | 9,567 | 1.80% | 2,013,030 | 7,089 | 1.43% |
| Total Interest-Bearing Deposits | \$ 3,066,790 | \$ 11,224 | 1.48% | \$ 3,042,604 | \$ 10,774 | 1.40% | \$ 3,105,392 | \$ 8,151 | 1.06% |
| Borrowings: | | | | | | | | | |
| Other Borrowings | 329 | 20 | 24.65% | - | - | - | - | - | - |
| Total Borrowings | 329 | 20 | 24.65% | - | - | - | - | - | - |
| Total Interest-Bearing Liabilities | \$ 3,067,119 | \$ 11,244 | 1.49% | \$ 3,042,604 | \$ 10,774 | 1.40% | \$ 3,105,392 | \$ 8,151 | 1.06% |
| Net Interest Income | | \$ 28,799 | | | \$ 29,927 | | | \$ 28,524 | |
| Net Interest Margin | | | 3.09% | | | 3.16% | | | 3.04% |

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA
LOANS AND LOANS HELD-FOR-SALE
(Unaudited)

| (Dollars in Thousands) | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|-------------------------------|---------------------|---------------------|---------------------|
| Commercial | | | |
| Commercial Real Estate | \$ 1,444,692 | \$ 1,381,231 | \$ 1,359,930 |
| Commercial and Industrial | 670,501 | 660,872 | 913,242 |
| Commercial Construction | 247,968 | 238,016 | 153,236 |
| Total Commercial Loans | 2,363,161 | 2,280,119 | 2,426,408 |
| Consumer | | | |
| Residential Mortgages | 392,712 | 339,307 | 147,875 |
| Other Consumer | 71,622 | 73,058 | 79,080 |
| Consumer Construction | 18,111 | 11,308 | 7,700 |
| Total Consumer Loans | 482,445 | 423,673 | 234,655 |
| Total Portfolio Loans | 2,845,606 | 2,703,792 | 2,661,063 |
| Loans Held-for-Sale | 6,285 | 2,559 | - |
| Total Loans | \$ 2,851,891 | \$ 2,706,351 | \$ 2,661,063 |

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA
ASSET QUALITY DATA
(Unaudited)

| (Dollars in Thousands) | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|---|-------------------|----------------------|-------------------|
| Nonperforming Loans | | | |
| Real Estate | \$ 4,357 | \$ 3,289 | \$ 10,242 |
| Consumer | 76 | 65 | - |
| Commercial | 1,359 | 606 | - |
| Total Nonperforming Loans | 5,792 | 3,960 | 10,242 |
| Nonperforming Troubled Debt Restructurings | | | |
| Real Estate | 43,778 | 46,771 | 52,295 |
| Consumer | - | - | - |
| Commercial | - | - | - |
| Total Nonperforming Troubled Debt Restructurings | 43,778 | 46,771 | 52,295 |
| Total Nonperforming Loans and Troubled Debt Restructurings | 49,570 | 50,731 | 62,537 |
| Other Real Estate Owned | 30,592 | 33,681 | 63,263 |
| Total Nonperforming Assets | \$ 80,162 | \$ 84,412 | \$ 125,800 |

| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
|--|-------------------|----------------------|-------------------|
| Nonperforming Loans | \$ 49,570 | \$ 50,731 | \$ 62,537 |
| Other Real Estate Owned | 30,592 | 33,681 | 63,263 |
| Nonperforming Assets | 80,162 | 84,412 | 125,800 |
| | | | |
| Troubled Debt Restructurings (Nonaccruing) | 43,778 | 46,771 | 52,295 |
| Troubled Debt Restructurings (Accruing) | 114,259 | 114,806 | 327,550 |
| Total Troubled Debt Restructurings | \$ 158,037 | \$ 161,577 | \$ 379,845 |
| | | | |
| Nonperforming Loans to Total Portfolio Loans | 1.74% | 1.88% | 2.35% |
| Nonperforming Assets to Total Portfolio Loans plus Other Real Estate Owned | 2.79% | 3.08% | 4.62% |
| Allowance for Loan Losses to Total Portfolio Loans | 1.39% | 1.45% | 1.39% |
| Allowance for Loan Losses to Nonperforming Loans | 79.83% | 77.27% | 58.95% |
| Net Loan Charge-offs (Recoveries) | \$ 1,254 | \$ 12,989 | \$ (33) |
| Net Loan Charge-offs (Recoveries) (Annualized) to Average Loans | 0.18% | 0.47% | 0.01% |

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA
ALLOWANCE FOR LOAN LOSSES
(Unaudited)

| (Dollars in Thousands) | March 31, December 31, March 31, | | |
|-------------------------------|---|------------------|------------------|
| | 2019 | 2018 | 2018 |
| Balance Beginning of Year | \$ 39,199 | \$ 35,318 | \$ 35,318 |
| Provision for Loan Losses | 1,627 | 16,870 | 1,515 |
| Charge-offs: | | | |
| Real Estate Loans | 448 | 11,924 | 231 |
| Consumer Loans | 928 | 2,710 | 218 |
| Commercial Loans | - | 20 | - |
| Total Charge-offs | 1,376 | 14,654 | 449 |
| Recoveries: | | | |
| Real Estate Loans | - | 1,415 | 379 |
| Consumer Loans | 122 | 250 | 103 |
| Commercial Loans | - | - | - |
| Total Recoveries | 122 | 1,665 | 482 |
| Total Net Charge-offs | 1,254 | 12,989 | (33) |
| Balance End of Year | \$ 39,572 | \$ 39,199 | \$ 36,866 |

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA

(Unaudited)

(Dollars in Thousands, except per share data)

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

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

²Tangible Equity

| | Quarter-to-Date | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Total Shareholders' Equity | \$ 449,769 | \$ 436,214 | \$ 432,877 |
| Less: Goodwill | 58,726 | 58,726 | 58,726 |
| Tangible Equity | 391,043 | 377,488 | 374,151 |
| Shares Outstanding at End of Period | 26,308,087 | 26,270,174 | 26,257,761 |
| Tangible Book Value Per Common Share | \$ 14.86 | \$ 14.37 | \$ 14.25 |

³Net interest income has been computed on a fully taxable equivalent basis ("FTE") using a 21% federal income tax rate for the 2019 and 2018 periods.

Net Interest Income (FTE) (non-GAAP)

| | Quarter-to-Date | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| Interest Income | \$ 39,133 | \$ 39,862 | \$ 35,588 |
| Interest Expense | (11,243) | (10,773) | (8,151) |
| Net Interest Income | 27,890 | 29,089 | 27,437 |
| Tax Equivalent Adjustment ³ | 909 | 838 | 1,087 |
| NET INTEREST INCOME (FTE) (non-GAAP) | \$ 28,799 | \$ 29,927 | \$ 28,524 |
| Net Interest Income (Annualized) | 116,796 | 118,732 | 115,681 |
| Average Earning Assets | 3,779,594 | 3,756,110 | 3,810,881 |
| NET INTEREST MARGIN (FTE) (non-GAAP) | 3.09% | 3.16% | 3.04% |

⁴Core Efficiency Ratio (non-GAAP)

| | Quarter-to-Date | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 |
| NONINTEREST EXPENSE | \$ 22,110 | \$ 29,700 | \$ 22,559 |
| Less: One Time Regulatory and Compliance | - | - | (500) |
| Less: Losses on Sales and Write-downs of Other Real Estate Owned, net | (188) | (5,797) | (342) |
| Less: Losses on Sales and Write-downs of Bank Premises, net | (170) | (128) | - |
| Less: Tax Credit Amortization | (563) | (1,015) | (1,015) |
| Less: Contingent Liability | - | (250) | - |
| Less: Conversion Expense | (2) | (393) | (263) |
| Less: Conversion Vacation Accrual | - | (686) | - |
| CORE NONINTEREST EXPENSE (non-GAAP) | \$ 21,187 | \$ 21,431 | \$ 20,439 |
| NET INTEREST INCOME | \$ 27,890 | \$ 29,089 | \$ 27,437 |
| Plus: Taxable Equivalent Adjustment ³ | 909 | 838 | 1,087 |
| NET INTEREST INCOME (FTE) (Non-GAAP) | \$ 28,799 | \$ 29,927 | \$ 28,524 |
| Less: Gains on Sales of Securities, net | (31) | (76) | (868) |
| Less: Other Real Estate Owned Income | (290) | (448) | (549) |
| Less: Other Gains | (271) | - | (374) |
| Noninterest Income | 3,810 | 3,832 | 4,731 |
| CORE NET INTEREST INCOME (FTE) (Non-GAAP) plus NONINTEREST INCOME | \$ 32,017 | \$ 33,235 | \$ 31,464 |
| CORE EFFICIENCY RATIO (Non-GAAP) | 66.17% | 64.48% | 64.96% |