
FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported) January 28, 2020

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.)
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1300 KINGS MOUNTAIN ROAD MARTINSVILLE, VIRGINIA (Address of principal executive offices)	24112 (Zip Code)
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Registrant's telephone number, including area code **(276)656-1776**

NOT APPLICABLE

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1 par value	CARE	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition

On January 28, 2020, Carter Bank & Trust announced by press release its earnings for the three and twelve months ended December 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 Fourth 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: January 28, 2020

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

Exhibit 99.1

Press Release announcing Fourth Quarter 2019 Financial Results

Carter Bank & Trust Announces Fourth Quarter 2019 Financial Results

Martinsville, VA, January 28, 2020 – Carter Bank & Trust (the “Bank”) (NASDAQ:CARE) today announced net income of \$3.6 million, or \$0.14 diluted earnings per share, for the fourth quarter of 2019, as compared to net income of \$7.6 million, or \$0.29 diluted earnings per share, in the third quarter of 2019 and net income of \$3.4 million, or \$0.13 diluted earnings per share, for the fourth quarter of 2018. Pre-tax pre-provision earnings were \$2.4 million, \$9.4 million and \$3.2 million for the quarters ended December 31, 2019, September 30, 2019 and December 31, 2018, respectively.

For the year ended December 31, 2019, net income was \$26.6 million, or \$1.01 diluted earnings per share, as compared to net income of \$11.9 million, or \$0.45 diluted earnings per share in 2018. Pre-tax pre-provision earnings were \$31.2 million for the year ended December 31, 2019 as compared to \$31.2 million for the same period of 2018.

Fourth Quarter 2019 Financial Highlights

- Net interest margin, on a fully taxable equivalent basis, increased five basis points to 3.06% over the linked quarter, but declined 10 basis points over the same quarter last year;
- Net interest income increased \$0.4 million, or 1.3%, over the linked quarter, but decreased \$0.7 million, or 2.3%, over the same quarter last year;
- Securities gains of \$0.6 million were realized in the fourth quarter of 2019 to take advantage of market opportunities and reposition and diversify holdings in the securities portfolio, as compared to securities gains of \$0.7 million in the linked quarter and \$0.1 million in the same period of 2018;
- Loans were essentially flat as compared to the linked quarter due to several large commercial real estate loan pay-offs during the fourth quarter, but loans grew \$198.1 million, or 7.3%, as compared to December 31, 2018;
- Provision for loan losses declined \$2.4 million as compared to linked quarter due to loan growth muted by large commercial real estate pay-offs during the fourth quarter of 2019, continued improvement in asset quality and tightened underwriting standards and decreased \$0.9 million as compared to the same quarter of 2018;
- Noninterest expense increased \$7.7 million, or 33.8%, compared to linked quarter primarily due to one-time charges of \$3.1 million of a write-down of legacy other real estate owned (“OREO”) and \$1.0 million of write-downs on retail branch offices marketed for sale. Other increases included \$1.0 million in FDIC insurance due to the one-time credit in the third quarter of 2019, \$2.1 million in salaries and benefits and \$0.7 million for marketing expenses associated with our deposit acquisition strategy and

- Nonperforming loans declined \$5.0 million, or 10.6% as compared to linked quarter and declined \$8.6 million, or 16.9% as compared to December 31, 2018. Nonperforming loans as a percentage of total portfolio loans were 1.46%, 1.62% and 1.88% as of December 31, 2019, September 30, 2019 and December 31, 2018, respectively.

2019 Year-to-Date Financial Highlights

- Net interest margin, on a fully taxable equivalent basis, declined five basis points to 3.05% year-over-year;
- Net interest income decreased \$1.6 million, or 1.4%, to \$112.3 million year-over-year;
- Provision for loan losses declined \$13.5 million, or 79.8%, as compared to the same year-to-date period of 2018 primarily due to a \$10.1 million charge-off of a legacy commercial real estate relationship in the third quarter of 2018 and
- Securities gains of \$2.2 million were realized in 2019 to take advantage of market opportunities and reposition and diversify holdings in the securities portfolio, as compared to securities gains of \$1.3 million in 2018.

Chief Executive Officer Litz H. Van Dyke said, “We continue to be pleased with the progress our Bank is making in repositioning key performance drivers of our financial performance. The fourth quarter of 2019 saw continued improvement in credit quality, improvement in our net interest margin, despite a challenging rate environment, and traction in the launch of our core deposit acquisition strategy. We have implemented several strategic initiatives that are beginning to positively affect current performance and better position our Bank to create value for our shareholders in the long-term. We remain focused on continuing to improve the fundamental performance of the Bank and improving our ability to attract and retain core customer relationships. We are excited about our underlying momentum heading into 2020.”

Operating Highlights

Net interest income decreased \$1.6 million, or 1.4%, to \$112.3 million during 2019 as compared to 2018. The net interest margin, on a fully taxable equivalent basis, decreased five basis points to 3.05% over the past twelve months. The yield on interest-earning assets increased 17 basis points, offset by a 32 basis point increase in funding costs as compared to 2018.

The provision for loan losses totaled \$3.4 million for the twelve months ended December 31, 2019 and \$16.9 million for the same period of 2018. At December 31, 2019, nonperforming loans were \$42.1 million, a decrease of \$8.6 million, or 16.9% as compared to December 31, 2018. Net charge-offs were \$3.8 million during 2019 as compared to \$13.0 million in 2018 primarily due to the aforementioned \$10.1 million charge-off of a legacy commercial real estate relationship in the third quarter of 2018. As a percentage of total portfolio loans, net charge-offs were 0.13% and 0.48% for the periods ended December 31, 2019 and 2018, respectively. Nonperforming loans as a percentage of total portfolio loans were 1.46% and 1.88% as of December 31, 2019 and 2018, respectively.

Noninterest income decreased \$1.1 million, or 6.7%, to \$14.7 million, excluding net securities gains, for the twelve months ended December 31, 2019 as compared to 2018. This decrease was primarily due to lower income from 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, offset by higher fees on deposits, debit card fees and higher bank owned life insurance earnings. Securities gains of \$2.2 million and \$1.3 million were realized during 2019 and 2018, respectively, to take advantage of market opportunities and reposition and diversify holdings in the securities portfolio.

Total noninterest expense decreased \$1.7 million, or 1.7%, for the twelve months of 2019 to \$98.0 million as compared to \$99.7 million in 2018. The reduction was primarily driven by decreases of \$1.7 million in FDIC insurance expense, \$0.8 million in legal and professional fees, \$1.8 million in tax credit amortization and \$5.1 million in OREO expenses and losses on sales and write-downs of OREO due to fewer properties under management during 2019, offset by increases of \$2.9 million in salaries and benefits, \$1.5 million in occupancy expense, \$0.6 million in data processing and \$2.8 million in other expenses.

The decrease in FDIC expense was primarily due to a lower rate assessment and the one-time credit for the deposit insurance funds taken in the third quarter of 2019. The decrease in legal and professional fees was related to regulatory and compliance reviews which were completed as of September 30, 2018. Offsetting these decreases were increases of \$2.9 million in salaries and benefits, \$0.6 million in data processing expense due to our core conversion completed in the fourth quarter of 2018, \$1.5 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 and \$2.8 million in other expenses primarily comprised of increased ancillary systems, subscriptions, employee training and higher marketing expenses related to our deposit acquisition strategy.

Financial Condition

Total assets were \$4.0 billion at December 31, 2019 and 2018. Total portfolio loans increased \$181.0 million, or 6.7%, to \$2.9 billion as of December 31, 2019 as compared to December 31, 2018. Nonperforming loans decreased \$8.6 million to \$42.1 million, or 16.9% as of December 31, 2019 as compared to \$50.7 million at December 31, 2018. OREO decreased \$15.4 million at December 31, 2019 as compared to December 31, 2018 due to the sale of properties during 2019. Closed retail bank offices declined \$3.8 million from December 31, 2018 and have a remaining book value of \$3.0 million at December 31, 2019.

Federal Reserve Bank excess reserves decreased \$145.5 million at December 31, 2019 as compared to December 31, 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 decreased \$40.1 million and is currently 18.5% of total assets at December 31, 2019 as compared to 19.4% of total assets at December 31, 2018. The decrease is

a result of loan growth and active balance sheet management. We have further diversified the securities portfolio as to bond types, maturities and interest rate structures.

Total deposits were \$3.5 billion as of December 31, 2019 and \$3.6 billion as of December 31, 2018. Noninterest-bearing deposits increased by \$7.1 million, or 1.3%, to \$554.9 million as of December 31, 2019 as compared to \$547.8 million as of December 31, 2018, money market accounts increased \$59.8 million, or 73.9%, due to recent special rate promotions during 2019 and interest-bearing demand deposits increased \$32.5 million, or 12.8%. Offsetting these increases were decreases of \$48.9 million, or 8.0%, in savings accounts and \$137.4 million in certificates of deposits as compared to December 31, 2018. Noninterest-bearing deposits comprised 15.8% and 15.3% of total deposits at December 31, 2019 and 2018, respectively.

The allowance for loan losses was 1.34% of total portfolio loans as of December 31, 2019 as compared to 1.45% as of December 31, 2018. General reserves as a percentage of total portfolio loans were 1.13% at December 31, 2019 as compared to 1.26% as of December 31, 2018. The allowance for loan losses was 92.0% of nonperforming loans as of December 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 above the well-capitalized levels of federal banking regulatory agencies. The Bank's Tier 1 Capital ratio decreased to 13.56% as of December 31, 2019 as compared to 13.97% as of December 31, 2018. The Bank's leverage ratio was 10.41% at December 31, 2019 as compared to 9.69% as of December 31, 2018. The Bank's Total Risk-Based Capital ratio was 14.81% at December 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 \$4.0 billion in assets and 101 branches in Virginia and North Carolina. For more information visit www.CBTCares.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
Wendy Bell, 276-656-1776
Senior Executive Vice President & Chief Financial Officer
wendy.bell@CBTCares.com*

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

(Dollars in Thousands, except per share data)

	December 31, 2019	September 30, 2019	December 31, 2018
ASSETS			
Cash and Due From Banks	\$ 41,386	\$ 46,517	\$ 47,413
Interest-Bearing Deposits in Other Financial Institutions	45,156	44,540	61,612
Federal Reserve Bank Excess Reserves	39,270	35,108	184,798
Total Cash and Cash Equivalents	125,812	126,165	293,823
Securities, Available-for-Sale, at Fair Value	742,617	734,453	782,758
Loans Held-for-Sale	19,714	20,514	2,559
Portfolio Loans	2,884,766	2,903,701	2,703,792
Allowance for Loan Losses	(38,762)	(40,331)	(39,199)
Portfolio Loans, net	2,846,004	2,863,370	2,664,593
Bank Premises and Equipment, net	85,942	86,531	85,841
Other Real Estate Owned, net	18,324	23,112	33,681
Goodwill	58,726	58,726	58,726
Federal Home Loan Bank Stock, at Cost	4,113	3,688	-
Bank Owned Life Insurance	52,597	52,240	51,161
Other Assets	52,259	51,277	66,457
TOTAL ASSETS	\$ 4,006,108	\$ 4,020,076	\$ 4,039,599
LIABILITIES			
Deposits:			
Noninterest-Bearing Demand	\$ 554,875	\$ 566,826	\$ 547,773
Interest-Bearing Demand	286,561	207,334	254,015
Money Market	140,589	157,123	80,835
Savings	561,814	569,392	610,757
Certificates of Deposits	1,960,406	2,021,306	2,097,801
Total Deposits	3,504,245	3,521,981	3,591,181
Other Liabilities	28,752	24,047	12,204
TOTAL LIABILITIES	3,532,997	3,546,028	3,603,385
SHAREHOLDERS' EQUITY			
Common Stock, Par Value \$1.00 Per Share, Authorized 100,000,000 Shares;			
26,334,229 outstanding at December 31, 2019,			
26,333,929 outstanding at September 30, 2019 and 26,270,174 at December 31, 2018	26,334	26,334	26,270
Additional Paid-in-Capital	142,492	142,380	142,175
Retained Earnings	304,158	300,552	277,835
Accumulated Other Comprehensive Income (Loss)	127	4,782	(10,066)
TOTAL SHAREHOLDERS' EQUITY	473,111	474,048	436,214
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 4,006,108	\$ 4,020,076	\$ 4,039,599

PROFITABILITY RATIOS (ANNUALIZED)

Return on Average Assets	0.65%	0.75%	0.29%
Return on Average Shareholders' Equity	5.76%	6.71%	2.75%
Portfolio Loan to Deposit Ratio	82.32%	82.45%	75.29%
Allowance to Total Portfolio Loans	1.34%	1.39%	1.45%

CAPITALIZATION RATIOS

Shareholders' Equity to Assets	11.81%	11.79%	10.80%
Tier 1 Leverage Ratio	10.41%	10.26%	9.69%
Risk-Based Capital - Tier 1	13.56%	13.46%	13.97%
Risk-Based Capital - Total	14.81%	14.71%	15.22%

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

(Dollars in Thousands, except per share data)

	Quarter-to-Date			Year-to-Date	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Interest Income	\$ 39,759	\$ 40,154	\$ 39,862	\$ 159,120	\$ 152,019
Interest Expense	11,333	12,084	10,773	46,773	38,114
NET INTEREST INCOME	28,426	28,070	29,089	112,347	113,905
Provision for Loan Losses	(982)	1,390	(118)	3,404	16,870
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	29,408	26,680	29,207	108,943	97,035
NONINTEREST INCOME					
Gains on Sales of Securities, net	606	659	76	2,205	1,271
Service Charges, Commissions and Fees	1,733	1,111	1,071	4,962	4,081
Debit Card Interchange Fees	1,326	1,340	1,212	5,160	4,750
Insurance	128	454	238	1,225	1,855
Bank Owned Life Insurance Income	357	362	388	1,436	1,161
Other Real Estate Owned Income	72	96	448	689	2,692
Other	287	134	399	1,193	1,176
TOTAL NONINTEREST INCOME	4,509	4,156	3,832	16,870	16,986
NONINTEREST EXPENSE					
Salaries and Employee Benefits	15,083	12,952	12,773	52,879	49,958
Occupancy Expense, net	3,082	3,040	2,864	11,785	10,312
FDIC Insurance Expense	549	(426)	765	1,270	2,985
Other Taxes	746	747	726	2,847	2,571
Telephone Expense	578	557	570	2,202	2,466
Professional and Legal Fees	1,560	1,318	806	4,507	5,288
Data Processing	449	504	782	2,083	1,505
Losses on Sales and Write-downs of Other Real Estate Owned, net	4,163	293	5,797	4,732	8,201
Losses on Sales and Write-downs of Bank Premises, net	165	31	128	188	186
Debit Card Expense	593	620	751	2,753	2,785
Tax Credit Amortization	576	563	1,015	2,265	4,060
Other Real Estate Owned Expense	265	166	318	474	2,139
Other	2,677	2,412	2,405	10,044	7,257
TOTAL NONINTEREST EXPENSE	30,486	22,777	29,700	98,029	99,713
INCOME BEFORE INCOME TAXES	3,431	8,059	3,339	27,784	14,308
Income Tax Provision (Benefit)	(175)	458	(67)	1,209	2,403
NET INCOME	\$ 3,606	\$ 7,601	\$ 3,406	\$ 26,575	\$ 11,905
Shares Outstanding, at End of Period	26,334,229	26,333,929	26,270,174	26,334,229	26,270,174
Average Shares Outstanding-Basic	26,334,069	26,333,929	26,263,563	26,323,899	26,259,223
Average Shares Outstanding-Diluted	26,362,129	26,352,910	26,263,597	26,339,085	26,259,234
PER SHARE DATA					
Basic Earnings Per Common Share	\$ 0.14	\$ 0.29	\$ 0.13	\$ 1.01	\$ 0.45
Diluted Earnings Per Common Share	\$ 0.14	\$ 0.29	\$ 0.13	\$ 1.01	\$ 0.45
Book Value	\$ 17.97	\$ 18.00	\$ 16.60	\$ 17.97	\$ 16.60
Tangible Book Value ²	\$ 15.74	\$ 15.77	\$ 14.37	\$ 15.74	\$ 14.37
Market Value	\$ 23.72	\$ 18.89	\$ 15.00	\$ 23.72	\$ 15.00
PROFITABILITY RATIOS (non-GAAP)					
Net Interest Margin (FTE) ³	3.06%	3.01%	3.16%	3.05%	3.10%
Core Efficiency Ratio ⁴	76.13%	71.63%	64.48%	71.62%	64.15%

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

(Dollars in Thousands)	December 31, 2019			September 30, 2019			December 31, 2018		
	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate
ASSETS									
Interest-Bearing Deposits with Banks	\$ 97,512	\$ 410	1.67%	\$ 99,827	\$ 557	2.21%	\$ 151,221	\$ 920	2.41%
Tax-Free Investment Securities	20,337	207	4.04%	33,452	332	3.94%	110,148	1,027	3.70%
Taxable Investment Securities	730,444	4,723	2.57%	751,665	4,698	2.48%	693,162	3,757	2.15%
Tax-Free Loans	355,639	2,830	3.16%	373,167	2,922	3.11%	407,391	2,965	2.89%
Taxable Loans	2,558,192	32,167	4.99%	2,526,509	32,270	5.07%	2,394,188	32,033	5.31%
Federal Home Loan Bank Stock	4,081	60	5.83%	3,688	58	6.24%	-	-	-
Total Interest-Earning Assets	\$ 3,766,205	\$ 40,397	4.26%	\$ 3,788,308	\$ 40,837	4.28%	\$ 3,756,110	\$ 40,702	4.30%
LIABILITIES									
Deposits:									
Interest-Bearing Demand	\$ 245,887	\$ 364	0.59%	\$ 222,062	\$ 404	0.72%	\$ 236,604	\$ 549	0.92%
Money Market	154,381	358	0.92%	156,509	552	1.40%	82,003	170	0.82%
Savings	563,401	148	0.10%	572,716	256	0.18%	619,703	488	0.31%
Certificates of Deposit	1,994,916	10,403	2.07%	2,048,043	10,853	2.10%	2,104,294	9,567	1.80%
Total Interest-Bearing Deposits	\$ 2,958,585	\$ 11,273	1.51%	\$ 2,999,330	\$ 12,065	1.60%	\$ 3,042,604	\$ 10,774	1.40%
Borrowings:									
FHLB Borrowings	9,239	39	1.67%	-	-	-	-	-	-
Other Borrowings	1,547	21	5.39%	1,226	19	6.15%	-	-	-
Total Borrowings	10,786	60	2.21%	1,226	19	6.15%	-	-	-
Total Interest-Bearing Liabilities	\$ 2,969,371	\$ 11,333	1.51%	\$ 3,000,556	\$ 12,084	1.60%	\$ 3,042,604	\$ 10,774	1.40%
Net Interest Income		\$ 29,064			\$ 28,753			\$ 29,928	
Net Interest Margin			3.06%			3.01%			3.16%

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

(Dollars in Thousands)	December 31, 2019			December 31, 2018		
	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate
ASSETS						
Interest-Bearing Deposits with Banks	\$ 123,946	\$ 2,751	2.22%	\$ 134,406	\$ 2,682	2.00%
Tax-Free Investment Securities	63,641	2,352	3.70%	153,036	5,375	3.51%
Taxable Investment Securities	730,500	17,826	2.44%	753,023	15,421	2.05%
Tax-Free Loans	379,090	12,154	3.21%	419,981	12,794	3.05%
Taxable Loans	2,489,105	126,940	5.10%	2,331,165	119,563	5.13%
Federal Home Loan Bank Stock	2,352	144	6.12%	-	-	-
Total Interest-Earning Assets	\$ 3,788,634	\$ 162,167	4.28%	\$ 3,791,611	\$ 155,835	4.11%
LIABILITIES						
Deposits:						
Interest-Bearing Demand	\$ 249,086	\$ 2,004	0.80%	\$ 246,592	\$ 1,959	0.79%
Money Market	134,676	1,671	1.24%	96,068	694	0.72%
Savings	582,195	1,388	0.24%	663,801	2,027	0.31%
Certificates of Deposit	2,054,077	41,593	2.02%	2,090,103	33,414	1.60%
Total Interest-Bearing Deposits	\$ 3,020,034	\$ 46,656	1.54%	\$ 3,096,564	\$ 38,094	1.23%
Borrowings:						
Federal Funds Purchased	-	-	-	681	20	2.94%
FHLB Borrowings	2,329	39	1.67%	-	-	-
Other Borrowings	1,042	79	7.58%	-	-	-
Total Borrowings	3,371	118	3.50%	681	20	2.94%
Total Interest-Bearing Liabilities	\$ 3,023,405	\$ 46,774	1.55%	\$ 3,097,245	\$ 38,114	1.23%
Net Interest Income		\$ 115,393			\$ 117,721	
Net Interest Margin			3.05%			3.10%

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

(Dollars in Thousands)	December 31, September 30, December 31,		
	2019	2019	2018
Commercial			
Commercial Real Estate	\$ 1,385,696	\$ 1,421,850	\$ 1,381,231
Commercial and Industrial	620,420	649,190	660,872
Commercial Construction	326,654	289,715	238,016
Total Commercial Loans	2,332,770	2,360,755	2,280,119
Consumer			
Residential Mortgages	461,572	446,378	339,307
Other Consumer	73,688	72,917	73,058
Consumer Construction	16,736	23,651	11,308
Total Consumer Loans	551,996	542,946	423,673
Total Portfolio Loans	2,884,766	2,903,701	2,703,792
Loans Held-for-Sale	19,714	20,514	2,559
Total Loans	\$ 2,904,480	\$ 2,924,215	\$ 2,706,351

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

(Dollars in Thousands)	December 31, September 30, December 31,		
Nonperforming Loans	2019	2019	2018
Real Estate	\$ 7,084	\$ 7,759	\$ 3,289
Consumer	267	363	65
Commercial	77	606	606
Total Nonperforming Loans	7,428	8,728	3,960
Nonperforming Troubled Debt Restructurings			
Real Estate	34,315	38,377	46,771
Consumer	-	-	-
Commercial	390	-	-
Total Nonperforming Troubled Debt Restructurings	34,705	38,377	46,771
Total Nonperforming Loans and Troubled Debt Restructurings	42,133	47,105	50,731
Other Real Estate Owned	18,324	23,112	33,681
Total Nonperforming Assets	\$ 60,457	\$ 70,217	\$ 84,412

	December 31, September 30, December 31,		
	2019	2019	2018
Nonperforming Loans	\$ 42,133	\$ 47,105	\$ 50,731
Other Real Estate Owned	18,324	23,112	33,681
Nonperforming Assets	60,457	70,217	84,412
Troubled Debt Restructurings (Nonaccruing)	34,705	38,377	46,771
Troubled Debt Restructurings (Accruing)	109,265	113,725	114,806
Total Troubled Debt Restructurings	\$ 143,970	\$ 152,102	\$ 161,577
Nonperforming Loans to Total Portfolio Loans	1.46%	1.62%	1.88%
Nonperforming Assets to Total Portfolio Loans plus Other Real Estate Owned	2.08%	2.40%	3.08%
Allowance for Loan Losses to Total Portfolio Loans	1.34%	1.39%	1.45%
Allowance for Loan Losses to Nonperforming Loans	92.00%	85.62%	77.27%
Net Loan Charge-offs (Recoveries)	\$ 3,841	\$ 3,254	\$ 12,989
Net Loan Charge-offs (Recoveries) (Annualized) to Average Loans	0.13%	0.15%	0.47%

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

(Dollars in Thousands)	Year-to-Date		
	December 31, 2019	September 30, 2019	December 31, 2018
Balance Beginning of Year	\$ 39,199	\$ 39,199	\$ 35,318
Provision for Loan Losses	3,404	4,386	16,870
Charge-offs:			
Real Estate Loans	659	659	11,924
Consumer Loans	4,401	3,039	2,710
Commercial Loans	22	3	20
Total Charge-offs	5,082	3,701	14,654
Recoveries:			
Real Estate Loans	639	-	1,415
Consumer Loans	602	447	250
Commercial Loans	-	-	-
Total Recoveries	1,241	447	1,665
Total Net Charge-offs	3,841	3,254	12,989
Balance End of Year	\$ 38,762	\$ 40,331	\$ 39,199

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.

²Tangible Equity

	Quarter-to-Date			Year-to-Date	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Total Shareholders' Equity	\$ 473,111	\$ 474,048	\$ 436,214	\$ 473,111	\$ 436,214
Less: Goodwill	58,726	58,726	58,726	58,726	58,726
Tangible Equity	414,385	415,322	377,488	414,385	377,488
Shares Outstanding at End of Period	26,334,229	26,333,929	26,270,174	26,334,229	26,270,174
Tangible Book Value Per Common Share	\$ 15.74	\$ 15.77	\$ 14.37	\$ 15.74	\$ 14.37

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			Year-to-Date	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Interest Income	\$ 39,759	\$ 40,154	\$ 39,862	\$ 159,120	\$ 152,019
Interest Expense	(11,333)	(12,084)	(10,773)	(46,773)	(38,114)
Net Interest Income	28,426	28,070	29,089	112,347	113,905
Tax Equivalent Adjustment ³	638	683	839	3,046	3,816
NET INTEREST INCOME (FTE) (Non-GAAP)	\$ 29,064	\$ 28,753	\$ 29,928	\$ 115,393	\$ 117,721
Net Interest Income (Annualized)	115,308	114,074	118,736	115,393	117,721
Average Earning Assets	3,766,205	3,788,308	3,756,110	3,788,634	3,791,611
NET INTEREST MARGIN (FTE) (Non-GAAP)	3.06%	3.01%	3.16%	3.05%	3.10%

⁴Core Efficiency Ratio (Non-GAAP)

	Quarter-to-Date			Year-to-Date	
	December 31, 2019	September 30, 2019	December 31, 2018	December 31, 2019	December 31, 2018
NONINTEREST EXPENSE	\$ 30,486	\$ 22,777	\$ 29,700	\$ 98,029	\$ 99,713
Less: One Time Regulatory and Compliance	-	-	(5,797)	-	(1,853)
Less: Losses on Sales and Write-downs of Other Real Estate Owned, net	(4,163)	(293)	(128)	(4,732)	(8,201)
Less: Losses on Sales and Write-downs of Bank Premises, net	(165)	(31)	-	(188)	(186)
Less: Tax Credit Amortization	(576)	(563)	(1,015)	(2,265)	(4,060)
Plus: Regulatory Review	-	-	-	-	323
Plus: Contingent Liability	-	-	(250)	331	(581)
Less: Conversion Expense	-	-	(393)	(2)	(841)
Plus: FDIC Assessment Credits	-	1,056	-	1,056	-
Plus: Conversion Vacation Accrual	(539)	86	(686)	107	(686)
CORE NONINTEREST EXPENSE (Non-GAAP)	\$ 25,043	\$ 23,032	\$ 21,431	\$ 92,336	\$ 83,628
NET INTEREST INCOME	\$ 28,426	\$ 28,070	\$ 29,089	\$ 112,347	\$ 113,905
Plus: Taxable Equivalent Adjustment ³	638	683	839	3,046	3,816
NET INTEREST INCOME (FTE) (Non-GAAP)	\$ 29,064	\$ 28,753	\$ 29,928	\$ 115,393	\$ 117,721
Less: Gains on Sales of Securities, net	(606)	(659)	(76)	(2,205)	(1,271)
Less: Other Real Estate Owned Income	(72)	(96)	(448)	(689)	(2,692)
Less: Other Gains	-	-	-	(447)	(374)
Noninterest Income	4,509	4,156	3,832	16,870	16,986
CORE NET INTEREST INCOME (FTE) (Non-GAAP) plus NONINTEREST INCOME	\$ 32,895	\$ 32,154	\$ 33,236	\$ 128,922	\$ 130,370
CORE EFFICIENCY RATIO (Non-GAAP)	76.13%	71.63%	64.48%	71.62%	64.15%