
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) October 24, 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.)
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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 October 24, 2019, Carter Bank & Trust announced by press release its earnings for the three and nine months ended September 30, 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 Third 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: October 24, 2019

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

Exhibit 99.1

Press Release announcing Third Quarter 2019 Financial Results

Carter Bank & Trust Announces Third Quarter 2019 Financial Results

Martinsville, VA, October 24, 2019 – Carter Bank & Trust (the “Bank”) (NASDAQ:CARE) today announced net income of \$7.6 million, or \$0.29 diluted earnings per share, for the third quarter of 2019, as compared to a net loss of \$7.5 million, or \$0.29 per share, for the third quarter of 2018. Pre-tax pre-provision earnings were \$9.4 million and \$7.4 million for the quarters ended September 30, 2019 and 2018, respectively.

For the nine months ended September 30, 2019, net income was \$23.0 million, or \$0.87 diluted earnings per share, as compared to net income of \$8.5 million, or \$0.32 diluted earnings per share in the first nine months of 2018. Pre-tax pre-provision earnings were \$28.7 million for the nine months ended September 30, 2019 as compared to \$28.0 million for the same period of 2018.

Third Quarter 2019 Financial Highlights

- Third quarter net income of \$7.6 million, or \$0.29 diluted earnings per share, as compared to net income of \$7.8 million, or \$0.30 diluted earnings per share, in the second quarter of 2019 and a net loss of \$7.5 million, or \$0.29 per share, over the same quarter of 2018;
- Net interest margin, on a fully taxable equivalent basis, declined only one basis point to 3.01% over the linked quarter and declined six basis points over the same quarter last year;
- Securities gains of \$0.7 million were realized in the third quarter of 2019 to take advantage of market opportunities, as compared to securities gains of \$0.2 million in the same period of 2018;
- Solid loan growth of \$48.9 million, or 6.8% on an annualized basis, as compared to the linked quarter and growth of \$117.2 million, or 4.2%, as compared to September 30, 2018;
- Provision for loan losses declined \$12.4 million, or 89.9%, as compared to the same quarter 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
- Nonperforming loans declined \$3.6 million, or 7.1% as compared to December 31, 2018 and decreased \$1.1 million, or 2.2%, from September 30, 2018. Nonperforming loans as a percentage of total portfolio loans were 1.62%, 1.88% and 1.72% as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

2019 Year-to-Date Financial Highlights

- Year-to-date net income of \$23.0 million, or \$0.87 diluted earnings per share, as compared to a net income of \$8.5 million, or \$0.32 diluted earnings per share, in same period of 2018;
- Net interest margin, on a fully taxable equivalent basis, declined five basis points to 3.04% year-over-year;
- Net interest income decreased \$0.9 million, or 1.1%, to \$83.9 million year-over-year;
- Provision for loan losses declined \$12.6 million, or 74.2%, as compared to the same period of 2018 primarily due to the aforementioned \$10.1 million charge-off of a legacy commercial real estate relationship in the third quarter of 2018 and
- Securities gains of \$1.6 million were realized in 2019 to take advantage of market opportunities, as compared to securities gains of \$1.2 million in the same period of 2018.

Chief Executive Officer Litz H. Van Dyke said, “Despite a more challenging interest rate environment, the results in the third quarter were solid. Key factors contributing to our performance were: solid loan growth, continued improvement in credit quality and a net interest margin that remained stable. We are excited about our underlying momentum heading into the next quarter, where our newly launched treasury management services and robust marketing efforts in core deposit acquisition will be in full swing. We also were pleased that expense growth was well controlled, even as we continue to invest in our strategic initiatives.”

Van Dyke added, “We remain focused on implementing our strategic initiatives designed to enhance our ability to attract and retain customer relationships, better serve the communities where we do business, and create value for our shareholders.”

Operating Highlights

Net interest income decreased \$0.9 million, or 1.1%, to \$83.9 million during the first nine months of 2019 as compared to the same period of 2018. The net interest margin, on a fully taxable equivalent basis, decreased five basis points to 3.04% over the past twelve months. The yield on interest-earning assets increased 24 basis points, offset by a 37 basis point increase in funding costs as compared to the same period of 2018.

The provision for loan losses totaled \$4.4 million for the nine months ended September 30, 2019 and \$17.0 million for the same period of 2018. At September 30, 2019, nonperforming loans were \$47.1 million, a decrease of \$3.6 million, or 7.1% as compared to December 31, 2018. Net charge-offs were \$3.3 million in the first nine months of 2019 as compared to \$11.9 million in the same period of 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, on an annualized basis, net charge-offs were 0.15% and 0.57% for the periods ended September 30, 2019 and 2018, respectively. Nonperforming loans as a percentage of

total portfolio loans were 1.62%, 1.88% and 1.72% as of September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

Noninterest income decreased \$1.2 million, or 10.0%, to \$10.8 million, excluding net securities gains, for the nine months ended September 30, 2019 as compared to the same period of 2018. This decrease was primarily due to 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, offset by higher fees on deposits and higher bank owned life insurance earnings. Securities gains of \$1.6 million and \$1.2 million were realized during the first nine months of 2019 and 2018, respectively, to take advantage of market opportunities and reduce the credit risk of the securities portfolio.

Total noninterest expense decreased \$2.5 million, or 3.5%, for the first nine months of 2019 to \$67.5 million as compared to \$70.0 million in the same period of 2018. The reduction was primarily driven by decreases of \$1.5 million in FDIC insurance expense, \$1.5 million in legal and professional fees, \$1.4 million in tax credit amortization and \$3.4 million in OREO expenses and losses on sales and write-downs of OREO due to fewer properties under management.

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 \$0.9 million in data processing expense due to our core conversion completed in the fourth quarter of 2018, \$1.3 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 \$2.5 million in other expenses primarily comprised of increased ancillary systems, subscriptions, employee training and education.

Financial Condition

Total assets were \$4.0 billion at September 30, 2019 and December 31, 2018. Total portfolio loans increased \$199.9 million, or 7.4%, to \$2.9 billion as of September 30, 2019 as compared to December 31, 2018. Nonperforming loans decreased \$3.6 million to \$47.1 million, or 7.1% as of September 30, 2019 as compared to \$50.7 million at December 31, 2018. OREO decreased \$10.6 million at September 30, 2019 as compared to December 31, 2018 due to the sale of properties during the first nine months of 2019. Closed retail bank offices declined \$3.4 million from December 31, 2018 and have a remaining book value of \$3.3 million at September 30, 2019.

Federal Reserve Bank excess reserves decreased \$149.7 million at September 30, 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 decreased \$48.3 million and is currently 18.3% of total assets at September 30, 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 September 30, 2019 and \$3.6 billion as of December 31, 2018. Noninterest-bearing deposits increased by \$19.0 million, or 3.5%, to \$566.8 million as of September 30, 2019 as compared to \$547.8 million as of December 31, 2018 and money market accounts increased \$76.3 million, or 94.4%, due to recent special rate promotions during the first nine months of 2019. Offsetting these increases were decreases of \$46.7 million, or 18.4%, in interest-bearing demand deposits, \$41.4 million, or 6.8%, in savings accounts and \$76.5 million in certificates of deposits as compared to December 31, 2018. Noninterest-bearing deposits comprised 16.1% and 15.3% of total deposits at September 30, 2019 and December 31, 2018, respectively.

The allowance for loan losses was 1.39% of total portfolio loans as of September 30, 2019 as compared to 1.45% as of December 31, 2018. General reserves as a percentage of total portfolio loans were 1.18% at September 30, 2019 as compared to 1.26% as of December 31, 2018. The allowance for loan losses was 85.6% of nonperforming loans as of September 30, 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 13.46% as of September 30, 2019 as compared to 13.97% as of December 31, 2018. The Bank's leverage ratio was 10.26% at September 30, 2019 as compared to 9.69% as of December 31, 2018. The Bank's Total Risk-Based Capital ratio was 14.71% at September 30, 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 104 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

Wendy Bell, 276-656-1776

Executive Vice President & Chief Financial Officer

wendy.bell@carterbankandtrust.com

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

(Dollars in Thousands, except per share data)

	September 30, 2019	December 31, 2018	September 30, 2018
ASSETS			
Cash and Due From Banks	\$ 46,517	\$ 47,413	\$ 45,994
Interest-Bearing Deposits in Other Financial Institutions	44,540	61,612	39,669
Federal Reserve Bank Excess Reserves	35,108	184,798	89,373
Total Cash and Cash Equivalents	126,165	293,823	175,036
Securities, Available-for-Sale, at Fair Value	734,453	782,758	785,128
Loans Held-for-Sale	20,514	2,559	-
Portfolio Loans	2,903,701	2,703,792	2,807,016
Allowance for Loan Losses	(40,331)	(39,199)	(40,378)
Portfolio Loans, net	2,863,370	2,664,593	2,766,638
Bank Premises and Equipment, net	86,531	85,841	83,035
Other Real Estate Owned, net	23,112	33,681	39,338
Goodwill	58,726	58,726	58,726
Federal Home Loan Bank Stock, at Cost	3,688	-	-
Bank Owned Life Insurance	52,240	51,161	50,773
Other Assets	51,277	66,457	69,514
TOTAL ASSETS	\$ 4,020,076	\$ 4,039,599	\$ 4,028,188

LIABILITIES

Deposits:			
Noninterest-Bearing Demand	\$ 566,826	\$ 547,773	\$ 556,505
Interest-Bearing Demand	207,334	254,015	211,002
Money Market	157,123	80,835	77,811
Savings	569,392	610,757	634,206
Certificates of Deposits	2,021,306	2,097,801	2,109,861
Total Deposits	3,521,981	3,591,181	3,589,385
Other Liabilities	24,047	12,204	11,139
TOTAL LIABILITIES	3,546,028	3,603,385	3,600,524

SHAREHOLDERS' EQUITY

Common Stock, Par Value \$1.00 Per Share, Authorized 100,000,000 Shares;			
26,333,929 outstanding at September 30, 2019,			
26,270,174 outstanding at December 31, 2018 and 26,257,761 at September 30, 2018	26,334	26,270	26,258
Additional Paid-in-Capital	142,380	142,175	142,178
Retained Earnings	300,552	277,835	274,429
Accumulated Other Comprehensive Income (Loss)	4,782	(10,066)	(15,201)
TOTAL SHAREHOLDERS' EQUITY	474,048	436,214	427,664
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 4,020,076	\$ 4,039,599	\$ 4,028,188

PROFITABILITY RATIOS (ANNUALIZED)

Return on Average Assets	0.75%	0.29%	0.28%
Return on Average Shareholders' Equity	6.71%	2.75%	2.62%
Portfolio Loan to Deposit Ratio	82.45%	75.29%	78.20%
Allowance to Total Portfolio Loans	1.39%	1.45%	1.44%

CAPITALIZATION RATIOS

Shareholders' Equity to Average Assets	11.59%	10.70%	10.73%
Tier 1 Leverage Ratio	10.26%	9.69%	9.56%
Risk-Based Capital - Tier 1	13.46%	13.97%	13.43%
Risk-Based Capital - Total	14.71%	15.22%	14.68%

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

(Dollars in Thousands, except per share data)

	Quarter-to-Date			Year-to-Date	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Interest Income	\$ 40,154	\$ 40,068	\$ 38,207	\$ 119,361	\$ 112,157
Interest Expense	12,084	12,113	10,079	35,440	27,341
NET INTEREST INCOME	28,070	27,955	28,128	83,921	84,816
Provision for Loan Losses	1,390	1,369	13,743	4,386	16,988
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,680	26,586	14,385	79,535	67,828
NONINTEREST INCOME					
Gains on Sales of Securities, net	659	909	195	1,599	1,195
Service Charges, Commissions and Fees	1,111	892	978	3,229	3,010
Debit Card Interchange Fees	1,340	1,320	1,171	3,834	3,538
Insurance	454	369	1,013	1,097	1,617
Bank Owned Life Insurance Income	362	356	380	1,079	773
Gains on Sales of Bank Premises, net	-	178	13	-	-
Other Real Estate Owned Income	96	231	729	617	2,244
Other	134	324	131	906	777
TOTAL NONINTEREST INCOME	4,156	4,579	4,610	12,361	13,154
NONINTEREST EXPENSE					
Salaries and Employee Benefits	12,952	12,809	12,318	37,796	37,185
Occupancy Expense, net	3,040	2,836	2,802	8,703	7,448
FDIC Insurance Expense	(426)	433	749	721	2,220
Other Taxes	747	711	725	2,101	1,845
Telephone Expense	557	562	584	1,624	1,896
Professional and Legal Fees	1,318	980	870	2,947	4,482
Data Processing	504	409	255	1,634	723
Losses on Sales and Write-downs of Other Real Estate Owned, net	293	88	2,977	569	2,404
Losses on Sales and Write-downs of Bank Premises, net	31	-	-	23	58
Debit Card Expense	620	830	720	2,160	2,034
Tax Credit Amortization	563	563	1,015	1,689	3,045
Other Real Estate Owned Expense	166	(46)	583	209	1,821
Other	2,412	2,659	1,762	7,367	4,852
TOTAL NONINTEREST EXPENSE	22,777	22,834	25,360	67,543	70,013
INCOME (LOSS) BEFORE INCOME TAXES	8,059	8,331	(6,365)	24,353	10,969
Income Tax Provision	458	504	1,164	1,384	2,470
NET INCOME (LOSS)	\$ 7,601	\$ 7,827	\$ (7,529)	\$ 22,969	\$ 8,499
Shares Outstanding, at End of Period	26,333,929	26,333,929	26,257,761	26,333,929	26,257,761
Average Shares Outstanding-Basic	26,333,929	26,333,929	26,257,761	26,320,472	26,257,761
Average Shares Outstanding-Diluted	26,352,910	26,347,635	26,257,761	26,331,268	26,257,761
PER SHARE DATA					
Basic Earnings Per Common Share	\$ 0.29	\$ 0.30	\$ (0.29)	\$ 0.87	\$ 0.32
Diluted Earnings Per Common Share	\$ 0.29	\$ 0.30	\$ (0.29)	\$ 0.87	\$ 0.32
Book Value	\$ 18.00	\$ 17.63	\$ 16.29	\$ 18.00	\$ 16.29
Tangible Book Value ²	\$ 15.77	\$ 15.40	\$ 14.05	\$ 15.77	\$ 14.05
Market Value	\$ 18.89	\$ 19.75	\$ 19.40	\$ 18.89	\$ 19.40
PROFITABILITY RATIOS (non-GAAP)					
Net Interest Margin (FTE) ³	3.01%	3.02%	3.07%	3.04%	3.09%
Core Efficiency Ratio ⁴	71.63%	71.59%	63.76%	70.08%	64.03%

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

(Dollars in Thousands)	September 30, 2019			June 30, 2019			September 30, 2018		
	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate
ASSETS									
Interest-Bearing Deposits with Banks	\$ 99,827	\$ 557	2.21%	\$ 127,377	\$ 763	2.40%	\$ 76,422	\$ 400	2.08%
Tax-Free Investment Securities	33,452	332	3.94%	91,148	795	3.50%	121,633	1,146	3.74%
Taxable Investment Securities	751,665	4,698	2.48%	737,949	4,283	2.33%	737,647	3,845	2.07%
Tax-Free Loans	373,167	2,922	3.11%	387,053	3,088	3.20%	414,652	3,219	3.08%
Taxable Loans	2,526,509	32,270	5.07%	2,473,376	31,929	5.18%	2,406,854	30,513	5.03%
Federal Home Loan Bank Stock	3,688	58	6.24%	1,581	26	6.60%	-	-	-
Total Interest-Earning Assets	\$ 3,788,308	\$ 40,837	4.28%	\$ 3,818,484	\$ 40,884	4.29%	\$ 3,757,208	\$ 39,123	4.13%
LIABILITIES									
Deposits:									
Interest-Bearing Demand	\$ 222,062	\$ 404	0.72%	\$ 257,754	\$ 595	0.93%	\$ 227,823	\$ 491	0.86%
Money Market	156,509	552	1.40%	136,271	517	1.52%	92,861	225	0.96%
Savings	572,716	256	0.18%	586,923	498	0.34%	646,387	500	0.31%
Certificates of Deposit	2,048,043	10,853	2.10%	2,075,899	10,483	2.03%	2,090,147	8,843	1.68%
Total Interest-Bearing Deposits	\$ 2,999,330	\$ 12,065	1.60%	\$ 3,056,847	\$ 12,093	1.59%	\$ 3,057,218	\$ 10,059	1.31%
Borrowings:									
Federal Funds Purchased	-	-	-	-	-	-	2,701	20	2.89%
Other Borrowings	1,226	19	6.15%	1,029	20	7.80%	-	-	-
Total Borrowings	1,226	19	6.15%	1,029	20	7.80%	2,701	20	2.89%
Total Interest-Bearing Liabilities	\$ 3,000,556	\$ 12,084	1.60%	\$ 3,057,876	\$ 12,113	1.59%	\$ 3,059,919	\$ 10,079	1.31%
Net Interest Income		\$ 28,753			\$ 28,771			\$ 29,044	
Net Interest Margin			3.01%			3.02%			3.07%

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

(Dollars in Thousands)	September 30, 2019			September 30, 2018		
	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate
ASSETS						
Interest-Bearing Deposits with Banks	\$ 132,855	\$ 2,341	2.36%	\$ 126,171	\$ 1,762	1.87%
Tax-Free Investment Securities	78,235	2,145	3.67%	167,350	4,348	3.47%
Taxable Investment Securities	730,519	13,103	2.40%	766,345	11,664	2.03%
Tax-Free Loans	386,993	9,324	3.22%	424,223	9,829	3.10%
Taxable Loans	2,465,823	94,773	5.14%	2,312,818	87,531	5.06%
Federal Home Loan Bank Stock	1,770	84	6.35%	-	-	-
Total Interest-Earning Assets	\$ 3,796,195	\$ 121,770	4.29%	\$ 3,796,907	\$ 115,134	4.05%
LIABILITIES						
Deposits:						
Interest-Bearing Demand	\$ 250,163	\$ 1,640	0.88%	\$ 250,070	\$ 1,410	0.75%
Money Market	128,035	1,312	1.37%	100,511	525	0.70%
Savings	588,529	1,240	0.28%	678,308	1,539	0.30%
Certificates of Deposit	2,074,015	31,190	2.01%	2,047,643	23,847	1.56%
Total Interest-Bearing Deposits	\$ 3,040,742	\$ 35,382	1.56%	\$ 3,076,532	\$ 27,321	1.19%
Borrowings:						
Federal Funds Purchased	-	-	-	910	20	2.89%
Other Borrowings	872	59	9.05%	-	-	-
Total Borrowings	872	59	9.05%	910	20	2.89%
Total Interest-Bearing Liabilities	\$ 3,041,614	\$ 35,441	1.56%	\$ 3,077,442	\$ 27,341	1.19%
Net Interest Income		\$ 86,329			\$ 87,793	
Net Interest Margin			3.04%			3.09%

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

(Dollars in Thousands)	September 30, December 31, September 30,		
	2019	2018	2018
Commercial			
Commercial Real Estate	\$ 1,421,850	\$ 1,381,231	\$ 1,409,090
Commercial and Industrial	649,190	660,872	816,124
Commercial Construction	289,715	238,016	188,702
Total Commercial Loans	2,360,755	2,280,119	2,413,916
Consumer			
Residential Mortgages	446,378	339,307	294,980
Other Consumer	72,917	73,058	80,790
Consumer Construction	23,651	11,308	14,529
Total Consumer Loans	542,946	423,673	390,299
Total Portfolio Loans	2,903,701	2,703,792	2,804,215
Loans Held-for-Sale	20,514	2,559	-
Total Loans	\$ 2,924,215	\$ 2,706,351	\$ 2,804,215

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

(Dollars in Thousands)	September 30, December 31, September 30,		
Nonperforming Loans	2019	2018	2018
Real Estate	\$ 7,759	\$ 3,289	\$ 43
Consumer	363	65	-
Commercial	606	606	-
Total Nonperforming Loans	8,728	3,960	43
Nonperforming Troubled Debt Restructurings			
Real Estate	38,377	46,771	48,124
Consumer	-	-	-
Commercial	-	-	-
Total Nonperforming Troubled Debt Restructurings	38,377	46,771	48,124
Total Nonperforming Loans and Troubled Debt Restructurings	47,105	50,731	48,167
Other Real Estate Owned	23,112	33,681	39,338
Total Nonperforming Assets	\$ 70,217	\$ 84,412	\$ 87,505

	September 30, December 31, September 30,		
	2019	2018	2018
Nonperforming Loans	\$ 47,105	\$ 50,731	\$ 48,167
Other Real Estate Owned	23,112	33,681	39,338
Nonperforming Assets	70,217	84,412	87,505
Troubled Debt Restructurings (Nonaccruing)	38,377	46,771	48,124
Troubled Debt Restructurings (Accruing)	113,725	114,806	291,698
Total Troubled Debt Restructurings	\$ 152,102	\$ 161,577	\$ 339,822
Nonperforming Loans to Total Portfolio Loans	1.62%	1.88%	1.72%
Nonperforming Assets to Total Portfolio Loans plus Other Real Estate Owned	2.40%	3.08%	3.07%
Allowance for Loan Losses to Total Portfolio Loans	1.39%	1.45%	1.44%
Allowance for Loan Losses to Nonperforming Loans	85.62%	77.27%	83.83%
Net Loan Charge-offs (Recoveries)	\$ 3,254	\$ 12,989	\$ 11,928
Net Loan Charge-offs (Recoveries) (Annualized) to Average Loans	0.15%	0.47%	0.58%

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

(Dollars in Thousands)	September 30, December 31, September 30,		
	2019	2018	2018
Balance Beginning of Year	\$ 39,199	\$ 35,318	\$ 35,318
Provision for Loan Losses	4,386	16,870	16,988
Charge-offs:			
Real Estate Loans	659	11,924	11,749
Consumer Loans	3,039	2,710	1,727
Commercial Loans	3	20	6
Total Charge-offs	3,701	14,654	13,482
Recoveries:			
Real Estate Loans	-	1,415	1,415
Consumer Loans	447	250	139
Commercial Loans	-	-	-
Total Recoveries	447	1,665	1,554
Total Net Charge-offs	3,254	12,989	11,928
Balance End of Year	\$ 40,331	\$ 39,199	\$ 40,378

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	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Total Shareholders' Equity	\$ 474,048	\$ 464,233	\$ 427,664	\$ 474,048	\$ 427,664
Less: Goodwill	58,726	58,726	58,726	58,726	58,726
Tangible Equity	415,322	405,507	368,938	415,322	368,938
Shares Outstanding at End of Period	26,333,929	26,333,929	26,257,761	26,333,929	26,257,761
Tangible Book Value Per Common Share	\$ 15.77	\$ 15.40	\$ 14.05	\$ 15.77	\$ 14.05

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	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Interest Income	\$ 40,154	\$ 40,068	\$ 38,207	\$ 119,361	\$ 112,157
Interest Expense	(12,084)	(12,113)	(10,079)	(35,440)	(27,341)
Net Interest Income	28,070	27,955	28,128	83,921	84,816
Tax Equivalent Adjustment ³	683	816	916	2,408	2,977
NET INTEREST INCOME (FTE) (Non-GAAP)	\$ 28,753	\$ 28,771	\$ 29,044	\$ 86,329	\$ 87,793
Net Interest Income (Annualized)	114,074	115,400	115,229	115,422	117,379
Average Earning Assets	3,788,308	3,818,484	3,757,208	\$ 3,796,195	\$ 3,796,907
NET INTEREST MARGIN (FTE) (Non-GAAP)	3.01%	3.02%	3.07%	3.04%	3.09%

⁴Core Efficiency Ratio (Non-GAAP)

	Quarter-to-Date			Year-to-Date	
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
NONINTEREST EXPENSE	\$ 22,777	\$ 22,834	\$ 25,360	\$ 67,543	\$ 70,013
Less: One Time Regulatory and Compliance	-	-	-	-	(1,853)
Less: Losses on Sales and Write-downs of Other Real Estate Owned, net	(293)	(88)	(2,977)	(569)	(2,404)
Less: Losses on Sales and Write-downs of Bank Premises, net	(31)	-	-	(23)	(58)
Less: Tax Credit Amortization	(563)	(563)	(1,015)	(1,689)	(3,045)
Plus: Regulatory Review	-	-	-	-	323
Plus: Contingent Liability	-	331	(331)	331	(331)
Less: Conversion Expense	-	-	(177)	(2)	(448)
Plus: FDIC Assessment Credits	1,056	-	-	1,056	-
Plus: Conversion Vacation Accrual	86	291	-	646	-
CORE NONINTEREST EXPENSE (Non-GAAP)	\$ 23,032	\$ 22,805	\$ 20,860	\$ 67,293	\$ 62,197
NET INTEREST INCOME	\$ 28,070	\$ 27,955	\$ 28,128	\$ 83,921	\$ 84,816
Plus: Taxable Equivalent Adjustment ³	683	816	916	2,408	2,977
NET INTEREST INCOME (FTE) (Non-GAAP)	\$ 28,753	\$ 28,771	\$ 29,044	\$ 86,329	\$ 87,793
Less: Gains on Sales of Securities, net	(659)	(909)	(195)	(1,599)	(1,195)
Less: Gains on Sales of Other Real Estate Owned, net	-	-	-	-	-
Less: Gains on Sales Bank Premises, net	-	(178)	(13)	-	-
Less: Other Real Estate Owned Income	(96)	(231)	(729)	(617)	(2,244)
Less: Other Gains	-	(176)	-	(447)	(374)
Noninterest Income	4,156	4,579	4,610	12,361	13,154
CORE NET INTEREST INCOME (FTE) (Non-GAAP) plus NONINTEREST INCOME	\$ 32,154	\$ 31,856	\$ 32,717	\$ 96,027	\$ 97,134
CORE EFFICIENCY RATIO (Non-GAAP)	71.63%	71.59%	63.76%	70.08%	64.03%