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 30, 2020

CARTER BANK & TRUST

(Exact name of registrant as specified in its charter)

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

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

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

NOT APPLICABLE
(Former name or former address, if changed since last report)

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

☐Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 April 30, 2020, Carter Bank & Trust announced by press release its earnings for the three months ended March 31, 2020. 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 2020 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 30, 2020

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

Exhibit 99.1

Press Release announcing First Quarter 2020 Financial Results

FOR IMMEDIATE RELEASE – April 30, 2020

Carter Bank & Trust Announces First Quarter 2020 Financial Results

Martinsville, VA, April 30, 2020 – Carter Bank & Trust (the "Bank") (NASDAQ:CARE) today announced net income of $4.4 million, or $0.17 diluted earnings per share, for the first quarter of 2020, as compared to net income of $3.6 million, or $0.14 diluted earnings per share, in the fourth quarter of 2019 and net income of $7.5 million, or $0.29 diluted earnings per share, for the first quarter of 2019. Pre-tax pre-provision earnings[1] were $9.5 million, $2.4 million and $9.6 million for the quarters ended March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

First Quarter 2020 Financial Highlights

- First quarter net income of $4.4 million, or $0.17 diluted earnings per share, as compared to net income of $3.6 million, or $0.14 diluted earnings per share, in the fourth quarter of 2019 and net income of $7.5 million, or $0.29 diluted earnings per share, over the same quarter of 2019;
- Net interest income declined $1.2 million, or 4.1%, to $27.3 million as compared to the linked quarter primarily due to balance sheet repricing driven by the impact of the lower interest rate environment and one less day in the first quarter, offset by an seven basis point decrease in funding costs compared to the fourth quarter of 2019, and decreased $0.6 million, or 2.3%, over the same quarter in 2019;
- Net interest margin, on a fully taxable equivalent basis, declined nine basis points to 2.97% over the linked quarter and decreased 12 basis points over the same quarter last year;
- Solid portfolio loan growth of $55.1 million, or 7.6% on an annualized basis, as compared to the linked quarter, and growth of $94.3 million, or 3.3%, as compared to March 31, 2019;
- Total deposits decreased $31.3 million to $3.5 billion as of March 31, 2020 as compared to December 31, 2019 due to the intentional runoff of $72.7 million of higher cost certificates of deposits. Noninterest-bearing and interest bearing demand deposits, money market accounts and savings, increased by $41.4 million, or 2.7%, as compared to linked quarter;
- The provision for loan losses totaled $4.8 million for the period ended March 31, 2020 and $1.6 million for the same period of 2019. Included is the impact of a reserve build of $2.6 million, or $(0.08) per share, driven by economic and market conditions as a result of COVID-19;
- The Bank has elected to take advantage of Section 4014 of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act provision to temporarily delay adoption of the Current Expected Credit Losses ("CECL") methodology. This delay expires at the earlier of December 31, 2020 or the date on which the national emergency declaration related to COVID-19 is terminated;
- Nonperforming loans declined $1.6 million, or 4.0% as compared to December 31, 2019 and decreased $9.1 million, or 18.4%, from March 31, 2019. Nonperforming loans as a percentage of total portfolio loans were 1.38%, 1.46% and 1.74% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Important Note Regarding Financial Results

The financial results reported in this release are subject to amendment due to a pending appraisal regarding collateral for one impaired loan relationship and the impact that the results of that appraisal may have on the Bank's financial results as of and for the periods ended December 31, 2019 and March 31, 2020. Due to the effects of the COVID-19 pandemic, the process of obtaining the independent appraisal and evaluating the collateral has been slowed. Please reference the Bank's Form 12b-25 filed with the Federal Deposit Insurance Corporation ("FDIC") on March 16, 2020.

Litz H. Van Dyke, Chief Executive Officer, stated, "We recognize that the emergence of COVID-19 and the dramatic steps we all must take to curtail its spread, will create financial and other challenges for our customers and communities in these unprecedented times. We are committed to providing financial flexibility to our individual and business customers to help them deal with the challenges from this crisis. For our customers, we have offered payment deferrals, participation in the small business Paycheck Protection Program (PPP), fee waivers, as well as other relief actions. For our employees, we've enabled approximately 20% of our workforce to work remotely. For those whose jobs are not conducive to them working remotely, we have taken significant steps to ensure their safety."

Van Dyke added, "I'm incredibly proud of the efforts our employees are making to support our customers and each other. Our priority is to be there to serve our customers while maintaining a safe environment for our employees."

Operating Highlights

Net interest income decreased $0.6 million, or 2.3%, to $27.3 million during the first quarter of 2020 as compared to the same period of 2019. The net interest margin, on a fully taxable equivalent basis, decreased 12 basis points to 2.97% over the past twelve months. The decreases in short-term interest rates had a negative impact on both net interest income and net interest margin, but are offset by a lower cost of funds. The yield on interest-earning assets decreased 18 basis points, offset by a five basis point decline in funding costs as compared to the same period of 2019.

The provision for loan losses totaled $4.8 million for the period ended March 31, 2020 and $1.6 million for the same period of 2019. The Bank was subject to the adoption of the CECL accounting method under Financial Accounting Standards Board ("FASB") Accounting Standards Update 2016-03 and related amendments, Financial Instruments – Credit Losses (Topic 326). However, the Bank elected under the CARES Act to defer the implementation of CECL until the earlier of when the national emergency related to the outbreak of COVID-19 ends or December 31, 2020. Included in the provision expense for the period ended March 31, 2020 is the impact of a reserve build of $2.6 million, or $(0.08) per share, driven by economic and market conditions as a result of COVID-19. This represents a 195% increase in the provision expense as compared to the same period of 2019. The Bank adjusted qualitative risk factors under its incurred loss model for economic conditions, changes in payment deferral procedures, expected changes in collateral values due to reduced cash flows and external factors such as government actions. Management believes the uncertainty regarding customers' ability to repay loans could be adversely impacted by the COVID-19 pandemic given higher unemployment rates, requests for payment deferrals, temporary business shutdowns and reduced consumer and business spending.

At March 31, 2020, nonperforming loans were $40.5 million, a decrease of $1.6 million, or 4.0% as compared to December 31, 2019. Net charge-offs were $0.6 million in the first quarter of 2020 as compared to $1.3 million in the same period of 2019. As a percentage of total portfolio loans, on an annualized basis, net charge-offs were 0.08% and 0.18% for the quarters ending March 31, 2020 and 2019, respectively. Nonperforming loans as a percentage of total portfolio loans were 1.38%, 1.46% and 1.74% as of March 31, 2020, December 31, 2019 and March 31, 2019, respectively.

Noninterest income at March 31, 2020, excluding net securities gains, increased $2.0 million, or 52.1%, as compared to the same period of 2019. The increase was primarily due to $1.0 million of higher insurance commissions, related to the adoption of ASU 2014-09, Topic 606 by our provider, $0.4 million of commercial loan interest rate swap fees, included in other income, $0.5 million of higher service charges and debit card interchange fees, which were offset by lower Other Real Estate Owned ("OREO") income of $0.2 million due to the sale of several large commercial properties over the last 12 months that generated income. Securities gains of $1.2 million and $31 thousand were realized during the first quarter of 2020 and 2019, respectively, to take advantage of market opportunities and reposition and diversify holdings in the securities portfolio.

Total noninterest expense increased $2.6 million, or 11.9%, to $24.7 million as compared to $22.1 million in the same period of 2019. The increase was primarily driven by salaries and employee benefits and occupancy expenses. The increase of $1.5 million in salaries and benefits were primarily attributable to a $0.7 million increase of normal merit increases and a $0.7 million decrease in salary deferrals on new loan originations in the first quarter of 2020. There have not been any permanent or temporary reductions in employees as a result of COVID-19. The $0.4 million increase in occupancy expense is a result of higher depreciation for software and equipment for ancillary products and services. The $0.4 million increase in advertising is related to our deposit acquisition strategy. The $0.9 million increase in the unfunded loan commitment reserve was due to several new commitments approved during the first quarter of 2020 and increased commitments on existing lines of credit. Offsetting these increases were decreases of $0.6 million in FDIC insurance expense, legal and professional fees and data processing.

Financial Condition

Total assets were $4.0 billion at March 31, 2020 and December 31, 2019. Total portfolio loans increased $55.1 million, or 7.6% on an annualized basis, to $2.9 billion as of March 31, 2020 as compared to December 31, 2019. Nonperforming loans decreased $1.6 million to $40.5 million, or 4.0% as of March 31, 2020 as compared to $42.1 million at December 31, 2019. OREO decreased $0.2 million at March 31, 2020 as compared to December 31, 2019. Closed retail bank offices carrying values declined $0.5 million from December 31, 2019 and have a remaining book value of $2.5 million at March 31, 2020.

Federal Reserve Bank excess reserves decreased $28.2 million at March 31, 2020 as compared to December 31, 2019 due to active balance sheet management. This excess cash was deployed into higher yielding and diversified securities, funded loan growth, and also funded the planned decrease in higher cost certificates of deposits.

The securities portfolio decreased $12.6 million and is currently 18.2% of total assets at March 31, 2020 as compared to 18.5% of total assets at December 31, 2019. 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 decreased $31.3 million to $3.5 billion as of March 31, 2020 as compared to December 31, 2019 due to the intentional runoff of $72.7 million of higher cost certificates of deposits. Core deposits, including noninterest-bearing and interest-bearing demand deposits, money market accounts and savings, increased by $41.4 million, or 2.7%, as compared to December 31, 2019. Noninterest-bearing deposits comprised 16.1% and 15.8% of total deposits at March 31, 2020 and December 31, 2019, respectively

The allowance for loan losses was 1.46% of total portfolio loans as of March 31, 2020 as compared to 1.34% as of December 31, 2019. General reserves as a percentage of total loans were 1.22% at March 31, 2020 as compared to 1.13% as of December 31, 2019. Included in the allowance is a reserve build of $2.6 million driven by economic and market conditions as a result of COVID-19. The allowance for loan losses was 106.1% of nonperforming loans as of March 31, 2020 as compared to 92.0% of nonperforming loans as of December 31, 2019. In the view of management, the allowance for loan losses is adequate to absorb probable losses inherent in the loan portfolio. For further information regarding the Bank's decision to defer CECL under Section 4014 of the CARES Act, as well as further detail on the increase in provision during the first quarter of 2020, please see the discussion above under Provision for Loan Losses.

The Bank is providing deferrals to customers under Section 4013 of the CARES Act and regulatory interagency statements on loan modifications. These deferrals typically provide deferrals of both principal and interest for up to 180 days. At the end of the deferral period, for term loans, payments will be applied to accrued interest first and will resume principal payments once accrued interest is current. Deferred principal will be due at maturity. For interest only loans, such as lines of credit, deferred interest will be due at maturity. As of April 28, 2020, we have had 380 commercial customers opt for deferrals with an aggregate principal balance of $1.1 billion. Approximately $454.8 million of these modifications were in the hospitality industry comprised of deferrals on 81 loans. The average deferment period for these customers has been 4.4 months.

The Bank remains well capitalized. The Bank's Tier 1 Capital ratio decreased to 13.03% as of March 31, 2020 as compared to 13.46% as of December 31, 2019. The Bank's leverage ratio was 10.47% at March 31, 2020 as compared to 10.33% as of December 31, 2019. The Bank's Total Risk-Based Capital ratio was 14.29% at March 31, 2020 as compared to 14.71% at December 31, 2019.

Total capital of $474.8 million at March 31, 2020, reflects an increase of $1.7 million as compared to December 31, 2019. The increase in equity during the first quarter of 2020 is due to net income of $4.4 million and a $0.6 million increase in other comprehensive income due to changes in fair value of investment securities. These increases were offset by $3.7 million special dividend paid in March of 2020. The remaining difference of $0.4 million is related to restricted stock activity during the quarter.

At March 31, 2020, funding sources accessible to the Bank include borrowing availability at the FHLB, equal to 25% of the Bank's assets approximating $1.0 billion, subject to the amount of eligible collateral pledged, federal funds unsecured lines with six other correspondent financial institutions in the amount of $115.0 million and access to the institutional CD market through brokered CDs and QwickRate. In addition to the above resources, the Bank also has $605.4 million of unpledged available-for-sale investment securities as an additional source of liquidity.

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 99 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 adj*usted 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, and specifically including information related to the pending appraisal of collateral for one impaired loan relationship and potential impacts on the Bank's financial results. 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; the Bank's liquidity and capital positions; the potential adverse effects of unusual and infrequently occurring events, such as weather-related disasters, terrorist acts or public health events (such as the current COVID-19 pandemic), and of governmental and societal responses thereto; these potential adverse effects may include, without limitation, adverse effects on the ability of the Bank's borrowers to satisfy their obligations to the Bank, on the value of collateral securing loans, on the demand for the Bank's loans or its other products and services, on incidents of cyberattack and fraud, on the Bank's liquidity or capital positions, on risks posed by *reliance on third-party service providers, on other aspects of the Bank's business operations and on financial markets and economic growth; 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)	March 31, 2020	December 31, 2019	March 31, 2019
ASSETS			
Cash and Due From Banks	$ 48,706	$ 41,386	$ 42,493
Interest-Bearing Deposits in Other Financial Institutions	3,667	45,156	60,430
Federal Reserve Bank Excess Reserves	11,028	39,270	84,644
Total Cash and Cash Equivalents	**63,401**	**125,812**	**187,567**
Securities, Available-for-Sale, at Fair Value	729,973	742,617	798,669
Loans Held-for-Sale	29,689	19,714	6,285
Portfolio Loans	2,939,899	2,884,766	2,845,606
Allowance for Loan Losses	(42,942)	(38,762)	(39,572)
Portfolio Loans, net	**2,896,957**	**2,846,004**	**2,806,034**
Bank Premises and Equipment, net	88,986	85,942	86,751
Other Real Estate Owned, net	18,117	18,324	30,592
Goodwill	62,192	62,192	62,192
Federal Home Loan Bank Stock, at Cost	5,093	4,113	-
Bank Owned Life Insurance	52,950	52,597	51,522
Other Assets	54,505	48,793	53,051
TOTAL ASSETS	**$ 4,001,863**	**$ 4,006,108**	**$ 4,082,663**
LIABILITIES			
Deposits:			
Noninterest-Bearing Demand	$ 557,511	$ 554,875	$ 559,924
Interest-Bearing Demand	305,214	286,561	260,922
Money Market	156,140	140,589	112,526
Savings	566,414	561,814	600,450
Certificates of Deposits	1,887,716	1,960,406	2,084,444
Total Deposits	**3,472,995**	**3,504,245**	**3,618,266**
FHLB Borrowings	35,000	10,000	-
Other Liabilities	19,047	18,752	14,628
TOTAL LIABILITIES	**3,527,042**	**3,532,997**	**3,632,894**
SHAREHOLDERS' EQUITY			
Common Stock, Par Value $1.00 Per Share, Authorized 100,000,000 Shares; 26,385,754 outstanding at March 31, 2020, 26,334,229 outstanding at December 31, 2019 and 26,308,087 at March 31, 2019	26,386	26,334	26,308
Additional Paid-in-Capital	142,792	142,492	142,183
Retained Earnings	304,892	304,158	285,124
Accumulated Other Comprehensive Income (Loss)	751	127	(3,846)
TOTAL SHAREHOLDERS' EQUITY	**474,821**	**473,111**	**449,769**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 4,001,863**	**$ 4,006,108**	**$ 4,082,663**
PROFITABILITY RATIOS (ANNUALIZED)			
Return on Average Assets	0.44%	0.65%	0.75%
Return on Average Shareholders' Equity	3.70%	5.76%	6.89%
Portfolio Loan to Deposit Ratio	84.65%	82.32%	78.65%
Allowance to Total Portfolio Loans	1.46%	1.34%	1.39%
CAPITALIZATION RATIOS			
Shareholders' Equity to Assets	11.86%	11.81%	11.02%
Tier 1 Leverage Ratio	10.47%	10.33%	9.77%
Risk-Based Capital - Tier 1	13.03%	13.46%	13.51%
Risk-Based Capital - Total	14.29%	14.71%	14.76%

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

(Dollars in Thousands, except per share data)	Quarter-to-Date		
	March 31, 2020	December 31, 2019	March 31, 2019
Interest Income	$ 37,836	$ 39,759	$ 39,139
Interest Expense	10,572	11,333	11,243
NET INTEREST INCOME	**27,264**	**28,426**	**27,896**
Provision for Loan Losses	4,798	(982)	1,627
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	**22,466**	**29,408**	**26,269**
NONINTEREST INCOME			
Gains on Sales of Securities, net	1,214	606	31
Service Charges, Commissions and Fees	1,650	1,733	1,226
Debit Card Interchange Fees	1,243	1,326	1,174
Insurance	1,309	128	274
Bank Owned Life Insurance Income	353	357	361
Other Real Estate Owned Income	139	72	290
Other	1,044	287	448
TOTAL NONINTEREST INCOME	**6,952**	**4,509**	**3,804**
NONINTEREST EXPENSE			
Salaries and Employee Benefits	13,581	15,083	12,035
Occupancy Expense, net	3,249	3,082	2,827
FDIC Insurance Expense	544	549	714
Other Taxes	746	746	643
Advertising Expense	606	738	171
Telephone Expense	574	578	505
Professional and Legal Fees	437	1,560	649
Data Processing	486	493	750
Losses on Sales and Write-downs of Other Real Estate Owned, net	189	4,163	188
Losses on Sales and Write-downs of Bank Premises, net	12	165	170
Debit Card Expense	554	593	710
Tax Credit Amortization	272	576	563
Unfunded Loan Commitment Expense	982	(255)	45
Other Real Estate Owned Expense	140	265	97
Other	2,376	2,150	2,043
TOTAL NONINTEREST EXPENSE	**24,748**	**30,486**	**22,110**
INCOME BEFORE INCOME TAXES	**4,670**	**3,431**	**7,963**
Income Tax Provision (Benefit)	247	(175)	422
NET INCOME	**$ 4,423**	**$ 3,606**	**$ 7,541**
Shares Outstanding, at End of Period	26,385,754	26,334,229	26,308,087
Average Shares Outstanding-Basic	26,362,906	26,334,069	26,293,108
Average Shares Outstanding-Diluted	26,368,622	26,362,129	26,295,226
PER SHARE DATA			
Basic Earnings Per Common Share	$ 0.17	$ 0.14	$ 0.29
Diluted Earnings Per Common Share	$ 0.17	$ 0.14	$ 0.29
Book Value	$ 18.00	$ 17.97	$ 17.10
Tangible Book Value[2]	$ 15.64	$ 15.60	$ 14.73
Market Value	$ 9.18	$ 23.72	$ 19.19
PROFITABILITY RATIOS (non-GAAP)			
Net Interest Margin (FTE)[3]	2.97%	3.06%	3.09%
Core Efficiency Ratio[4]	74.00%	76.13%	67.01%

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

(Dollars in Thousands)	March 31, 2020			December 31, 2019			March 31, 2019		
ASSETS	Average Balance	Income/ Expense	Rate	Average Balance	Income/ Expense	Rate	Average Balance	Income/ Expense	Rate
Interest-Bearing Deposits with Banks	$ 62,960	$ 210	1.32%	$ 97,512	$ 410	1.67%	$ 172,155	$ 1,021	2.41%
Tax-Free Investment Securities	21,452	204	3.80%	20,337	207	4.04%	110,955	1,018	3.72%
Taxable Investment Securities	712,104	4,503	2.52%	730,444	4,723	2.57%	701,390	4,122	2.38%
Tax-Free Loans	337,857	2,660	3.15%	355,639	2,830	3.16%	401,066	3,314	3.35%
Taxable Loans	2,584,917	30,797	4.74%	2,558,192	32,167	4.99%	2,396,152	30,574	5.17%
Federal Home Loan Bank Stock	4,418	64	5.85%	4,081	60	5.83%	-	-	-
Total Interest-Earning Assets	**$ 3,723,708**	**$ 38,438**	**4.11%**	**$ 3,766,205**	**$ 40,397**	**4.26%**	**$ 3,781,718**	**$ 40,049**	**4.29%**
LIABILITIES									
Deposits:									
Interest-Bearing Demand	$ 297,395	$ 446	0.60%	$ 245,887	$ 364	0.59%	$ 271,214	$ 641	0.96%
Money Market	154,564	271	0.71%	154,381	358	0.92%	90,601	243	1.09%
Savings	562,712	145	0.10%	563,401	148	0.10%	606,317	486	0.33%
Certificates of Deposit	1,918,841	9,633	2.02%	1,994,916	10,403	2.07%	2,098,658	9,854	1.90%
Total Interest-Bearing Deposits	**$ 2,933,512**	**$ 10,495**	**1.44%**	**$ 2,958,585**	**$ 11,273**	**1.51%**	**$ 3,066,790**	**$ 11,224**	**1.48%**
Borrowings:									
FED Funds Purchased	220	1	1.59%						
FHLB Borrowings	17,418	59	1.33%	9,239	39	1.67%	-	-	-
Other Borrowings	1,481	18	4.81%	1,547	21	5.39%	954	20	8.50%
Total Borrowings	**19,119**	**78**	**1.64%**	**10,786**	**60**	**2.21%**	**954**	**20**	**8.50%**
Total Interest-Bearing Liabilities	**$ 2,952,631**	**$ 10,573**	**1.44%**	**$ 2,969,371**	**$ 11,333**	**1.51%**	**$ 3,067,744**	**$ 11,244**	**1.49%**
Net Interest Income		**$ 27,865**			**$ 29,064**			**$ 28,805**	
Net Interest Margin			**2.97%**			**3.06%**			**3.09%**

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

(Dollars in Thousands)	March 31, 2020	December 31, 2019	March 31, 2019
Commercial			
Commercial Real Estate	$ 1,372,819	$ 1,385,696	$ 1,444,692
Commercial and Industrial	263,268	255,551	249,381
Obligations of State and Political Subdivisions	355,585	364,869	421,120
Commercial Construction	348,596	326,654	247,968
Total Commercial Loans	**2,340,268**	**2,332,770**	**2,363,161**
Consumer			
Residential Mortgages	513,013	461,572	392,712
Other Consumer	73,242	73,688	71,622
Consumer Construction	13,376	16,736	18,111
Total Consumer Loans	**599,631**	**551,996**	**482,445**
Total Portfolio Loans	**2,939,899**	**2,884,766**	**2,845,606**
Loans Held-for-Sale	29,689	19,714	6,285
Total Loans	**$ 2,969,588**	**$ 2,904,480**	**$ 2,851,891**

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

(Dollars in Thousands) **Nonperforming Loans**	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Commercial Real Estate	$ 299	$ 1,017	$ 545
Commercial and Industrial	115	77	1,359
Obligations of State and Political Subdivisions	-	-	-
Commercial Construction	3,080	3,210	2,301
Residential Mortgages	3,163	2,857	1,511
Other Consumer	236	267	76
Consumer Construction	-	-	-
Total Nonperforming Loans	**6,893**	**7,428**	**5,792**
Nonperforming Troubled Debt Restructurings			
Commercial Real Estate	29,064	30,073	36,069
Commercial and Industrial	290	390	-
Obligations of State and Political Subdivisions	-	-	-
Commercial Construction	4,210	4,242	7,437
Residential Mortgages	-	-	272
Other Consumer	-	-	-
Consumer Construction	-	-	-
Total Nonperforming Troubled Debt Restructurings	**33,564**	**34,705**	**43,778**
Total Nonperforming Loans and Troubled Debt Restructurings	**40,457**	**42,133**	**49,570**
Other Real Estate Owned	18,117	18,324	30,592
Total Nonperforming Assets	**$ 58,574**	**$ 60,457**	**$ 80,162**

	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Nonperforming Loans	$ 40,457	$ 42,133	$ 49,570
Other Real Estate Owned	18,117	18,324	30,592
Nonperforming Assets	**58,574**	**60,457**	**80,162**
Troubled Debt Restructurings (Nonaccruing)	33,564	34,705	43,778
Troubled Debt Restructurings (Accruing)	107,694	109,265	114,259
Total Troubled Debt Restructurings	**$ 141,258**	**$ 143,970**	**$ 158,037**
Nonperforming Loans to Total Portfolio Loans	1.38%	1.46%	1.74%
Nonperforming Assets to Total Portfolio Loans plus Other Real Estate Owned	1.98%	2.08%	2.79%
Allowance for Loan Losses to Total Portfolio Loans	1.46%	1.34%	1.39%
Allowance for Loan Losses to Nonperforming Loans	106.14%	92.00%	79.83%
Net Loan Charge-offs (Recoveries)	$ 618	$ 3,841	$ 1,254
Net Loan Charge-offs (Recoveries) (Annualized) to Average Loans	0.09%	0.13%	0.18%

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

	Year-to-Date		
(Dollars in Thousands)	**March 31, 2020**	**December 31, 2019**	**March 31, 2019**
Balance Beginning of Year	$ 38,762	$ 39,199	$ 39,199
Provision for Loan Losses	4,798	3,404	1,627
Charge-offs:			
Real Estate Loans	5	659	448
Consumer Loans	1,527	4,401	928
Commercial Loans	38	22	-
Total Charge-offs	**1,570**	**5,082**	**1,376**
Recoveries:			
Real Estate Loans	707	639	-
Consumer Loans	244	602	122
Commercial Loans	1	-	-
Total Recoveries	**952**	**1,241**	**122**
Total Net Charge-offs	**618**	**3,841**	**1,254**
Balance End of Year	**$ 42,942**	**$ 38,762**	**$ 39,572**

CARTER BANK & TRUST
CONSOLIDATED SELECTED FINANCIAL DATA
(Unaudited)
(Dollars in Thousands, except per share data)

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

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

[2]**Tangible Equity**

	Quarter-to-Date		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Total Shareholders' Equity	$ 474,821	$ 473,111	$ 449,769
Less: Goodwill	62,192	62,192	62,192
Tangible Equity	**412,629**	**410,919**	**387,577**
Shares Outstanding at End of Period	26,385,754	26,334,229	26,308,087
Tangible Book Value Per Common Share	**$ 15.64**	**$ 15.60**	**$ 14.73**

[3]**Net interest income has been computed on a fully taxable equivalent basis ("FTE") using a 21% federal income tax rate for the 2020 and 2019 periods.**

Net Interest Income (FTE) (Non-GAAP)

	Quarter-to-Date		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
Interest Income	$ 37,836	$ 39,759	$ 39,139
Interest Expense	(10,572)	(11,333)	(11,243)
Net Interest Income	27,264	28,426	27,896
Tax Equivalent Adjustment[3]	601	638	909
NET INTEREST INCOME (FTE) (Non-GAAP)	**$ 27,865**	**$ 29,064**	**$ 28,805**
Net Interest Income (Annualized)	110,537	115,308	116,820
Average Earning Assets	3,723,708	3,766,205	3,781,718
NET INTEREST MARGIN (FTE) (Non-GAAP)	**2.97%**	**3.06%**	**3.09%**

[4]**Core Efficiency Ratio (Non-GAAP)**

	Quarter-to-Date		
	March 31, 2020	**December 31, 2019**	**March 31, 2019**
NONINTEREST EXPENSE	**$ 24,748**	**$ 30,486**	**$ 22,110**
Less: Losses on Sales and Write-downs of Other Real Estate Owned, net	(189)	(4,163)	(188)
Less: Losses on Sales and Write-downs of Bank Premises, net	(12)	(165)	(170)
Less: Tax Credit Amortization	(272)	(576)	(563)
Less: Conversion Expense	-	-	(2)
Plus: FDIC Assessment Credits	-	-	-
Plus: Conversion Vacation Accrual	288	(539)	269
CORE NONINTEREST EXPENSE (Non-GAAP)	**$ 24,563**	**$ 25,043**	**$ 21,456**
NET INTEREST INCOME	**$ 27,264**	**$ 28,426**	**$ 27,896**
Plus: Taxable Equivalent Adjustment[3]	601	638	909
NET INTEREST INCOME (FTE) (Non-GAAP)	**$ 27,865**	**$ 29,064**	**$ 28,805**
Less: Gains on Sales of Securities, net	(1,214)	(606)	(31)
Less: Other Real Estate Owned Income	(139)	(72)	(290)
Less: Other Gains	(269)	-	(271)
Noninterest Income	6,952	4,509	3,804
CORE NET INTEREST INCOME (FTE) (Non-GAAP) plus NONINTEREST INCOME	**$ 33,195**	**$ 32,895**	**$ 32,017**
CORE EFFICIENCY RATIO (Non-GAAP)	**74.00%**	**76.13%**	**67.01%**