FEDERAL DEPOSIT INSURANCE CORPORATION
Washington, D.C. 20429

SCHEDULE 14A

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

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

CARTER BANK & TRUST

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously by preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Carter Bank & Trust

VOTE

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ADD 3
ADD 4
ADD 5
ADD 6

Your vote matters – here's how to vote!

You may vote online or by phone instead of mailing this card.

Votes submitted electronically must be received by 1:00am, Eastern Time, on July 22, 2020.

Online
Go to **www.investorvote.com/CBAT** or scan the QR code — login details are located in the shaded bar below.

Phone
Call toll free 1-800-652-VOTE (8683) within the USA, US territories and Canada

Save paper, time and money! Sign up for electronic delivery at www.investorvote.com/CBAT

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

Annual Meeting Proxy Card

1234 5678 9012 345

▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

A **Proposals — The Board of Directors recommends a vote FOR all the nominees listed, FOR Proposal 2, FOR Proposal 3, FOR Proposal 4, AND FOR Proposal 5.**

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1. To elect the 12 persons listed below to serve as Directors of the Bank until the 2021 Annual Meeting of Shareholders:

	For	Withhold		For	Withhold		For	Withhold
01 - Michael R. Bird	☐	☐	02 - Robert W. Conner	☐	☐	03 - Gregory W. Feldmann	☐	☐
04 - Chester A. Gallimore	☐	☐	05 - Charles E. Hall	☐	☐	06 - James W. Haskins	☐	☐
07 - Phyllis Q. Karavatakis	☐	☐	08 - Lanny A. Kyle, O.D.	☐	☐	09 - E. Warren Matthews	☐	☐
10 - Catharine L. Midkiff	☐	☐	11 - Joseph E. Pigg	☐	☐	12 - Litz H. Van Dyke	☐	☐

	For	Against	Abstain
2. To approve, in an advisory and non-binding vote, the compensation of the Bank's named executive officers as disclosed in the proxy statement.	☐	☐	☐
3. To ratify the appointment of the independent registered public accounting firm of Crowe LLP as the independent auditors of the Bank for the fiscal year ending December 31, 2020.	☐	☐	☐
4. To approve an amendment of the Articles of Incorporation of Carter Bank & Trust to authorize the issuance of up to 1,000,000 shares of preferred stock.	☐	☐	☐
5. To approve an adjournment of the Annual Meeting to allow time for further solicitation of proxies in the event that there are insufficient votes at the Annual Meeting to approve Proposal 4.	☐	☐	☐

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

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▼ IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

Proxy — Carter Bank & Trust

ANNUAL MEETING OF SHAREHOLDERS OF CARTER BANK & TRUST

Proxy Solicited by Board of Directors for Annual Meeting — July 22, 2020

KNOW ALL MEN BY THESE PRESENT THAT I, the undersigned Shareholder of CARTER BANK & TRUST, MARTINSVILLE, VIRGINIA (the "Bank"), do hereby nominate and appoint Michael R. Bird, Robert W. Conner, and Gregory W. Feldmann, or __________, or any of them (with full power to act alone), my true and lawful attorney(s) with full power of substitution for me, and in my name, place and stead to vote all of the Common Stock of the Bank, standing in my name on its stock transfer books on May 15, 2020, at the Annual Meeting of its Shareholders to be held at **Chatmoss Country Club, 550 Mount Olivet Road, Martinsville, Virginia 24112, July 22, 2020 at Ten O'clock A.M.,** or at any adjournment thereof with all the powers the undersigned would possess if personally present.

The undersigned hereby acknowledges receipt of the Bank's Proxy Statement dated June 22, 2020 and hereby revokes all proxies previously given. **THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND MAY BE REVOKED PRIOR TO ITS EXERCISE.** The Board of Directors recommends a vote "FOR" all director nominees in Proposal I, "FOR" Proposal 2, "FOR" Proposal 3, "FOR" Proposal 4, and "FOR" Proposal 5. The Proxy when properly executed will be voted in the manner directed herein by the undersigned shareholder. **If no direction is made, this Proxy will be voted "FOR" all director nominees in Proposal 1, "FOR" Proposal 2, "FOR" Proposal 3, "FOR" Proposal 4, "FOR" Proposal 5 and according to the recommendations of the Board of Directors on any other matters that may properly come before the meeting or any adjournment thereof.**

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)

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

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

Date (mm/dd/yyyy) — Please print date below.	Signature 1 — Please keep signature within the box.	Signature 2 — Please keep signature within the box.
/ /		

C Non-Voting Items

Change of Address — Please print new address below.

Comments — Please print your comments below.

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

NOTICE TO HOLDERS OF SHARES OF COMMON STOCK OF

Carter Bank & Trust

1300 KINGS MOUNTAIN ROAD
MARTINSVILLE, VIRGINIA 24112

NOTICE IS HEREBY GIVEN that pursuant to its Bylaws and call of its Directors, the 2020 Annual Meeting of Shareholders of CARTER BANK & TRUST, Martinsville, Virginia will be held at **Chatmoss Country Club, 550 Mount Olivet Road, Martinsville, Virginia 24112, Wednesday, July 22, 2020 at 10:00 a.m.**, for the purposes of considering and voting upon the following matters:

1. To elect the 12 persons listed in the proxy statement dated June 22, 2020 to serve as Directors of the Bank until the 2021 Annual Meeting of Shareholders.

2. To approve, in an advisory and non-binding vote, the compensation of the Bank's named executive officers as disclosed in the proxy statement.

3. To ratify the appointment of the independent registered public accounting firm of Crowe LLP as the independent auditors of the Bank for the fiscal year ending December 31, 2020.

4. To approve an amendment of the Articles of Incorporation of Carter Bank & Trust to authorize the issuance of up to 1,000,000 shares of preferred stock.

5. To approve an adjournment of the Annual Meeting to allow time for further solicitation of proxies in the event that there are insufficient votes at the Annual Meeting to approve Proposal 4 regarding the amendment of the Articles of Incorporation of the Bank.

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

Only those shareholders of record at the close of business on May 15, 2020 shall be entitled to notice of the meeting and to vote at the meeting or any adjournment thereof.

We are sensitive to public health and travel concerns related to the coronavirus (COVID-19) and accordingly may announce alternative arrangements for the 2020 Annual Meeting of Shareholders, including holding the meeting solely by means of remote communication. If we take this step, details on how to participate will be available at www.CBTCares.com under "Investor."

Important Notice Regarding the Availability of Proxy Materials for the Shareholders' Meeting to be held July 22, 2020. The 2020 Proxy Statement, Proxy Card, and Annual Report to Shareholders for the year ended December 31, 2019, are also available at www.CBTCares.com under "Investor."

By Order of the Board of Directors

/s/ James W. Haskins

James W. Haskins
Chairman of the Board

June 22, 2020

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

FIRST MAILED ON OR ABOUT JUNE 22, 2020
FOR THE 2020 ANNUAL MEETING OF SHAREHOLDERS

This proxy statement is furnished in connection with the solicitation of the proxies to be used at the 2020 Annual Meeting of Shareholders (the "Annual Meeting") of Carter Bank & Trust (or the "Bank"), Martinsville, Virginia to be held July 22, 2020. The Bank is a banking institution, incorporated under Virginia law.

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

If the enclosed proxy is properly signed and returned to the Bank, the shares represented thereby will be voted at the Annual Meeting in accordance with the specifications made on the proxy. When no choice is indicated, the proxy will be voted "FOR" all Director nominees in Proposal 1, "FOR" Proposal 2, "FOR" Proposal 3, "FOR" Proposal 4, "FOR" Proposal 5 and according to the recommendations of the Board of Directors on any other matter that may properly come before the meeting or any adjournment thereof. Any proxy given pursuant to this solicitation may be revoked at any time prior to the voting by submitting a subsequently dated proxy or by delivering a notification of revocation in writing to the Board, or by attending the meeting and requesting to vote the shares in person.

We are sensitive to public health and travel concerns related to the coronavirus (COVID-19) and accordingly may announce alternative arrangements for the 2020 Annual Meeting of Shareholders, including holding the meeting solely by means of remote communication. If we take this step, details on how to participate will be available at www.CBTCares.com under "Investor."

The number of shares of common stock outstanding and entitled to vote at the 2020 Annual Meeting of Shareholders is 26,384,801 as of the record date. Only those shareholders of record at the close of business May 15, 2020 shall be entitled to vote at the meeting.

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

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

For the advisory vote to approve the compensation of the Bank's named executive officers, the ratification of the selection of the independent registered public accounting firm Crowe LLP as the independent auditors of the Bank for the 2020 fiscal year, the proposal to amend the Articles of Incorporation of the Bank to authorize the issuance of up to 1,000,000 shares of preferred stock, and the proposal to adjourn the Annual Meeting to allow time for further solicitation of proxies in the event that there are insufficient votes at the Annual Meeting to approve Proposal 4, votes may be cast "for" or "against", or you may abstain from voting. If a quorum is present, the proposal to approve, in an advisory and non-binding vote, the compensation of the Bank's named executive officers and the proposal to ratify the selection of Crowe LLP as the Bank's independent registered public accounting firm will be approved if the votes cast for the proposal exceed the votes cast against the proposal. The proposal to amend the Articles of Incorporation of the Bank to authorize the issuance of up to 1,000,000 shares of preferred stock will be approved if the holders of more than two-thirds of the shares of common stock outstanding and entitled to vote at the Annual Meeting vote for the proposal. The proposal to adjourn the Annual Meeting to allow time for further solicitation of proxies in the event there are insufficient votes at the Annual Meeting to approve Proposal 4 will be approved if the votes cast for the proposal exceed the votes cast against the proposal, whether or not a quorum is present.

An abstention does not constitute a vote "for" or "against" any proposal. "Broker non-votes" (i.e., shares held by brokers or nominees as to which (i) instructions have not been received from the beneficial owner or the persons entitled to vote the shares, and (ii) the broker does not have discretionary voting power on a particular matter) will be treated in the same manner as abstentions. The election of directors, the advisory vote to approve the compensation of the Bank's named executive officers, the proposal to amend the Articles of Incorporation of the Bank to authorize the issuance of up to 1,000,000 shares of preferred stock, and the proposal to adjourn the Annual Meeting to allow time for further solicitation of proxies in the event there are insufficient votes at the Annual Meeting to approve Proposal 4 are not considered routine matters; therefore, brokers do not have discretionary voting power with respect to these proposals. The ratification of the selection of Crowe LLP as the Bank's independent registered public accounting firm for the 2020 fiscal year is considered a routine matter; therefore, brokers do have discretionary voting power with respect to this proposal. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting and will have no effect on the outcome of any of the proposals, except that abstentions and broker non-votes will have the same effect as a vote "against" Proposal 4 to amend the Articles of Incorporation of the Bank to authorize the issuance of up to 1,000,000 shares of preferred stock.

PROPOSAL 1

ELECTION OF DIRECTORS

The exact size of the Board of Directors shall be fixed by the Board of Directors prior to each annual meeting. As established in the Bylaws, the number of Directors shall at no time be less than 5 nor more than 30. On April 14, 2020, Director George W. Lester, II notified the Board of Directors of his decision to not stand for re-election to the Board of Directors at the Annual Meeting. Mr. Lester will continue to serve as a member of the Board of Directors through the end of his current term, which ends at the Annual Meeting. The Board has approved decreasing the size of the Board of Directors from 13 to 12 Directors, effective as of the end of the Annual Meeting. The Nominating and Compensation Committee (previously known as the Nominating, Governance and Compensation Committee) has recommended and the Board of Directors has nominated the 12 persons named below to the Board of Directors to serve until the 2021 Annual Meeting of Shareholders or until their successors have been elected and qualified. Each of the nominees is a current member of the Board of Directors. The Bank's Board of Directors believes that the nominees will be available and able to serve as Directors if elected, but if any of these nominees becomes unavailable or unable to serve, the persons named in the proxy may exercise discretionary authority to vote for a substitute proposed by the Bank's Board of Directors. In no event will a proxy be voted for more than 12 Directors.

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

The following paragraphs provide information regarding each nominee's specific experience, qualifications, attributes and skills that led to the conclusion that he or she should serve as a Director. We also believe that all of our Director nominees have a reputation for honesty and adherence to high ethical standards. It is the intent of the persons named in the proxy, unless otherwise directed therein, to vote "FOR" the election of the following nominees:

Michael R. Bird has more than 30 years of experience in the long-term care industry. He retired from Virginia Lutheran Homes Inc., which owns and operates a continuing care retirement community and nursing and rehabilitation center in Roanoke, Virginia and subsidized apartments with supportive services in New Market, Virginia, in April 2020 where he had held the position of Chief Financial Officer since May 2013. Prior to this, he served as Chief Financial Officer of Waveny LifeCare Network, a provider of long-term care, assisted living, independent living and home healthcare in New Canaan, Connecticut. He earned his Bachelor's Degree in Accounting from Central Connecticut State University in New Britain, Connecticut and MBA from Sacred Heart University in Fairfield, Connecticut. Mr. Bird chairs the Board's Audit and Compliance Committee as well as the CECL Committee and is a member of the Executive and Governance Committee. Mr. Bird was appointed to the Board of Directors of the Bank in January 2018. Mr. Bird is qualified to serve as a Director and Chair of the Audit and Compliance and CECL Committees due to his broad experience in finance and accounting.

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

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

Chester A. Gallimore is President of Wills Ridge Supply. He also served as an organizing director of Blue Ridge Bank, N. A. from 1978 until the merger into Carter Bank & Trust. Mr. Gallimore is a qualified candidate to serve on the Board, as well as the Audit and Compliance Committee, due to his strong business background, knowledge and service as a Director of the Bank and its predecessors for over 41 years.

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

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

Phyllis Q. Karavatakis is Senior Executive Vice President for Special Projects of Carter Bank & Trust. Prior to serving in this role, she served as President and Chief Banking Officer. Prior to that role, she served as Executive Vice President and Chief Lending Officer and various other roles in her over 41 years employed with the Bank. Ms. Karavatakis was appointed to the Board of Directors of the Bank in February 2017 and was appointed Vice Chairman in April 2017. Ms. Karavatakis is qualified to serve as a Director and member of the Credit Risk Committee due to her business experience along with in-depth knowledge of the banking industry.

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

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

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

Joseph E. Pigg is President of Stoneville Lumber Company Inc. and has been for more than five years. He also served as an organizing director of Patrick Henry National Bank from 1976 until the merger into Carter Bank & Trust and Shenandoah National Bank from 1996 until the merger into Carter Bank & Trust. His financial experience and prior service of over 43 years as a bank board member qualifies him to be a Director and member of the Investment/Interest Rate Risk Committee.

Litz H. Van Dyke is Chief Executive Officer of Carter Bank & Trust and previously served as Executive Vice President. Prior to joining Carter Bank & Trust in 2016, Mr. Van Dyke was a Practice Manager for CCG Catalyst Consulting Group based in Phoenix, Arizona, assisting banks with strategic advisory services. He served as Chief Operating Officer for StellarOne Corporation from 2008 to 2012. Mr. Van Dyke was appointed to the Board of Directors of the Bank in April 2017. Mr. Van Dyke is a qualified candidate as a Director and member of the Investment/Interest Rate Risk, Credit Risk and Executive and Governance Committees due to his prior experience in senior executive roles with a number of Virginia-based banking institutions with responsibilities including credit administration, regulatory risk management, information technology, operations, marketing, and facilities as well as extensive work with commercial, retail, and mortgage lines of business.

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

Independence and Committee Memberships

The following individuals are Directors of Carter Bank & Trust. Ages are given as of May 15, 2020:

Name Current Position	Age	Director Since	Independence	Committee Memberships					
				Audit & Compliance	Investment/Interest Rate Risk	Credit Risk	Nominating & Compensation	Executive & Governance	CECL
Michael R. Bird Retired CFO of Virginia Lutheran Homes, Inc.	65	2018	YES	Chair				✓	Chair
Robert W. Conner Retired Clerk of Circuit Court of Halifax County, Virginia	80	1985*	YES			Chair	✓		
Gregory W. Feldmann President of Skyline Capital Strategies, LLC	63	2017	YES		Chair		Chair	✓	
Chester A. Gallimore President of Wills Ridge Supply	83	1978*	YES	✓					
Charles E. Hall Farmer	78	1978*	YES			✓			
James W. Haskins Chairman of the Board of Directors; Attorney and Principal of Young, Haskins, Mann, Gregory and Wall, P.C.	79	1982*	NO					Chair	
Phyllis Q. Karavatakis Vice Chairman of the Board of Directors; Senior Executive Vice President for Special Projects of Carter Bank & Trust	64	2017	NO			✓			
Lanny A. Kyle, O.D. Retired Optometrist	66	2003*	YES				✓		
George W. Lester, II Chairman of Lester Group, Inc.	81	1976*	YES						
E. Warren Matthews Attorney at Harris, Matthews & Crowder, P.C.	79	1998*	YES	✓			✓		✓
Catharine L. Midkiff Retired Executive from General Electric Capital Corporation	60	2018	YES	✓	✓	✓		✓	✓
Joseph E. Pigg President of Stoneville Lumber Company, Inc.	84	1976*	YES		✓				
Litz H. Van Dyke CEO of Carter Bank & Trust	56	2017	NO		✓	✓		✓	

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

Executive Officers of the Registrant

The following individuals are executive officers of Carter Bank & Trust. Ages are given as of May 15, 2020:

Name	Age	Position	Business Experience During Past Five Years
A. Loran Adams	59	Executive Vice President and Director of Regulatory Risk Management since 2018	Prior to 2018, Senior Vice President and Director of Regulatory Risk Management since 2017; prior to joining Carter Bank & Trust, Director of Internal Audit, Georgia Bank & Trust from 2009 to 2016.

Name	Age	Position	Business Experience During Past Five Years
Wendy S. Bell	56	Senior Executive Vice President and Chief Financial Officer since 2020	Executive Vice President and Chief Financial Officer from 2017 to 2019; prior to joining Carter Bank & Trust, Senior Vice President and Senior Finance Officer, First Commonwealth Financial Corporation from 2010 to 2017.
Jane Ann Davis	57	Executive Vice President and Chief Administrative Officer since 2017	Prior to 2017, Executive Vice President and Chief Financial Officer and Chief Operating Officer.
Tony E. Kallsen	52	Executive Vice President and Chief Credit Officer since 2018	Prior to joining Carter Bank & Trust, Senior Vice President and Senior Credit Officer, First Commonwealth Financial Corporation from 2010 to 2017.
Phyllis Q. Karavatakis	64	Senior Executive Vice President for Special Projects since 2020	Prior to 2020, President and Chief Banking Officer since 2017, President and Chief Administrative Officer since 2016, Executive Vice President and Chief Lending Officer since 2014.
Bradford N. Langs	54	President and Chief Strategy Officer since 2020	Prior to 2020, Executive Vice President and Chief Strategy Officer from 2017 to 2019; prior to joining Carter Bank & Trust, Chief Risk Officer, Chief Credit Officer and Treasurer, Coastal States Bank from 2009 to 2017.
Matthew M. Speare	53	Executive Vice President and Chief Information Officer since 2017	Prior to joining Carter Bank & Trust, Executive Vice President and Chief Information Officer, Regions Bank from 2013 to 2017.
Litz H. Van Dyke	56	Chief Executive Officer since 2017	Prior to 2017, Executive Vice President since July 2016; prior to joining Carter Bank & Trust, Practice Manager, CCG Catalyst Group from 2012 to 2016 and Chief Operating Officer, StellarOne Corporation from 2008 to 2012.

PRINCIPAL BENEFICIAL OWNERS OF CARTER BANK & TRUST COMMON STOCK

To the best of the Bank's knowledge, there were no beneficial owners of more than 5% of the outstanding shares of the Bank's common stock as of May 15, 2020.

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

The following table sets forth, as of May 15, 2020, the beneficial ownership of the Bank's common stock of each Director, the executive officers identified in the Summary Compensation Table (referred to as our "named executive officers") and the Bank's current Directors and executive officers as a group. For purposes of the table below, beneficial ownership has been determined in accordance with the provisions of Rule 13d-3 of the Securities Exchange Act of 1934 (the "Exchange Act") under which, in general, a person is deemed to be the beneficial owner of a security if he/she has or shares the power to vote or direct the voting of the security or the power to dispose of or direct the disposition of the security, or if he/she has the right to acquire beneficial ownership of the security within sixty days.

Name	Amount and Nature of Beneficial Ownership (1)	Ownership as a Percentage of Common Stock Outstanding (2)
Bell, Wendy S.	14,332	*
Bird, Michael R.	3,526	*
Conner, Robert W.	69,891	*
Feldmann, Gregory W.	4,226	*
Gallimore, Chester A.	117,751	*
Hall, Charles E.	33,867	*
Haskins, James W. (3)	56,423	*
Karavatakis, Phyllis Q.	17,427	*
Kyle, Lanny A., O.D.	66,413	*
Langs, Bradford N.	4,117	*
Lester, George W., II (4)	1,084,608	4.11%
Matthews, E. Warren	6,683	*
Midkiff, Catharine L.	8,826	*
Pigg, Joseph E. (5)	221,214	*
Speare, Matthew M.	17,870	*
Van Dyke, Litz H.	8,425	*
All Directors and Executive Officers as a Group (19 Persons)(6)	1,743,936	6.61%

(1) May include shares held by or jointly with spouse or other family members, held in a trust or through a corporation or other entity.
(2) Percentages are based on 26,384,801 shares of common stock issued and outstanding.
(3) Shares reported include 20,000 shares of common stock pledged as security.
(4) Shares reported include 573,607 shares of common stock pledged as security.
(5) Shares reported include 110,601 shares of common stock pledged as security.
(6) Includes shares held by A. Loran Adams, Jane Ann Davis and Tony E. Kallsen

*Less than 1% of the outstanding common stock.

DELINQUENT SECTION 16(a) REPORTS

Section 16(a) of the Exchange Act requires that Directors and executive officers, and persons who beneficially own more than 10% of the Bank's equity securities, file reports of ownership and reports of changes in ownership of the Bank's outstanding equity securities. Based on a review of these reports filed by the Bank's officers and Directors, the Bank believes that its officers and Directors complied with all filing requirements under Section 16(a) of the Exchange Act during 2019, except that Mr. Adams, Ms. Bell, Ms. Davis, Mr. Kallsen, Ms. Karavatakis, Mr. Langs, Mr. Speare and Mr. Van Dyke each reported one transaction on a Form 4 late in relation to restricted stock awards. In addition, with respect to the Directors, Mr. Lester reported three transactions late on two Form 4s and Mr. Pigg reported one transaction late on a Form 4.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our shareholders to vote to approve, on an advisory (non-binding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the Securities and Exchange Commission's (the "SEC") rules relating to compensation disclosure. The advisory vote on executive compensation is not a vote on the Bank's general compensation policies. The Dodd-Frank Act requires the Bank to hold the advisory vote on executive compensation at least once every three years.

With assistance from its independent compensation consultant, Pearl Meyer & Partners, LLC ("Pearl Meyer"), the Nominating and Compensation Committee regularly reviews the compensation programs for our named executive officers to ensure they achieve the desired goal of striking a balance between recognition of recent achievements and aligning the interests of management on a longer-term basis with that of the Bank's shareholders. The Bank's compensation program is designed to offer competitive compensation to employees based on each individual's contribution to the Bank's success. As such, the program provides a competitive compensation package to attract and retain capable employees. Pearl Meyer assists the Nominating and Compensation Committee in this effort by annually recommending a peer group of financial institutions with reasonably similar market capitalization and business strategy to the Bank and conducting an external market study for the Nominating and Compensation Committee using the peer group to assess the competitiveness of current pay opportunities for our named executive officers. Please read the "Compensation Discussion & Analysis" beginning on page 13 for additional details about our executive compensation programs, including information about the fiscal year 2019 compensation of our named executive officers.

We are asking our shareholders to indicate their approval of our named executive officer compensation as described in this proxy statement. The proposal, commonly known as "say-on-pay" proposal, is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

This vote is advisory and not binding on Carter Bank & Trust, the Board of Directors or the Nominating and Compensation Committee. However, the Board of Directors and the Nominating and Compensation Committee will consider the outcome of this advisory vote when considering future executive compensation decisions. We anticipate that the next vote on a say-on-pay proposal will occur at the 2023 Annual Meeting of Shareholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS, AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

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

The compensation and benefits program consists of salary, annual incentive opportunity, equity compensation, a qualified profit sharing plan, life, health and disability insurance and limited perquisites. The Bank has a single health insurance plan for all officers and full-time employees who meet the eligibility requirements. There is also a group life insurance plan and short-term disability plan for officers and full-time employees. In 2017, the Bank entered into employee agreements with its named executive officers, which are further described under "Employment Agreements," and in connection therewith granted phantom stock incentive awards to the named executive officers. Three of these agreements were amended in 2019 as described below.

The Nominating and Compensation Committee (formerly, the Nominating, Governance and Compensation Committee) (for purposes of this section, the "Committee") has the responsibility for administering the Bank's overall compensation program and for setting the salaries and incentive opportunities for the Bank's senior officers. In setting the compensation of the Bank's senior officers, the Committee generally relies on the recommendations of the Chairman and Chief Executive Officer and the Board members' own significant personal knowledge of the compensation provided to other, similarly situated, executives in banking and other industries in the local area, as well as recommendations from the Committee's independent compensation consultant, Pearl Meyer. Pearl Meyer annually recommends a peer group of financial institutions with reasonably similar market capitalization and business strategy to the Bank and conducts an external market study for the Nominating and Compensation Committee using the peer group to assess the competitiveness of current pay opportunities for our named executive officers. For 2019 compensation determinations, the peer companies consisted of twenty-seven regional U.S. commercial banks ranging in asset size from approximately $1.8 to $6.8 billion. As of December 31, 2018, the Bank had $4.0 billion in total assets versus the peer group median of $4.0 billion, and $394 million in market capitalization versus the peer group mean of $621 million. The following financial institutions were included in the 2019 peer group:

American National Bankshares	Danville, VA
Summit Financial Group	Moorefield, WV
First Community Bancshares	Bluefield, VA
SmartFinancial	Knoxville, TN
Southern National Bancorp of Virginia	McLean, VA
Old Line Bancshares	Bowie, MD
Capital City Bank Group	Tallahassee, FL
First Bancshares	Hattiesburg, MS
CNB Financial	Clearfield, PA
Stock Yards Bancorp	Louisville, KY
HomeTrust Bancshares, Inc.	Asheville, NC
Bar Harbor Bankshares	Bar Harbor, ME
Carolina Financial Corporation	Charleston, SC
Peoples Bancorp	Marietta, OH
Community Trust Bancorp	Pikeville, KY
Franklin Financial Network	Franklin, TN
Bryn Mawr Bank	Bryn Mawr, PA
Great Southern Bancorp	Springfield, MO
City Holding	Charleston, WV
QCR Holdings	Moline, IL
Univest Financial	Souderton, PA
Washington Trust Bancorp	Westerly, RI
FB Financial Corporation	Nashville, TN
Republic Bancorp	Louisville, KY
First Bancorp (NC)	Troy, NC
Southside Bancshares	Tyler, TX
Seacoast Banking Corp of Florida	Stuart, FL

In 2019, the Nominating and Compensation Committee engaged Pearl Meyer to assist in an evaluation of the competitiveness of the executive compensation program and to provide information on executive compensation at these peer banks, including market trends and developments in executive compensation. The Committee reviews each executive's performance and contribution to the overall Bank goals, as well as recommendations of Pearl Meyer, in determining the level of salary and other compensation for the coming year. The Committee considers the peer data to ensure that the Bank's compensation programs are competitive and close to the median of market practices of the peer companies, although for certain positions the Bank's executive compensation remains below the median of the peer group.

When setting compensation for fiscal 2019 and in determining compensation policies, the Committee also took into account the results of the shareholder advisory vote on executive compensation that took place in June 2017. In that vote, which is advisory and non-binding, shareholders approved the compensation of our named executive officers as disclosed in the proxy statement for the 2017 Annual Meeting of Shareholders. A substantial majority (96%) of votes cast approved the executive compensation program described in the Bank's proxy statement for the 2017 Annual Meeting of Shareholders. The vote results were taken into consideration when setting the compensation for 2019 and the new say-on-pay vote results will be taken into consideration by the Board when setting the compensation for 2020. The next advisory vote to approve executive compensation will occur at this Annual Meeting, as described above in Proposal 2, "Advisory Vote on Executive Compensation."

The Committee established the compensation paid to the Bank's non-employee directors in 2019; beginning in December 2019, however, the Committee reviews and recommends to the Board of Directors for approval the compensation of the Bank's non-employee directors.

Analysis of Risk Associated with Compensation Policies and Practices

The Committee oversees an annual review of our compensation programs to determine whether such programs encourage excessive risk-taking by our employees. The most recent review was conducted in December 2019. Management and the Committee participated in the review, which included identification of the relevant compensation policies and practices, review of potential related risks, and analysis of risk-mitigating factors, including the Bank's system of internal controls and oversight. The Committee determined that the potential risks arising from our compensation programs are not reasonably likely to have a material adverse effect on the Bank. In making this determination, the Committee took into account the structure of our compensation programs, the amount of cash compensation available to employees in the form of base salary, the involvement of the Committee in setting compensation for executive officers and in particular for those individuals who can commit the Bank's capital or who manage the Company's risk, and the oversight of the Board of Directors in monitoring certain risk tolerances and internal controls.

Employment Agreements

The Bank has entered into employment agreements with Mr. Van Dyke, Ms. Bell, Ms. Karavatakis, Mr. Speare and Mr. Langs. The terms of the agreements are substantially similar to each other as described below.

Van Dyke Employment Agreement

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

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

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

In the event the Bank terminates Mr. Van Dyke's employment without cause or Mr. Van Dyke terminates his employment for Good Reason within two years after a Change of Control (as defined in the Van Dyke Agreement), Mr. Van Dyke will receive the Accrued Obligations, plus a lump sum severance payment equal to 2.99 times his annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Mr. Van Dyke's highest annual bonus earned from the Bank for the three years prior to termination. The Van Dyke Agreement provides for these Change of Control severance benefits on a "best net" approach, under which Mr. Van Dyke's Change of Control benefits will be reduced to avoid the golden parachute excise tax under Section 280G of the Internal Revenue Code unless without such a reduction he would receive more after-tax compensation than with a reduction. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in the Van Dyke Agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

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

Bell Employment Agreement

On June 19, 2017, the Bank and Ms. Bell entered into an employment agreement, which was amended on December 17, 2019, pursuant to which Ms. Bell serves as Senior Executive Vice President, Chief Financial Officer of the Bank (as amended, the "Bell Agreement"). The terms of the Bell Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Bell Agreement was two years, beginning on July 27, 2017. The employment term automatically renewed on July 24, 2019 and will automatically renew on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Bell Agreement, Ms. Bell's initial annual base salary is $330,000, subject to increase by the Bank's Board of Directors in its discretion. She also received a signing bonus in the amount of $80,000, which was payable $50,000 in 2017 and $30,000 in 2018 and was subject to repayment to the Bank if Ms. Bell were terminated for Cause (as defined in the Bell Agreement) or resigned without Good Reason (as defined in the Bell Agreement) within 12 months of receipt. Ms. Bell also received a phantom stock award with an initial value of $99,000 to be settled in cash, which vests on the third anniversary of the grant date, subject to continued employment by Ms. Bell. Ms. Bell was entitled to up to $20,000 in relocation expenses and up to $1,500 per month for up to six months in temporary housing expenses. She was also entitled to a real estate commission reimbursement of up to $35,000 in connection with the sale of her existing current residence and reimbursement of legal expenses of up to $3,500 in connection with the review and negotiation of the Bell Agreement. She also receives $500 per month as an automobile allowance.

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

Karavatakis Employment Agreement

On December 16, 2019, the Bank and Ms. Karavatakis entered into an amended and restated employment agreement, which replaced her September 29, 2017 employment agreement (the "Amended and Restated Karavatakis Agreement"). Pursuant to the Amended and Restated Karavatakis Agreement, Ms. Karavatakis is employed by the Bank as Senior Executive Vice President for Special Projects. The terms of the Amended and Restated Karavatakis Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Amended and Restated Karavatakis Agreement is one year, beginning on January 1, 2020. The employment term automatically renews on January 1, 2021 and on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

Pursuant to the Amended and Restated Karavatakis Agreement, Ms. Karavatakis' annual base salary is $250,000, subject to increase by the Bank's Board of Directors in its discretion. Pursuant to the Amended and Restated Karavatakis Agreement, Ms. Karavatakis is not required to work a full-time schedule. She will regularly work at least 30 hours per week and will receive time off with pay for vacation and sickness as mutually agreed by the Bank and Ms. Karavatakis. She also receives $500 per month as an automobile allowance.

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

Speare Employment Agreement

On June 15, 2017, the Bank and Mr. Speare entered into an employment agreement pursuant to which Mr. Speare serves as Executive Vice President and Chief Information Officer of the Bank (the "Speare Agreement"). The terms of the Speare

Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Speare Agreement was one year, beginning on July 3, 2017. The employment term automatically renewed on July 3, 2019 and will automatically renew on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

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

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

Langs Employment Agreement

On May 31, 2017, the Bank and Mr. Langs entered into an employment agreement, which was amended on December 17, 2019, pursuant to which Mr. Langs serves as President, Chief Strategy Officer of the Bank (as amended, the "Langs Agreement"). The terms of the Langs Agreement are substantially the same as the Van Dyke Agreement, except as follows. The initial term of the Langs Agreement was one year, beginning on June 19, 2017. The employment term automatically renewed on June 19, 2019 and will automatically renew on each subsequent anniversary for an additional one-year term unless either party provides at least 60 days' advance notice of non-renewal.

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

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

Base Salaries

Base salaries provide appropriate fixed cash compensation necessary to attract and retain executive talent. Base salaries are intended to be competitive. The Nominating and Compensation Committee reviews the base salaries of our named executive officers on an annual basis as well as at the time of any promotion or other material change in responsibilities. In addition to engaging independent compensation consultant, Pearl Meyer on base salaries, our Nominating and Compensation Committee also considers the following when setting base salaries: (a) the individual executive's overall performance and contribution to the Bank's performance, (b) overall Bank performance and (c) the individual's base salary relative to other executive officers. While the named executive officers did not receive a base salary increase in 2019, the Committee approved base salary increases for everyone except Ms. Karavatakis in January 2020, effective February 3, 2020.

Executive	2019 Base Salary ($)	2018 Base Salary ($)(1)	% Increase
Litz H. Van Dyke	570,000	570,000	0%
Wendy S. Bell	350,000	350,000	0%
Phyllis Q. Karavatakis	335,000	335,000	0%
Matthew M. Speare	345,000	345,000	0%
Bradford N. Langs	335,000	335,000	0%

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

Annual Incentive Plan

On November 15, 2018, with assistance from its independent compensation consultant, the Governance & Compensation Committee (which became the "Nominating and Compensation Committee" in August 2019) adopted an annual incentive plan for the purpose of awarding annual bonuses to certain employees of the Bank based upon the achievement of annual performance objectives established each year under the plan. The annual incentive plan covers the Bank's executive officers and certain executive vice presidents (each, a "Participant"), which includes all of the Bank's named executive officers. The goal of the annual incentive plan is to motivate Participants to maximize shareholder value by achieving performance while limiting risk appropriately and maintaining the safety and soundness of the Bank.

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

At the beginning of each year, the Nominating and Compensation Committee develops a bonus template for each Participant. The primary elements of each template are:

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

Under the annual incentive plan, a Participant can earn a bonus of up to a specific percentage of the Participant's base salary. For 2019, these percentages are as follows:

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

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

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

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

For 2019, the Nominating and Compensation Committee selected the same performance measure goals and weightings for each of the named executive officers. The following table shows the performance measure goals for the annual incentive plan for 2019, as well as the weightings of these goals and the achievement with respect to each goal:

Performance Measure	Weighting	Maximum Performance Goal	Performance Achieved
Core Earnings per Share (1)	20%	$1.32	16%
Core ROAA (1)	20%	0.83%	14%
Core ROATCE (1)	15%	8.79%	6%
Core Efficiency (1)	15%	68.0%	7%
Loan Growth	20%	$3.10 Billion	13%
Regulatory Rating	10%	*confidential*	7%
Weighted Average Bonus Amount Earned			**63%**

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

The Nominating and Compensation Committee reviewed the Bank's performance with respect to these goals for 2019, and bonus amounts were determined under the plan based on the achievement of the performance goals, multiplied by the named executive officer's base salary and percentage of base salary opportunity. As noted above, the bonus amounts were paid in early 2020, 2/3 in cash and 1/3 in shares of restricted common stock of the Bank, with time-based vesting in three annual installments, granted under the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan, which is discussed further below. The bonus amounts earned by the named executive officers for 2019 performance under this plan are reported as "Non-Equity Incentive Plan Compensation" for 2019 in the Summary Compensation Table.

Equity Compensation

On June 27, 2018, the Bank's shareholders approved the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan (the "Equity Plan"). The Equity Plan authorizes the issuance of up to 2,000,000 shares of common stock for awards to key employees and non-employee directors as determined by the Nominating and Compensation Committee, which has been appointed by the Board of Directors to administer the Equity Plan. The Equity Plan authorizes the grant of stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, performance units and performance cash awards. With respect to executive compensation, the purpose of the Equity Plan is to provide incentive to certain key employees to associate their personal interests with the long-term financial success of the Bank and with growth in shareholder value, consistent with the Bank's risk management practices. In November 2018, the Bank granted restricted stock awards to several employees, including Mr. Speare, in connection with their contributions to the successful conversion of the Bank's core systems. In February 2019, the Bank granted restricted stock awards to several employees, including all of the named executive officers, in connection with the annual incentive plan bonus payouts for 2018 performance. The restricted stock vests in equal installments on each of the first, second and third anniversaries of the grant date, subject to accelerated vesting in certain circumstances.

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

LIMITATIONS ON HEDGING AND SPECULATIVE TRANSACTIONS

The Board has approved the Carter Bank & Trust Insider Trading Policy that applies to all directors, officers and employees of the Bank and, among other goals, helps ensure that the Bank's personnel bear the full risks and benefits of stock ownership. Under this policy, Bank personnel may not sell Carter Bank & Trust stock "short," trade in Carter Bank & Trust stock in or through a margin account, or other engage in hedging transactions or speculative or short-term trading of Carter Bank & Trust stock.

NOMINATING AND COMPENSATION COMMITTEE REPORT

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

MEMBERS OF THE NOMINATING AND COMPENSATION COMMITTEE

Robert W. Conner
Gregory W. Feldmann, Chair
E. Warren Matthews
Lanny A. Kyle, O.D.

CEO PAY RATIO

The Bank determined that the 2019 annual total compensation of the median compensated employee of all its employees, other than the CEO, as of December 31, 2019 was $30,659; the CEO's 2019 annual total compensation was $798,989; and the ratio of these amounts was 26:1.

The Bank identified a new median employee for 2019 due to changes in the Bank's compensation program since 2018. To do this, we utilized the following methodology. As of December 31, 2019, the Bank's total population consisted of 994 employees, all of whom work in the United States. This population consisted of all of its full-time and part-time employees. To identify the median compensated employee, we used a Consistently Applied Compensation Measure defined as gross wages as reported on each employee's 2019 Internal Revenue Service ("IRS") Form W-2. We further annualized pay for those individuals not employed for a full year in 2019, but who were employed as of December 31, 2019.

Once we identified our median compensated employee, we calculated the median compensated employee's and our CEO's 2019 annual total compensation in accordance with the requirements of the Summary Compensation Table.

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

SUMMARY COMPENSATION TABLE

Fiscal 2017 - 2019

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

Name and Principal Position with Carter Bank & Trust	Year	Salary ($)	Bonus (1) ($)	Stock Awards (2) ($)	Option Awards ($)	Non-equity Incentive Plan Compensation (3) ($)	Change in Pension Value and Non-Qualified Deferred Compen-sation Earnings ($)	All Other Compen-sation(4) ($)	Total ($)
Litz H. Van Dyke	2019	$570,000	—	—	—	$178,979	—	$50,010	$798,989
Chief Executive Officer (5)	2018	$497,051	$25,000	—	—	$185,483	—	$27,911	$735,445
	2017	$440,000	$25,000	—	—	$150,000	—	$16,353	$631,353
Wendy S. Bell	2019	$350,000	—	—	—	$109,892	—	$46,685	$506,577
Senior Executive Vice President	2018	$326,039	$30,000	—	—	$122,419	—	$22,715	$501,173
and Chief Financial Officer (6)	2017	$145,962	$50,000	—	—	$99,000	—	$18,709	$313,671
Phyllis Q. Karavatakis	2019	$335,000	—	—	—	$105,185	—	$44,617	$484,802
Senior Executive Vice President	2018	$320,353	$40,000	—	—	$120,564	—	$22,149	$503,066
for Special Projects	2017	$280,000	$40,000	—	—	$97,500	—	$9,734	$427,234
Matthew M. Speare	2019	$335,000	—	—	—	$73,630	—	$42,663	$451,293
Executive Vice President and	2018	$320,353	$41,250	$29,255	—	$84,395	—	$19,027	$494,280
Chief Information Officer (7)	2017	$162,500	$25,000	—	—	$97,500	—	$58,649	$343,649
Bradford N. Langs	2019	$335,000	—	—	—	$105,185	—	$45,474	$485,659
President and	2018	$315,769	$75,000	—	—	$120,564	—	$21,035	$532,368
Chief Strategy Officer (8)	2017	$162,099	$50,000	—	—	$85,500	—	$20,878	$318,477

(1) The amounts in the "Bonus" column represent the first installment (paid in 2017) and second installment (paid in 2018) of the sign-on bonuses granted to the named executive officer in connection with entering into an employment agreement with the Bank.

(2) The amount in this column reflects the grant date fair value for restricted stock granted during 2018 pursuant to the Equity Plan, calculated in accordance with ASC Topic 718, based on the closing price of the Bank's common stock on the date of grant. This column does not include the portion of the annual incentive plan bonus payouts for 2018 and 2019 performance paid in restricted stock, which were granted in February 2019 and February 2020.

(3) The amounts in this column for 2018 and 2019 reflect the bonus amounts earned for 2018 and 2019 performance under the annual incentive plan and include both the portion of the bonus paid in cash and the portion paid in shares of restricted stock that were granted in February 2019 and February 2020. In each case, the cash portion and the portion paid in restricted shares of these bonus amounts were paid in the year following the year in which the performance criteria was achieved. The amounts in this column for 2017 reflect the starting value of the phantom stock awarded to the named executive officers in connection with the entering into of employment agreements with the Bank. Each phantom stock award will be settled in cash in an amount equal to the product of the following: (A) the total number of shares of the Bank's common stock that could be purchased for the target amount stated on the grant date, based on the average of the closing price for the Bank's common stock during the 30-day period preceding the grant date, multiplied by (B) the average of the closing price for the Bank's common stock during the 30-day period immediately preceding the third anniversary of the grant date.

(4) The amount of compensation properly categorized in this column, including perquisites and other personal benefits that total more than $10,000, is listed in the chart below for 2019.

The following table shows information on all other compensation to the named executive officers during 2019:

Name	**Medical**	**Qualified Profit Sharing Plan Matching/Profit Sharing Contributions**	**Disability Insurance**	**Life Insurance Premiums**	**Car Allowance**	**Gross Ups Car Allowance**	**Total**
Litz H. Van Dyke	$11,905	$21,878	$726	$3,242	$8,400	$3,859	$50,010
Wendy S. Bell	$12,079	$21,878	$726	$3,242	$6,000	$2,760	$46,685
Phyllis Q. Karavatakis	$8,952	$21,878	$726	$4,484	$6,000	$2,577	$44,617
Matthew M. Speare	$9,108	$21,878	$726	$2,162	$6,000	$2,789	$42,663
Bradford N. Langs	$12,079	$21,878	$726	$2,162	$6,000	$2,629	$45,474

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

The table below reflects information regarding the restricted stock awards and annual incentive plan opportunities granted to the named executive officers during or for the year ended December 31, 2019.

Grants of Plan-Based Awards
Fiscal 2019

The following table shows information on plan-based awards and restricted stock to the named executive officers during 2019:

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum		
Name	Grant Date	($)	($)	($)	(#)	($)
Litz H. Van Dyke						
Annual Incentive Plan		--	--	$ 285,000	--	--
Restricted Stock		--	--	--	--	$ --
Wendy S. Bell						
Annual Incentive Plan		--	--	$ 175,000	--	--
Restricted Stock		--	--	--	--	$ --
Phyllis Q. Karavatakis						
Annual Incentive Plan				$ 167,500	--	--
Restricted Stock		--	--	--	--	$ --
Matthew M. Speare						
Annual Incentive Plan				$ 120,750	--	--
Restricted Stock		--	--	--	--	$ --
Bradford N. Langs						
Annual Incentive Plan				$ 167,500	--	--
Restricted Stock		--	--	--	--	$ --

(1) Reflects the maximum bonus that each named executive officer could earn for 2019 performance under the annual incentive plan. The annual incentive plan does not have threshold or target performance levels. The actual amounts earned by the named executive officers for 2019 performance under this plan, which were paid partly in cash and partly in shares of restricted stock with a three-year vesting period, are reported as "Non-Equity Incentive Plan Compensation" for 2019 in the Summary Compensation Table.

Outstanding Equity Awards at Fiscal 2019 Year-End

The table below reflects certain information regarding the phantom stock awards and restricted stock awards held by each named executive officer as of December 31, 2019. None of the named executive officers held any other equity awards as of December 31, 2019.

Stock Awards

Name	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#) (1)	Market Value of Shares or Units of Stock That Have Not Vested ($) (2)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
Litz H. Van Dyke	10/1/17	—	—	—	$206,285
	2/21/19	3,579	$84,893	—	—
Wendy S. Bell	7/24/17	—	—	—	$150,999
	2/21/19	2,362	$56,026	—	—
Phyllis Q. Karavatakis	10/1/17	—	—	—	$134,085
	2/21/19	2,327	$55,196	—	—
Matthew M. Speare	7/3/17	—	—	—	$150,161
	11/19/18	1,092	$25,902	—	—
	2/21/19	1,629	$38,639	—	—
Bradford N. Langs	6/19/17	—	—	—	$131,949
	2/21/19	2,327	$55,196	—	—

(1) These awards of restricted stock were granted pursuant to the Equity Plan. The restricted stock vests in equal 1/3 installments on the first, second and third anniversaries of the grant date, subject to accelerated vesting under certain circumstances.

(2) The amounts in this column represent the fair market value of the restricted stock as of December 31, 2019. The closing price of the Bank's common stock was $23.72 on that date.

(3) The amounts in this column reflect the value of each phantom stock award as of December 31, 2019, based on the closing price of the Bank's common stock on December 31, 2019. The phantom stock awards vest on the third anniversary of the grant date, subject to the named executive officer's continued employment on such date and will be settled in cash.

OPTION EXERCISES AND STOCK VESTED
FISCAL 2019

The table below reflects information regarding restricted stock held by each named executive officer that vested during 2019. None of the named executive officers held any stock options or had any phantom stock vest in 2019.

Stock Awards		
Name	Number of shares acquired on vesting (#)	Value realized on vesting ($)(1)
Litz H. Van Dyke	—	—
Wendy S. Bell	—	—
Phyllis Q. Karavatakis	—	—
Matthew M. Speare	546	$11,384
Bradford N. Langs	—	—

(1) The value realized on vesting is the market value based on the closing price of the Bank's common stock on the vesting date multiplied by the number of shares that vested.

Securities Authorized for Issuance under Equity Compensation Plans

The following table contains summary information as of December 31, 2019 with respect to the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan, the only equity compensation plan under which Bank securities are authorized for issuance.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Rights and Warrants	Weighted-Average Exercise Price of Outstanding Options, Rights and Warrants	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	—	—	1,923,532
Equity compensation plans not approved by security holders (2)	—	—	—
Total	—	—	1,923,532

(1) Shares available to be granted under the Equity Plan as of December 31, 2019, in the form of stock options, restricted stock, restricted stock units, stock appreciation rights, stock awards, performance units and performance cash awards.

(2) The Bank does not have any equity compensation plans that have not been approved by shareholders.

Qualified Profit Sharing Plan

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

The vesting schedule is as follows:

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

Each year the Board of Directors determines what amount, if any, is to be allocated to the plan out of accumulated or current earnings of the Bank. These profit sharing contributions to the plan were $1.4 million in 2019, $1.7 million in 2018, and none in 2017.

Beginning in 2019, the Qualified Profit Sharing Plan also includes a Bank match based upon an employee's elective deferral. This elective deferral is subject to dollar limits announced annually by the IRS. Elective deferrals are matched equal to 100% of the first 3% deferred and 50% of the next 2%, producing a maximum 4% match. Expense for this deferral match was $1.1 million for the year ended December 31, 2019. Each of the named executive officers participates in the Qualified Profit Sharing Plan.

The Bank also has a Non-Qualified Profit Sharing Plan. The purpose of the plan was to provide additional benefits to be paid to an executive upon the occurrence of a distributable event, which is either termination or death. Since inception of the plan, the Bank's former Chairman and Chief Executive Officer was the only executive who participated in the plan. None of the named executive officers participate in the Non-Qualified Profit Sharing Plan.

The Bank did not have any deferred compensation plans during 2019.

Potential Payments upon Termination or Change of Control

The following table shows the estimated payments to or benefits that would have been received by each of the named executive officers upon the following termination events or upon a change of control of the Bank, in each case assuming that each termination event or the change of control occurred on December 31, 2019, and assuming a stock price of $23.72 which was the closing stock price of the Bank's common stock on December 31, 2019. The amounts reflected in the following table are estimates, as the actual amounts that would have been paid to or received by a named executive officer can only be determined at the time of termination or change of control.

The following table reports only amounts that are increased, accelerated or otherwise paid or payable as a result of the applicable termination or change of control event and, as a result, excludes amounts accrued through December 31, 2019, such as accrued but unpaid salary and annual bonus compensation amounts for completed performance periods and vested account balances under the Qualified Profit Sharing Plan and other plans. The table also excludes any amounts that are available generally to all salaried employees and in a manner that does not discriminate in favor of the Bank's executive officers.

Payments and Benefits	Death	Termination Due to Incapacity	Termination Without Cause or for Good Reason Not in Connection with Change of Control (1)(2)	Termination Without Cause or for Good Reason within 2 Years Following a Change of Control (3)(4)(5)	Termination For Cause or Without Good Reason	Change of Control with no Related Termination of Employment
Litz H. Van Dyke						
Cash Severance	$ —	$ —	$855,000	$1,889,783	$ —	$ —
Equity Vesting [(6)]	84,893	84,893	—	—	—	84,893
Health Care Coverage	—	—	17,858	17,858	—	—
Total	**$84,893**	**$84,893**	**$872,858**	**$1,907,641**	**$ —**	**$84,893**
Wendy S. Bell						
Cash Severance	$ —	$ —	$350,000	$822,419	$ —	$ —
Equity Vesting [(6)]	56,026	56,026	—	—	—	56,026
Health Care Coverage	—	—	12,079	18,119	—	—
Total	**$56,026**	**$56,026**	**$362,079**	**$840,538**	**$ —**	**$56,026**
Phyllis Q. Karavatakis						
Cash Severance	$ —	$ —	$335,000	$790,564	$ —	$ —
Equity Vesting [(6)]	55,196	55,196	—	—	—	55,196
Health Care Coverage	—	—	8,952	13,428	—	—
Total	**$55,196**	**$55,196**	**$343,952**	**$803,992**	**$ —**	**$55,196**
Matthew M. Speare						
Cash Severance	$ —	$ —	$345,000	$787,500	$ —	$ —
Equity Vesting [(6)]	64,541	64,541	—	—	—	64,541
Health Care Coverage	—	—	9,108	13,662	—	—
Total	**$64,541**	**$64,541**	**$354,108**	**$801,162**	**$ —**	**$64,541**

Payments and Benefits	Death	Termination Due to Incapacity	Termination Without Cause or for Good Reason Not in Connection with Change of Control (1)(2)	Termination Without Cause or for Good Reason within 2 Years Following a Change of Control (3)(4)(5)	Termination For Cause or Without Good Reason	Change of Control with no Related Termination of Employment
Bradford N. Langs						
Cash Severance	$ —	$ —	$335,000	$790,564	$ —	$ —
Equity Vesting (6)	55,196	55,196	—	—	—	55,196
Health Care Coverage	—	—	12,079	18,119	—	—
Total	**$55,196**	**$55,196**	**$347,079**	**$808,683**	**$ —**	**$55,196**

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

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

(3) Under his employment agreement, if Mr. Van Dyke resigns for Good Reason or his employment is terminated without cause within two years after a change of control Mr. Van Dyke will be entitled to receive a lump sum severance payment equal to 2.99 times his annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to Mr. Van Dyke's highest annual bonus earned from the Bank for the three years prior to termination. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in Mr. Van Dyke's employment agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

(4) For each named executive officer other than Mr. Van Dyke, under his or her employment agreement, if the named executive officer resigns for Good Reason or his or her employment is terminated without cause within two years after a change of control, the named executive officer will be entitled to receive to receive a lump sum severance payment equal to 2 times his or her annual base salary, continued employee health insurance coverage for 18 months and a lump sum payment equal to the named executive officer's highest annual bonus earned from the Bank for the three years prior to termination. Payment of these severance benefits is subject to receipt by the Bank of a signed release and waiver of claims and satisfaction of other requirements, conditions, and limitations set forth in the employment agreement, including covenants regarding confidentiality, non-competition, non-piracy and non-solicitation.

(5) Each named executive officer's employment agreement provides for change of control benefits on a "best net" approach, under which the named executive officer's change of control benefits will be reduced to avoid the golden parachute excise tax under Section 280G of the Internal Revenue Code unless without such a reduction the named executive officer would receive more after-tax compensation than with a reduction. The amounts shown in this column do not reflect any reductions that might be made pursuant to these provisions.

(6) Restricted shares granted to the named executive officers become fully vested upon termination of the named executive officer's employment due to (a) death, (b) disability, (c) retirement (with the consent of the Nominating and Compensation Committee) at or after age 59 years and six months, with 7 full years of employment where there is no cause for termination and the named executive officer is subject to a non-competition agreement upon retirement, or (d) a change in control of the Bank. In the event of termination of the named executive officer's employment for good reason or without cause, all then unvested restricted shares would be forfeited in the absence of the Nominating and Compensation Committee's exercise of discretion to waive such forfeiture. Ms. Karavatakis was the only named executive officer eligible for retirement under these provisions as of December 31, 2019.

DIRECTOR COMPENSATION

For 2019 non-employee director compensation, the Nominating and Compensation Committee determined the fees to be paid to non-employee directors based in part on advice of Pearl Meyer, which annually conducts an external market study using the same peer group identified above for executive compensation determinations to assess the competitiveness of current pay for our non-employee directors. As with the executive compensation program, the Committee considers the peer data to ensure that the Bank's non-employee director compensation is competitive and close to the median of market practices of the peer companies.

Beginning in 2019, any changes to non-employee director compensation are reviewed and recommended by the Nominating and Compensation Committee and approved by the Board of Directors.

Based in part on the recommendations of the Committee's independent compensation consultant, Pearl Meyer (and its predecessor), effective January 1, 2019, the Nominating and Compensation Committee recommended and the Board of Directors approved a change in non-employee director compensation. Non-employee directors do not receive per-meeting fees and instead receive an annual cash retainer, payable monthly, and an annual stock retainer in the form of an annual award of time-based restricted stock under the Equity Plan. The Chairman of the Board receives an annual cash retainer in the amount of $48,000, each committee chair receives an annual cash retainer in the amount of $40,000, and each other non-employee director receives an annual cash retainer in the amount of $36,000. The annual stock retainer for each director is paid in the form of restricted stock in the amount of $24,000 based on the closing price of the Bank's stock on the grant date. The annual stock retainer for 2019 was originally granted to vest in three equal installments on the first, second and third anniversaries of the grant date. Based on the advice of Pearl Meyer, that one-year cliff vesting is more common for non-employee director stock awards, the Nominating and Compensation Committee approved accelerated vesting of these non-employee director restricted shares in January 2020 to fully vest one year after the grant date and future annual stock retainers will be granted with a one-year vest date.

DIRECTOR COMPENSATION TABLE
FISCAL 2019

The following table provides compensation information for the year ended December 31, 2019 for each non-employee member of the Board of Directors.

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($) (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Michael R. Bird	$ 40,000	$ 24,000	—	—	—	—	$ 64,000
Robert W. Conner	$ 40,000	$ 24,000	—	—	—	—	$ 64,000
Gregory W. Feldmann	$ 40,000	$ 24,000	—	—	—	—	$ 64,000
Chester A. Gallimore	$ 36,000	$ 24,000	—	—	—	—	$ 60,000
Charles E. Hall	$ 36,000	$ 24,000	—	—	—	—	$ 60,000
James W. Haskins	$ 48,000	$ 24,000	—	—	—	—	$ 72,000

Name (1)	Fees Earned or Paid in Cash ($)	Stock Awards ($) (2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Lanny A. Kyle, O.D.	$ 36,000	$ 24,000	—	—	—	—	$ 60,000
George W. Lester, II	$ 36,000	$ 24,000	—	—	—	—	$ 60,000
E. Warren Matthews	$ 40,000	$ 24,000	—	—	—	—	$ 64,000
Catharine L. Midkiff	$ 36,000	$ 24,000	—	—	—	—	$ 60,000
Joseph E. Pigg	$ 36,000	$ 24,000	—	—	—	—	$ 60,000

(1) Litz Van Dyke, Chief Executive Officer, and Phyllis Karavatakis, Vice Chairman of the Board and Senior Executive Vice President for Special Projects, are not included in this table because they are officers of the Bank and did not receive separate compensation for service as a Director. The compensation received by Mr. Van Dyke and Ms. Karavatakis as officers of the Bank in 2019 is included in the Summary Compensation Table beginning on page 23.

(2) The amounts in this column reflect the grant date fair value of grants of restricted stock to each listed director on January 23, 2019, under the Bank's Equity Plan, calculated in accordance with ASC Topic 718. The grant date fair value of the restricted stock is based on the closing price of the Bank's common stock on the grant date. As of December 31, 2019, each of the non-employee directors had outstanding 1,559 shares of restricted stock.

DIRECTOR INDEPENDENCE

Under the Bank's Bylaws, a majority of the Board must be "Independent Directors." All of the Bank's current Directors, other than the Chief Executive Officer, Mr. Van Dyke, the Vice Chairman of the Board and Senior Executive Vice President for Special Projects, Ms. Karavatakis, and the Chairman of the Board, Mr. Haskins, satisfy the director independence requirements of the Nasdaq listing standards. All of the Bank's Directors during 2019, other than Mr. Van Dyke, Ms. Karavatakis and Mr. Haskins, satisfied the director independence requirements of the Nasdaq listing standards.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors held twelve regular meetings during 2019. During 2019, each member of the Board of Directors attended at least 75% of the aggregate of: (1) the Bank's Board meetings held during the period and (2) the number of meetings of all committees on which he or she served for the Bank.

The Board of Directors meets regularly once a month. Carter Bank & Trust has not adopted a formal policy on Board members' attendance at annual meetings of shareholders, although all Board members are encouraged to attend. All Directors attended the 2019 Annual Meeting of Shareholders on June 26, 2019.

Carter Bank & Trust has created and designated a separate committee of its Board of Directors as the Audit and Compliance Committee. Current members of the Bank's Audit and Compliance Committee are Chairman Michael R. Bird, and Messrs. Chester A. Gallimore, E. Warren Matthews, and Ms. Catharine Midkiff, each of whom is an Independent Director for this purpose according to Nasdaq listing standards and the regulations of the SEC. During 2019, each member of the Audit and Compliance Committee satisfied the independence requirements of the Nasdaq listing standards and the regulations of the SEC. The Audit and Compliance Committee engages the Bank's independent registered public accounting firm, approves the scope of the independent registered public accounting firm's audit, reviews the reports of examination by the applicable Bank regulatory agencies and the independent registered public accountant, and the internal auditor, and reports to the Board of Directors periodically. The Audit and Compliance Committee also provides oversight related to the internal audit function and the Chief Audit Executive. The Audit and Compliance Committee met five times during 2019. The Audit and Compliance Committee operates pursuant to a written charter that has been adopted by the Board and is reviewed periodically by the Audit and Compliance Committee for changes to recommend to the Board for approval. The charter is available on the Bank's website at www.CBTCares.com under "Investor Relations."

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

The Nominating and Compensation Committee consists of four Directors. The current members of the Committee are Chairman Gregory W. Feldmann, and Messrs. Robert W. Conner, Lanny A. Kyle, O.D and E. Warren Matthews. Each Director satisfies the independence requirements of the Nasdaq listing standards. During 2019, each member of the Nominating and Compensation Committee, except for Chairman James W. Haskins, satisfied the independence requirements of the Nasdaq listing standards. A company that lists its stock on Nasdaq in connection with transferring from a market that did not have substantially similar corporate governance requirements, such as the OTCQX on which Carter Bank & Trust was previously listed, is eligible to use applicable Nasdaq transition rules to phase in compliance with certain Nasdaq listing standards over a period of one year from the date of listing its stock on Nasdaq. The Bank relied on this phase-in period with respect to the independence of members of the Nominating and Compensation Committee and adjusted the composition of the committee such that all members satisfied the independence requirements of the Nasdaq listing standards by the end of the phase-in period. Additional information regarding the function of the Committee is provided on the prior page and in the "Compensation Discussion & Analysis" section.

The Nominating and Compensation Committee evaluates Director candidates and recommends to the Board of Directors nominees for election to the Board. The Board has no prescribed minimum qualifications for nominees and will consider recommendations to the Board from shareholders as appropriate. The Committee also administers the annual incentive plan discussed above along with the Carter Bank & Trust 2018 Omnibus Equity Incentive Plan (the "Equity Plan") and grants equity awards under the plan. In addition to its compensation-related responsibilities, the Committee makes recommendations to the Board of Directors regarding individuals to be nominated to serve on the Board of Directors. The Nominating and Compensation Committee operates pursuant to a written charter, most recently approved by the Board of Directors on August 22, 2019. This charter is reviewed periodically by the Nominating and Compensation Committee for changes to recommend to the Board of Directors for approval. A copy of this charter can be found on the Bank's website at www.CBTCares.com under "Investor". The Nominating and Compensation Committee met eleven times during 2019.

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

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

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

The Nominating and Compensation Committee will evaluate Director recommendations from shareholders if made in writing.

Director candidates recommended by shareholders will be considered on the same basis as Director candidates referred from other sources. While there are no formal procedures for shareholders to submit Director candidate recommendations, written recommendations of Director candidates should include the name, address and telephone number of the recommended candidate, along with a brief statement of the candidate's qualifications to serve as a Director. All such shareholder recommendations should be submitted to the Secretary of the Bank, c/o Executive Assistant, at the address provided on the first page of this proxy statement, by January 31, 2021 in order to be considered by the Nominating and Compensation Committee, for the next annual election of directors. In addition, in accordance with the Bank's Articles of Incorporation and/or Bylaws, nominations for election to the Board of Directors may be made by any shareholder of any outstanding class of capital stock of the Bank entitled to vote for the election of Directors. Notices of nominations, other than those made by or on behalf of the existing Board of Directors of the Bank, must be made in writing and be delivered to the Secretary of the Bank, c/o Executive Assistant, at the address provided on the first page of this proxy statement not less than 90 days or more than 120 days before the first anniversary of the prior year's annual meeting; provided that if the annual meeting is changed by more than 30 days from the first anniversary of the prior year's annual meeting, the notice must be delivered no earlier than 120 days before the annual meeting and no later than 90 days before the annual meeting or the tenth day after notice of the annual meeting was mailed.

Such notice shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each nominee; (b) the name and residence address of the notifying shareholder; (c) the number of shares of capital stock of the Bank owned by the notifying shareholder; (d) a description of all arrangements or understandings between the notifying shareholder and any other person or persons (including their names) in connection with the nomination and any material interest of the notifying shareholder in the nomination; (e) a brief description of the background and credentials of the person being nominated for Director including name, age, business address and residence address, principal occupation or employment, number of shares of capital stock of the Bank owned by the nominee; (f) any other information relating to such nominee required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act, including the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; and (g) a written representation and agreement by the notifying shareholder that the shareholder is not and will not become a party to any agreement, arrangement or understanding with any other party or shareholder regarding the nomination. Nominations not made in accordance with these requirements may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the judges of election may disregard all votes cast for each such nominee.

BOARD LEADERSHIP STRUCTURE AND RISK OVERSIGHT

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

In addition, Mr. Greg Feldmann serves as the Bank's Lead Independent Director. He is a liaison between the Chairman and the Independent Directors and has the authority to call meetings of the Independent Directors and preside over executive sessions to discuss various matters, including director elections. He participates in retaining consultants who report directly to the Board, assists the Board and Bank officers in assuring compliance and implementation of governance principles, and advises the Independent Directors in fulfilling their roles. Mr. Feldmann's professional background, experience and education make him instrumental in serving as the Lead Independent Director for the Board of Directors. The Board periodically reviews its leadership structure to determine if it is still the most appropriate for the Bank.

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

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

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

RELATED PERSON TRANSACTIONS

In the ordinary course of business, executive officers and their related interests were customers of, and had transactions with the Bank. Loan transactions with Directors and officers, principal security holders and associates were made in the ordinary course of the Bank’s business, on substantially the same terms, including interest rates, collateral and repayment terms, as those prevailing at the time for comparable loans to unrelated parties and did not involve more than normal risk of collectability or present other unfavorable features. These extensions of credit equaled $39.7 million or 8.4% of the equity capital of Carter Bank & Trust as of December 31, 2019 and $23.4 million or 5.4%, as of December 31, 2018. The maximum aggregate amount of such indebtedness outstanding during 2019 was $39.7 million, or 8.4% of total year-end capital. The Bank expects to have similar banking transactions in the future with its Directors, officers, principal security holders and their associates.

Procedures for Approving Related Party Transactions

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

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

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

Carter Bank & Trust is a party to an agreement with Young, Haskins, Mann, Gregory and Wall, P.C. to provide legal services of which Chairman and Director James W. Haskins is an Attorney and Principal. During 2019, Carter Bank & Trust paid $401,000 in various legal fees to Young, Haskins, Mann, Gregory and Wall, P.C.

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

CHANGE IN INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

The audit reports of Yount, Hyde & Barbour P.C. on the Bank’s consolidated financial statements for the fiscal years ended December 31, 2018 and 2017 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

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

2016. As disclosed in Item 9A of the Bank's Annual Report on Form 10-K for the year ended December 31, 2017, the Bank concluded that the material weakness was fully remediated as of December 31, 2017. The Audit and Compliance Committee discussed the YHB Report with Yount, Hyde & Barbour P.C. and the Bank has authorized Yount, Hyde & Barbour P.C. to respond fully to any inquiries of Crowe LLP regarding the material weakness that was fully remediated as of December 31, 2017.

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

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

PROPOSAL 3

RATIFICATION OF INDEPENDENT AUDITORS

The Audit and Compliance Committee of Carter Bank & Trust's Board of Directors has appointed Crowe LLP to serve as the Bank's independent registered public accounting firm for 2020 and recommends that the Bank's shareholders vote for the ratification of that appointment. The Audit and Compliance Committee considered the compatibility of proposed permitted non-audit services to be provided by and fees to be paid to Crowe LLP and determined that such services and fees are compatible with the independence of Crowe LLP. In the event the shareholders fail to ratify the appointment, the Audit and Compliance Committee will reconsider this appointment and make such determination as it would be in the Bank's and its shareholders' best interests.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR RATIFICATION OF THE SELECTION OF CROWE LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2020.

REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE

In fulfilling its oversight responsibilities for the financial statements for fiscal year 2019, the Audit and Compliance Committee:

- Monitored the preparation of the annual financial report by the Bank's management;
- Reviewed and discussed the annual audit process and the audited financial statements for the fiscal year ended December 31, 2019 with management and Crowe LLP;
- Discussed with management, Crowe LLP and the Bank's internal auditor the adequacy of the system of internal controls;

- Discussed with Crowe LLP the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC, relating to the conduct of the audit; and

- Received written disclosures and a letter from Crowe LLP as required by the PCAOB regarding Crowe LLP's communications with the Audit and Compliance Committee concerning independence. The Audit and Compliance Committee discussed with Crowe LLP its independence.

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

In performing all of these functions, the Audit and Compliance Committee acts only in an oversight capacity. In its oversight role, the Committee relies on the work and assurances of the Bank's management, which has the primary responsibility for the financial statements and reports, and of the independent registered public accountant, who, in their report, express an opinion on the conformity of the Bank's annual financial statements to accounting principles generally accepted in the United States of America. Based on the reviews and discussions described above, the Audit and Compliance Committee recommended to the Board that the audited financial statements be included in the Bank's Annual Report on Form 10-K for fiscal year 2019 for filing with the FDIC.

MEMBERS OF THE AUDIT AND COMPLIANCE COMMITTEE

Michael R. Bird, Chairman
Chester A. Gallimore
E. Warren Matthews
Catharine L. Midkiff

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Crowe LLP served as the independent registered public accounting firm for the year ended December 31, 2019, while Yount, Hyde & Barbour, P.C. served as the independent registered public accounting firm for Carter Bank & Trust for the year ended December 31, 2018. Crowe LLP has been selected by the Audit and Compliance Committee to serve as the independent registered public accounting firm for Carter Bank & Trust for 2020.

The following table presents the aggregate fees for Carter Bank & Trust and its wholly-owned subsidiaries, for professional audit services rendered by Yount, Hyde & Barbour, P.C. for 2018 and Crowe LLP for 2019 for the audit of the annual financial statements for the years ended December 31, 2018 and December 31, 2019, and fees billed for other services rendered by each firm during those periods.

	Years Ended December 31,	
	2019	**2018**
Audit fees[1]	$429,500	$176,748
Tax fees[2]	76,143	5,827
Other fees[3]	23,000	-
Total Fees	$528,643	$182,575

[1]Audit fees consist of audit and review services, report on internal control over financial reporting and review of documents filed with the FDIC for both Yount, Hyde & Barbour, P.C. and Crowe LLP.

[2] Tax fees for 2019 consist of $5,111 related to assistance on 2015, 2016, and 2017 IRS Audits, during 2019, as well as, research and consultation on various tax matters in 2019 for Crowe LLP. Tax fees for 2018 consist of assistance with 2016 IRS audit, during 2018, as well as, research and consultation on various tax matters in 2017 for Yount, Hyde & Barbour, P.C.
[3] Other fees consist of assistance with the formation of CB&T Investment Company from Crowe LLP in 2019.

The Audit and Compliance Committee, considered the compatibility of the non-audit related services performed by and fees paid to Crowe LLP in 2019 and to Yount, Hyde & Barbour, P.C. in 2018 and determined that such services and fees were compatible with the independence of both Yount, Hyde & Barbour, P.C. and Crowe LLP as the Bank's independent auditors.

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

PROPOSAL 4

AMENDMENT OF ARTICLES OF INCORPORATION TO AUTHORIZE 1,000,000 SHARES OF PREFERRED STOCK WITH SUCH PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS AS DETERMINED BY THE BOARD OF DIRECTORS

The Board of Directors has adopted, subject to approval by the Bank's shareholders, an amendment of the Bank's Articles of Incorporation to authorize 1,000,000 shares of preferred stock with such preferences, limitations and relative rights as determined by the Board of Directors, par value $1.00 per share. The proposed amendment also clarifies the rights of holders of the Bank's common stock as compared to the rights of holders of shares of preferred stock that the Bank may issue in the future. The exact text of the proposed amendment is contained in Appendix A to this proxy statement.

The Bank's Articles of Incorporation currently authorize only the issuance of common stock. The amendment will vest in the Board of Directors the authority to issue up to 1,000,000 shares of preferred stock in one or more series and, to the extent permitted by law, fix and determine the preferences, limitations and relative rights of the shares of any series so established. Provisions in a company's articles of incorporation authorizing preferred stock in this manner give a board of directors the flexibility, at any time or from time to time, without further shareholder approval (except as may be required by applicable laws, regulatory authorities or the rules of any stock exchange on which the company's securities are then listed), to create one or more series of preferred stock and to determine by resolution the terms of each such series.

Reasons for the Amendment

The Board of Directors believes that it is important for the Bank to have additional flexibility in connection with future sales of stock, including in light of current economic uncertainty due to the COVID-19 pandemic and its impacts on the Bank, the Bank's customers, and conditions in the Bank's markets. The proposal to authorize the issuance of preferred stock would provide the Bank flexibility to support future growth, meet regulatory requirements, or strengthen the Bank's capital. The Board of Directors and management of the Bank from time to time evaluate strategic opportunities and consider different capital structuring alternatives designed to advance the Bank's business strategy, and having the authority to issue preferred stock will enable the Bank to cost-effectively develop equity securities tailored to specific purposes. Approval of this proposal at the Annual Meeting will give the Board of Directors additional flexibility to pursue opportunities and address challenges as they arise, as compared to having to incur the expense and potential delay associated with holding a special meeting to obtain shareholder approval to issues shares of preferred stock in the future.

The Bank has no current plans, agreements or understandings to issue shares of preferred stock, and the Board of Directors believes it is in the best interests of the Bank and its shareholders to authorize the issuance of preferred stock for the reasons described above.

Effects of the Amendment on the Rights of Holders of Common Stock

The Bank is unable to determine the effects of any future issuance of a series of preferred stock on the rights of its common shareholders until the Board of Directors determines the rights of the holders of such series of preferred stock. However, such effects could include but are not limited to the following: (i) a preference in the payment of dividends to holders of preferred stock above the holders of common stock; (ii) dilution of voting power of holders of common stock in the unlikely event that the holders of shares of preferred stock are given voting rights; (iii) dilution of the equity interests and voting power of holders of common stock if the preferred stock is converted into common stock; (iv) a liquidation preference above the holders of common stock; (v) prevention of mergers with or business combinations by the Bank without approval of the holders of preferred stock voting as a separate class, and (vi) discouragement of possible tender offers for shares of the Bank's common stock. Upon conversion of any convertible preferred stock into shares of the Bank's common stock, the voting power and percentage ownership of holders of common stock before such conversion would be diluted, and such issuances could have an adverse effect on the market price of the Bank's common stock.

Potential Anti-Takeover Effects of the Amendment

The amendment of the Articles of Incorporation to authorize the issuance of preferred stock could be used by the Bank to protect the Bank against the attempts of third parties to take over or effect a change in control of the Bank by, for example, permitting issuances that would dilute the stock ownership of a person seeking to effect a change in the composition of the Board of Directors or contemplating a tender offer or other transaction for the combination of the Bank with another company. Specifically, the ability of the Board of Directors to establish the rights of, and to cause the Bank to issue, substantial amounts of preferred stock without the need for shareholder approval, upon such terms and conditions, and having such preferences, limitations and relevant rights as the Board of Directors may determine from time to time in the exercise of its business judgment, may, among other things, be used to create voting impediments with respect to changes in control of the Bank or to dilute the stock ownership of holders of common stock seeking to obtain control of the Bank.

Any future issuance of preferred stock, however, would require approval by the Board of Directors, and each director is legally bound to act in accordance with his or her good faith business judgment of the best interests of the Bank and its shareholders. The Board of Directors has no present intention of issuing any preferred stock for any defensive or anti-takeover purpose, for the purpose of implementing any shareholder rights plan or with features specifically intended to make any attempted acquisition of the Bank more difficult or costly.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE AMENDMENT OF THE BANK'S ARTICLES OF INCORPORATION TO AUTHORIZE THE ISSUANCE OF UP TO 1,000,000 SHARES OF PREFERRED STOCK WITH SUCH PREFERENCES, LIMITATIONS AND RELATIVE RIGHTS AS DETERMINED BY THE BOARD OF DIRECTORS.

PROPOSAL 5

ADJOURNMENT OF THE ANNUAL MEETING

If at the Annual Meeting the number of shares of the Bank's common stock represented in person or by proxy and voting for Proposal 4 is insufficient to approval Proposal 4, management of the Bank may move to adjourn the Annual Meeting in order to continue to solicit additional proxies for Proposal 4. In that event, the Bank's shareholders will be asked to vote on this Proposal 5 to adjourn the Annual Meeting but not on Proposal 4.

In this proposal, the Bank is asking shareholders to authorize the persons named in the proxy to vote for adjourning the Annual Meeting and any later adjournments. If shareholders approve Proposal 5, the Board could adjourn the Annual Meeting, and any adjourned session of the Annual Meeting, to use additional time to solicit additional proxies for Proposal 4, including the solicitation of proxies from shareholders who have previously voted against Proposal 4. Among other things, approval of Proposal 5 could mean that, even if proxies representing a sufficient number of votes against the Proposal 4 have been received to defeat Proposal 4, the Bank could adjourn the Annual Meeting without a vote on Proposal 4 and seek to convince the holders of those shares to change their votes to votes for the approval of Proposal 4.

The Board of Directors believes that if the number of shares of the Bank's common stock represented in person or by proxy at the Annual Meeting and voting for Proposal 4 is insufficient to approve Proposal 4, it is in the best interests of the Bank and its shareholders to enable the Board of Directors and management of the Bank, for a limited period of time, to continue to seek to obtain a sufficient number of additional votes to approve Proposal 4.

Generally, if the Annual Meeting is adjourned, no notice of the adjourned meeting is required to be given to shareholders, other than the announcement at the Annual Meeting of the place, date and time to which the meeting is adjourned. However, if the Annual Meeting is adjourned to a date more than 120 days after the date fixed for the original meeting, notice of the adjourned meeting must be given as in the case of the original meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS VOTE TO ADJOURN THE ANNUAL MEETING, IF NECESSARY OR APPROPRIATE, TO ALLOW TIME FOR THE FURTHER SOLICITATION OF PROXIES TO APPROVE PROPOSAL 4.

OTHER BUSINESS

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

SHAREHOLDER PROPOSALS FOR 2021 ANNUAL MEETING

If any shareholder intends to present a proposal at the 2021 Annual Meeting of Shareholders (including nominations of directors) or have a proposal considered for inclusion in the Bank's proxy materials for the 2021 Annual Meeting of Shareholders pursuant to Rule 14a-8 under the Exchange Act, the proposal must be in proper form in accordance with the federal proxy rules and the Bank's Bylaws as applicable, and must be received by the Secretary of the Bank, c/o Executive Assistant, at the address provided on the first page of this proxy, Virginia no later than April 23, 2021 and no earlier than March 24, 2021; provided however, if the 2021 Annual Meeting of Shareholders is changed by more than 30 days from the first anniversary date of the 2020 Annual Meeting of Shareholders (July 22, 2020), notice must be delivered no earlier than 120 days before the 2021 Annual Meeting of Shareholders and no later than 90 days before the 2021 Annual Meeting of Shareholders or the tenth day following the day on which notice of the 2021 Annual Meeting of Shareholders is mailed.

The proxy solicited by the Board of Directors for the 2021 Annual Meeting of Shareholders will confer discretionary authority on the persons named in the accompanying proxy to vote on any shareholder proposal presented at the meeting if the Bank has not received proper notice of such proposal.

By Direction of the Board of Directors

/s/ James W. Haskins

James W. Haskins
Chairman of the Board

June 22, 2020

A copy of the Bank's Annual Report on Form 10-K (including exhibits) as filed with the FDIC for the year ended December 31, 2019, will be furnished without charge to shareholders upon written request to Chief Financial Officer, Carter Bank & Trust, 1300 Kings Mountain Road, Martinsville, Virginia 24112.

Appendix A

PROPOSED AMENDMENT TO THE ARTICLES OF INCORPORATION OF CARTER BANK & TRUST

Article III of the Articles of Incorporation of Carter Bank & Trust (the "Articles of Incorporation") would be amended to read as follows:

ARTICLE III
AUTHORIZED STOCK

The Corporation shall have authority to issue one hundred million (100,000,000) shares of common stock, par value $1.00 per share (the "Common Stock"), and (1,000,000) shares of preferred stock, par value $1.00 per share (the "Preferred Stock").

A. Common Stock

Section 1. The holders of the Common Stock shall, to the exclusion of the holders of any other class of stock of the Corporation, have the sole and full power to vote for the election of Directors and for all other purposes without limitation, except as otherwise may be provided in these Articles of Incorporation or in any articles of amendment applicable to any series of Preferred Stock, and as otherwise expressly provided by the then existing Code of Virginia. The holders of the Common Stock shall be entitled to one vote per share of Common Stock held by them on each matter as to which a vote of the holders of Common Stock is to be taken.

Section 2. Subject to the rights of holders of any series of Preferred Stock, the holders of Common Stock shall be entitled to receive the net assets of the Corporation upon liquidation, dissolution or winding up.

B. Preferred Stock

Shares of Preferred Stock may be issued in one or more series. Authority is expressly vested in the Board of Directors at any time and from time to time, and without shareholder action, to cause the Preferred Stock to be issued in one or more series and, to the fullest extent permitted by law, to fix and determine the preferences, limitations and relative rights of the shares of any series of Preferred Stock so established and provide for the issuance of shares thereof. Prior to the issuance of any share of a series of Preferred Stock, the Board of Directors, without shareholder action, shall establish such series by adopting an amendment of the Articles of Incorporation setting forth the designation and number of shares of the series and the preferences, limitations and relative rights thereof, and the Corporation shall file with the Virginia State Corporation Commission articles of amendment as required by law, and the Virginia State Corporation Commission shall have issued a certificate of amendment. The Preferred Stock of each series shall have preferences, limitations and relative rights identical with those of other shares of the same series and, except to the extent otherwise provided in the description of the series, with those of shares of other series of the same class.