

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-39731

CARTER BANKSHARES, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of
incorporation or organization)

85-3365661

(I.R.S. Employer
Identification No.)

1300 Kings Mountain Road, Martinsville, Virginia

(Address of principal executive offices)

24112

(Zip Code)

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

NA

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes ☒ No ☐**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes ☒ No ☐**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Emerging growth company ☐
Non-accelerated filer ☐ Smaller reporting company ☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes ☐ No ☒**

As of April 30, 2025 there were 23,159,013 shares of the registrant's common stock issued and outstanding.

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CARTER BANKSHARES, INC. AND SUBSIDIARIES
PART 1 - FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands Except per Share Data)	March 31, 2025	December 31, 2024
ASSETS		
Cash and Due From Banks, including Interest-Bearing Deposits of \$46,490 at March 31, 2025 and \$91,563 at December 31, 2024	\$ 88,999	\$ 131,171
Securities Available-for-Sale, at Fair Value (amortized cost of \$817,348 and \$800,741, respectively)	745,390	718,400
Equity Securities	10,178	10,041
Portfolio Loans	3,687,495	3,624,826
Allowance for Credit Losses	(73,518)	(75,600)
Portfolio Loans, net	3,613,977	3,549,226
Bank Premises and Equipment, net	73,944	74,329
Other Real Estate Owned, net	577	659
Federal Home Loan Bank Stock, at Cost	5,875	6,487
Bank Owned Life Insurance	48,224	59,588
Other Assets	113,123	109,288
Total Assets	\$ 4,700,287	\$ 4,659,189
LIABILITIES		
Deposits:		
Noninterest-Bearing Demand	\$ 631,714	\$ 634,436
Interest-Bearing Demand	794,059	726,947
Money Market	528,381	512,162
Savings	353,394	355,506
Certificates of Deposit	1,893,379	1,924,370
Total Deposits	4,200,927	4,153,421
Federal Home Loan Bank Borrowings	55,000	70,000
Reserve for Unfunded Loan Commitments	3,072	3,186
Other Liabilities	39,522	48,269
Total Liabilities	4,298,521	4,274,876
Commitment and Contingencies - see NOTE 10 .		
SHAREHOLDERS' EQUITY		
Common Stock, Par Value \$1.00 Per Share, Authorized 100,000,000 Shares;		
Outstanding - 23,161,993 shares at March 31, 2025, and 23,069,175 shares at December 31, 2024	23,162	23,069
Additional Paid-in Capital	92,418	92,159
Retained Earnings	342,559	333,606
Accumulated Other Comprehensive Loss	(56,373)	(64,521)
Total Shareholders' Equity	401,766	384,313
Total Liabilities and Shareholders' Equity	\$ 4,700,287	\$ 4,659,189

See accompanying notes to unaudited Consolidated Financial Statements.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS - (continued)

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands Except per Share Data)	Three Months Ended March 31,	
	2025	2024
INTEREST INCOME		
Loans, including fees		
Taxable	\$ 47,825	\$ 44,817
Non-Taxable	601	709
Investment Securities		
Taxable	6,655	7,743
Non-Taxable	66	67
Federal Reserve Bank Excess Reserves	702	322
Interest on Bank Deposits	46	13
Dividend Income	112	378
Total Interest Income	56,007	54,049
Interest Expense		
Interest Expense on Deposits	25,023	20,717
Interest on Other Borrowings	846	4,913
Total Interest Expense	25,869	25,630
NET INTEREST INCOME	30,138	28,419
(Recovery) Provision for Credit Losses	(2,025)	16
Recovery for Unfunded Commitments	(114)	(43)
Net Interest Income After (Recovery) Provision for Credit Losses	32,277	28,446
NONINTEREST INCOME		
Service Charges, Commissions and Fees	1,874	1,875
Debit Card Interchange Fees	2,104	2,086
Insurance Commissions	344	614
Bank Owned Life Insurance Income	341	348
Other	2,238	122
Total Noninterest Income	6,901	5,045
NONINTEREST EXPENSE		
Salaries and Employee Benefits	13,657	14,200
Occupancy Expense, net	4,472	3,748
FDIC Insurance Expense	1,430	1,687
Other Taxes	947	906
Advertising Expense	911	357
Telephone Expense	304	417
Professional and Legal Fees	1,230	1,513
Data Processing	1,444	891
Debit Card Expense	992	756
Other	2,655	1,782
Total Noninterest Expense	28,042	26,257
Income Before Income Taxes	11,136	7,234
Income Tax Provision	2,183	1,423
Net Income	\$ 8,953	\$ 5,811
Earnings per Common Share:		
Basic Earnings per Common Share	\$ 0.39	\$ 0.25
Diluted Earnings per Common Share	\$ 0.39	\$ 0.25
Average Shares Outstanding-Basic & Diluted	22,873,800	22,770,311

See accompanying notes to unaudited Consolidated Financial Statements.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS - (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in Thousands)	Three Months Ended March 31,	
	2025	2024
Net Income	\$ 8,953	\$ 5,811
Other Comprehensive Income:		
Net Unrealized Gains on Securities Available-for-Sale:		
Net Unrealized Gains Arising during the Period	10,383	2,119
Tax Effect	(2,235)	(476)
Net Unrealized Gains Recognized in Other Comprehensive Income	8,148	1,643
Other Comprehensive Income:	8,148	1,643
Comprehensive Income	\$ 17,101	\$ 7,454

See accompanying notes to unaudited Consolidated Financial Statements.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS - (continued)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Three Months Ended March 31, 2025				
(Dollars in Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance December 31, 2024	\$ 23,069	\$ 92,159	\$ 333,606	\$ (64,521)	\$ 384,313
Net Income	—	—	8,953	—	8,953
Other Comprehensive Income, Net of Tax	—	—	—	8,148	8,148
Forfeiture of Restricted Stock (8,359 shares)	(8)	(121)	—	—	(129)
Issuance of Restricted Stock (101,177 shares)	101	(101)	—	—	—
Recognition of Restricted Stock Compensation Expense	—	481	—	—	481
Balance March 31, 2025	\$ 23,162	\$ 92,418	\$ 342,559	\$ (56,373)	\$ 401,766

	Three Months Ended March 31, 2024				
(Dollars in Thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance December 31, 2023	\$ 22,957	\$ 90,642	\$ 309,083	\$ (71,439)	\$ 351,243
Net Income	—	—	5,811	—	5,811
Other Comprehensive Income, Net of Tax	—	—	—	1,643	1,643
Forfeitures of Restricted Stock (5,658 shares)	(6)	(66)	—	—	(72)
Issuance of Restricted Stock (69,896 shares)	70	(70)	—	—	—
Recognition of Restricted Stock Compensation Expense	—	441	—	—	441
Balance March 31, 2024	\$ 23,021	\$ 90,947	\$ 314,894	\$ (69,796)	\$ 359,066

See accompanying notes to unaudited Consolidated Financial Statements.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 1. FINANCIAL STATEMENTS - (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)	Three Months Ended March 31,	
	2025	2024
OPERATING ACTIVITIES		
Net Income	\$ 8,953	\$ 5,811
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
(Recovery) Provision for Credit Losses, including Recovery for Unfunded Commitments	(2,139)	(27)
Origination of Loans Held-for-Sale	(2,463)	(2,195)
Proceeds From Loans Held-for-Sale	2,502	2,232
Depreciation/Amortization of Bank Premises and Equipment	1,911	1,672
Provision for Deferred Taxes	1,121	189
Net Amortization of Securities	875	1,044
Tax Credit Amortization	162	163
Gains on Sales of Loans Held-for-Sale	(39)	(37)
Unrealized Gain on Equity Securities	(137)	—
Commercial Loan Swap Derivative Loss (Income)	44	(14)
Increase in the Value of Life Insurance Contracts	(341)	(348)
Gain on Bank Owned Life Insurance Death Benefit	(1,882)	—
1035 Exchange Fee on Bank Owned Life Insurance	275	—
Balance Sheet Hedge Fair Value Adjustment	140	—
Recognition of Restricted Stock Compensation Expense	481	441
Decrease in Other Assets	1,868	2,125
(Decrease) Increase in Other Liabilities	(4,955)	6,578
Net Cash Provided By Operating Activities	6,376	17,634
INVESTING ACTIVITIES		
Securities Available-for-Sale:		
Proceeds from Maturities, Redemptions, and Paydowns	16,199	11,246
Purchases	(33,681)	—
Purchase of Bank Premises and Equipment, Net	(1,523)	(1,305)
Redemption of Federal Home Loan Bank Stock, net	612	3,716
Loan Originations, net	(63,348)	(4,874)
Proceeds from Death Benefit on Bank Owned Life Insurance	687	—
Proceeds from Sales and Payments of Other Real Estate Owned	—	1,458
Net Cash (Used In) Provided by Investing Activities	(81,054)	10,241
FINANCING ACTIVITIES		
Net Change in Demand, Money Markets and Savings Accounts	78,497	577
(Decrease) Increase in Certificates of Deposits	(30,991)	108,029
Proceeds from Federal Home Loan Bank Borrowings	25,000	903,500
Repayments on Federal Home Loan Bank Borrowings	(40,000)	(986,400)
Net Cash Provided By Financing Activities	32,506	25,706
Net (Decrease) Increase in Cash and Cash Equivalents	(42,172)	53,581
Cash and Cash Equivalents at Beginning of Period	131,171	54,529
Cash and Cash Equivalents at End of Period	\$ 88,999	\$ 108,110

See accompanying notes to unaudited Consolidated Financial Statements.

CARTER BANKSHARES, INC. AND SUBSIDIARIES**ITEM 1. FINANCIAL STATEMENTS - (continued)****CONSOLIDATED STATEMENTS OF CASH FLOWS - (continued)**

(Dollars in Thousands)	Three Months Ended March 31,	
	2025	2024
SUPPLEMENTARY DATA		
Cash Interest Paid	\$ 27,354	\$ 24,910
Cash Paid for Income Taxes	15	25
Transfer from Loans to Other Real Estate Owned	—	1,181

See accompanying notes to unaudited Consolidated Financial Statements.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BASIS OF PRESENTATION

Principles of Consolidation: The interim Consolidated Financial Statements include the accounts of Carter Bankshares, Inc. (the “Company”) and its wholly owned subsidiary, Carter Bank & Trust (the “Bank”). CB&T Investment Company (the “Investment Company”) is a subsidiary of the Bank. All significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation: The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2024, filed with the Securities and Exchange Commission (“SEC”), on March 7, 2025. In management’s opinion, the accompanying interim financial information reflects all adjustments, consisting of normal recurring adjustments, necessary to present fairly our financial position and the results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative to the results of operations that may be expected for a full year or any future period.

Reclassification: Amounts in prior periods financial statements and footnotes are reclassified whenever necessary to conform to the current period presentation. Reclassifications had no material effect on prior periods net income or shareholders’ equity.

Use of Estimates: To prepare financial statements in conformity with GAAP, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the Consolidated Financial Statements and the disclosures provided, and actual results could differ from those estimates. Information available which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy, and changes in the financial condition of borrowers.

Accounting Standard Adopted in 2025

On March 29, 2024 the Financial Accounting Standards Board, (“FASB”) issued Accounting Standards Update, (“ASU”) 2024-02, Codification Improvements— Amendments to Remove References to the Concepts Statements, which amends the Codification to remove references to various concepts statements and impacts a variety of topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. The adoption of this ASU 2024-02 was effective January 1, 2025 and did not have a material impact to the Company’s Consolidated Financial Statements.

Accounting Standards Issued but Not Yet Adopted

Accounting Standards Update 2024-04 “Debt - Debt with Conversion and Other Options (Subtopic 470-20)” (“ASU 2024-04”) clarifies wither the settlement of convertible debt, including debt containing cash conversion features at terms that are different from the terms included in the existing debt instrument, should be accounted for as an induced conversion or a debt extinguishment. Updates permit an entity to apply the new guidance on either a prospective or a retrospective basis. ASU 2024-04 is effective for public business entities January 1, 2026 and is not expected to have a significant impact on the Company’s financial statements.

In November 2024, the FASB issued Accounting Standards Update 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40)" ("ASU 2024-03"). ASU 2024-03 requires public entities to provide disaggregated disclosures, in the notes to the financial statements, of certain categories of expenses that are included in expense line items on the face of the income statement. ASU 2024-03 is effective for the Company for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. The Company will update its expense disclosures upon adoption.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

On December 14, 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which enhances the required disclosures primarily related to the income tax rate reconciliation and income taxes paid. The ASU requires an entity's income tax rate reconciliation to provide additional information for reconciling items meeting a quantitative threshold, and to disclose certain selected categories within the income tax rate reconciliation. The ASU also requires entities to disclose the amount of income taxes paid, disaggregated by federal, state and foreign taxes. The ASU is effective in the annual period beginning on January 1, 2025, though early adoption is permitted. The Company is currently evaluating the impact of this guidance on its Consolidated Financial Statements.

NOTE 2 – EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated by dividing net income allocated to common shareholders by the weighted average number of shares of common stock outstanding, less average participating shares during the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

The following table reconciles the numerators and denominators of basic and diluted earnings per common share calculations for the periods presented:

(Dollars in Thousands, except share and per share data)	Three Months Ended March 31,	
	2025	2024
Numerator for Earnings per Common Share – Basic and Diluted		
Net Income	\$ 8,953	\$ 5,811
Less: Income allocated to participating shares	93	60
Net Income Allocated to Common Shareholders - Basic & Diluted	\$ 8,860	\$ 5,751
Denominator:		
Weighted Average Shares Outstanding, including Shares Considered Participating Securities	23,114,817	23,007,561
Less: Average Participating Securities	241,017	237,250
Weighted Average Common Shares Outstanding - Basic & Diluted	22,873,800	22,770,311
Earnings per Common Share – Basic	\$ 0.39	\$ 0.25
Earnings per Common Share – Diluted	\$ 0.39	\$ 0.25

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 3 - INVESTMENT SECURITIES

The following tables present the amortized cost and fair value of available-for-sale securities at the dates presented:

(Dollars in Thousands)	March 31, 2025			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Agency Securities	\$ 25,226	\$ 23	\$ (625)	\$ 24,624
Residential Mortgage-Backed Securities	107,642	4	(9,173)	98,473
Commercial Mortgage-Backed Securities	20,989	33	(550)	20,472
Other Commercial Mortgage-Backed Securities	31,570	—	(1,810)	29,760
Asset Backed Securities	120,898	4	(7,985)	112,917
Collateralized Mortgage Obligations	177,602	44	(9,095)	168,551
States and Political Subdivisions	262,671	—	(35,851)	226,820
Corporate Notes	70,750	—	(6,977)	63,773
Total	\$ 817,348	\$ 108	\$ (72,066)	\$ 745,390

(Dollars in Thousands)	December 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Agency Securities	27,634	36	(720)	26,950
Residential Mortgage-Backed Securities	106,593	3	(10,443)	96,153
Commercial Mortgage-Backed Securities	22,233	30	(676)	21,587
Other Commercial Mortgage-Backed Securities	24,064	—	(2,094)	21,970
Asset Backed Securities	127,978	14	(9,471)	118,521
Collateralized Mortgage Obligations	158,610	8	(10,030)	148,588
States and Political Subdivisions	262,879	—	(41,698)	221,181
Corporate Notes	70,750	—	(7,300)	63,450
Total	\$ 800,741	\$ 91	\$ (82,432)	\$ 718,400

The Company did not have securities classified as held-to-maturity at March 31, 2025 or December 31, 2024.

At March 31, 2025 and December 31, 2024 the Company had no gross or net realized gains and losses. Gains or losses are recognized in earnings on the trade date using the amortized cost of the specific security sold. The net realized gains (losses) reflect reclassification adjustments in the calculation of Other Comprehensive Income. The net realized gains (losses) are included in noninterest income as gains on sales of securities, net in the Consolidated Statements of Income. The tax impact is included in income tax provision in the Consolidated Statements of Income.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The amortized cost and fair value of available-for-sale debt securities are shown below by contractual maturity at the date presented. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

(Dollars in Thousands)	March 31, 2025	
	Amortized Cost	Fair Value
Due in One Year or Less	\$ 25	\$ 25
Due after One Year through Five Years	36,041	33,871
Due after Five Years through Ten Years	286,683	251,576
Due after Ten Years	35,898	29,745
Residential Mortgage-Backed Securities	107,642	98,473
Commercial Mortgage-Backed Securities	20,989	20,472
Other Commercial Mortgage-Backed Securities	31,570	29,760
Collateralized Mortgage Obligations	177,602	168,551
Asset Backed Securities	120,898	112,917
Total	\$ 817,348	\$ 745,390

At March 31, 2025 and December 31, 2024, there were no holdings of securities of any one issuer, other than those securities issued by or collateralized by the U.S. Government and its Agencies, in an amount greater than 10% of shareholders' equity. The carrying value of securities pledged for various regulatory and legal requirements was \$298.2 million at March 31, 2025 and \$300.1 million at December 31, 2024.

Available-for-sale securities with unrealized losses at March 31, 2025 and December 31, 2024, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, were as follows:

(Dollars in Thousands)	March 31, 2025								
	Less Than 12 Months			12 Months or More			Total		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
U.S. Government Agency Securities	11	\$ 6,322	\$ (21)	22	\$ 15,914	\$ (604)	33	\$ 22,236	\$ (625)
Residential Mortgage-Backed Securities	2	2,162	(10)	40	95,555	(9,163)	42	97,717	(9,173)
Commercial Mortgage-Backed Securities	8	2,361	(8)	41	12,850	(542)	49	15,211	(550)
Other Commercial Mortgage-Backed Securities	1	5,006	(14)	8	22,233	(1,796)	9	27,239	(1,810)
Asset Backed Securities	6	14,124	(29)	27	77,290	(7,956)	33	91,414	(7,985)
Collateralized Mortgage Obligations	8	20,473	(68)	73	129,460	(9,027)	81	149,933	(9,095)
States and Political Subdivisions	—	—	—	153	226,820	(35,851)	153	226,820	(35,851)
Corporate Notes	—	—	—	21	63,773	(6,977)	21	63,773	(6,977)
Total Debt Securities	36	\$ 50,448	\$ (150)	385	\$ 643,895	\$ (71,916)	421	\$ 694,343	\$ (72,066)

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

(Dollars in Thousands)	December 31, 2024								
	Less Than 12 Months			12 Months or More			Total		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
U.S. Government Agency Securities	12	6,574	(60)	18	14,558	(660)	30	21,132	(720)
Residential Mortgage-Backed Securities	1	7	—	40	95,326	(10,443)	41	95,333	(10,443)
Commercial Mortgage-Backed Securities	10	2,743	(8)	42	13,780	(668)	52	16,523	(676)
Other Commercial Mortgage-Backed Securities	—	—	—	8	21,970	(2,094)	8	21,970	(2,094)
Asset Backed Securities	1	1,176	(5)	27	76,333	(9,466)	28	77,509	(9,471)
Collateralized Mortgage Obligations	2	2,339	(2)	74	132,902	(10,028)	76	135,241	(10,030)
States and Political Subdivisions	—	—	—	153	221,181	(41,698)	153	221,181	(41,698)
Corporate Notes	—	—	—	21	63,450	(7,300)	21	63,450	(7,300)
Total Debt Securities	26	\$ 12,839	\$ (75)	383	\$ 639,500	\$ (82,357)	409	\$ 652,339	\$ (82,432)

The Company did not record an allowance for credit losses, (“ACL”), on its investment securities during the three months ended March 31, 2025 or at December 31, 2024 as the Company did not have any related impairment. The Company regularly reviews debt securities for expected credit loss using both qualitative and quantitative criteria, as necessary, based on the composition of the portfolio at period end.

As of March 31, 2025, management does not intend to sell any security in an unrealized loss position and it is not more than likely that it will be required to sell any such security before the recovery of its amortized cost basis. The unrealized losses on debt securities are primarily the result of interest rate changes, credit spread fluctuations, general financial market uncertainty and market volatility. These conditions should not prohibit the Company from receiving its contractual principal and interest payments on its debt securities. The fair value is expected to recover as the securities approach their maturity date or repricing date. It should be noted that we may occasionally sell securities to take advantage of market opportunities or as part of a strategic initiative.

The Company determined the unrealized losses detailed in the table above are not related to credit; therefore, no ACL has been recognized on the Company’s securities. Should the impairment of any of these securities become credit related, the impairment will be recognized by establishing an ACL through (recovery) provision for credit losses in the period the credit related impairment is identified, while any non-credit loss will be recognized in accumulated other comprehensive income, net of applicable taxes. During the three months ended March 31, 2025 and March 31, 2024, the Company had no credit related net investment impairment losses.

Equity Securities

During 2024, the Company purchased \$10.0 million of equity securities. These securities are separately reported as “equity securities” on the Company’s Consolidated Balance Sheets. The equity securities consist of our investment in a market-rate, NASDAQ listed mutual fund that invests in high quality fixed income bonds, mainly government agency securities whose proceeds are designed to positively impact community development throughout the United States. The mutual fund mainly focuses on providing affordable housing to low-income and moderate-income borrowers and renters, including those in Majority Minority Census Tracts. The fund invests nationally, but individual bonds are designated to our bank that align with our current footprint. The Company’s investment in the mutual fund is eligible for investment credit under the Community Reinvestment Act.

During the three months ended March 31, 2025, the Company recognized an unrealized fair value gain of \$137 thousand on these equity securities. This unrealized fair value gain is recorded in other noninterest income on the Consolidated Statements of Income.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 4 – LOANS

The composition of the loan portfolio by dollar amount is shown in the table below at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Commercial		
Commercial Real Estate	\$ 1,915,863	\$ 1,869,831
Commercial and Industrial	234,024	230,483
Total Commercial Loans	2,149,887	2,100,314
Consumer		
Residential Mortgages	801,253	777,471
Other Consumer	28,804	28,908
Total Consumer Loans	830,057	806,379
Construction	459,285	462,930
Other	248,266	255,203
Total Portfolio Loans	3,687,495	3,624,826
Loans Held-for-Sale	—	—
Total Loans	\$ 3,687,495	\$ 3,624,826

Loan Restructurings

The following table shows the amortized cost basis as of March 31, 2025 and March 31, 2024 for the loans restructured during the three months ended March 31, 2025 and March 31, 2024 to borrowers experiencing financial difficulty, disaggregated by portfolio segment:

(Dollars in Thousands)	Restructured Loans			Restructured Loans		
	Three Months Ended March 31, 2025			Three Months Ended March 31, 2024		
	Number of Contracts	Amortized Cost Basis	% of Total Class of Financing Receivable	Number of Contracts	Amortized Cost Basis	% of Total Class of Financing Receivable
Accruing Restructured Loans						
Commercial Real Estate	1	\$ 4,516	0.24 %	—	\$ —	— %
Commercial and Industrial	—	—	— %	—	—	— %
Residential Mortgages	—	—	— %	—	—	— %
Other Consumer	—	—	— %	—	—	— %
Construction	—	—	— %	—	—	— %
Other	—	—	— %	—	—	— %
Total Accruing Restructured Loans	1	\$ 4,516	0.12 %	—	\$ —	— %
Nonaccrual Restructured Loans						
Commercial Real Estate	—	\$ —	— %	—	\$ —	— %
Commercial and Industrial	—	—	— %	—	—	— %
Residential Mortgages	—	—	— %	—	—	— %
Other Consumer	—	—	— %	—	—	— %
Construction	—	—	— %	—	—	— %
Other	5	155,189	62.51 %	—	—	— %
Total Nonaccrual Restructured Loans	5	\$ 155,189	4.21 %	—	\$ —	— %
Total Restructured Loans	6	\$ 159,705	4.33 %	—	\$ —	— %

The Company had no loans that were restructured during the three months ended March 31, 2024.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The Bank closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified during the three months ended March 31, 2025:

(Dollars in Thousands)	Payment Status (Amortized Cost Basis)		
	Current	30-89 Days Past Due	90+ Days Past Due
Accruing Restructured Loans			
Commercial Real Estate	\$ 4,516	\$ —	\$ —
Commercial and Industrial	—	—	—
Residential Mortgages	—	—	—
Other Consumer	—	—	—
Construction	—	—	—
Other	—	—	—
Total Accruing Restructured Loans	\$ 4,516	\$ —	\$ —
Nonaccrual Restructured Loans			
Commercial Real Estate	\$ —	\$ —	\$ —
Commercial and Industrial	—	—	—
Residential Mortgages	—	—	—
Other Consumer	—	—	—
Construction	—	—	—
Other	155,189	—	—
Total Nonaccrual Restructured Loans	\$ 155,189	\$ —	\$ —
Total Restructured Loans	\$ 159,705	\$ —	\$ —

The following table presents the amortized cost of modified loans to borrowers experiencing financial difficulty by portfolio segment and type of modification during the period presented.

(Dollars in Thousands)	Three Months Ended March 31, 2025			% of Total Class of Financing Receivable
	Payment Delay	Short-term Extension	Total	
Commercial Real Estate	\$ 4,516	\$ —	\$ 4,516	0.24 %
Other	—	155,189	155,189	62.51 %
Total	\$ 4,516	\$ 155,189	\$ 159,705	4.33 %

The following table describes the effect of loan modifications made to borrowers experiencing financial difficulty during the period presented:

(Dollars in Thousands)	Three Months Ended March 31, 2025	
	Weighted-Average Payment Delay	Weighted-Average Term Extension/ Payment Delay
Commercial Real Estate	0.32 years	—
Other	—	0.92 years

As of March 31, 2025 and December 31, 2024, the Bank had no commitments to lend any additional funds on restructured loans. As of March 31, 2025 and March 31, 2024 the Bank had no loans that defaulted during the period and had been modified preceding the payment default when the borrower was experiencing financial difficulty at the time of modification. For purposes of this disclosure, a default occurs when, within 12 months of the original modification, either a full or partial charge-off occurs or the loan becomes 90 days or more past due.

As of March 31, 2025 and December 31, 2024, the Company had \$0.2 million and \$0.4 million, respectively, of residential real estate in the process of foreclosure. We also had no residential real estate included in OREO at March 31, 2025 or at December 31, 2024, respectively.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 5 - ALLOWANCE FOR CREDIT LOSSES

The Company maintains an ACL at a level determined to be adequate to absorb expected credit losses associated with the Company's financial instruments over the life of those instruments as of the balance sheet date. The Company develops and documents a systematic ACL methodology based on the following portfolio segments: 1) Commercial Real Estate ("CRE"), 2) Commercial and Industrial, ("C&I"), 3) Residential Mortgages, 4) Other Consumer, 5) Construction and 6) Other. The Company's loan portfolio is segmented by homogeneous loan types that behave similarly to economic cycles. The following is a discussion of the key risks by portfolio segment that management assesses in preparing the ACL.

CRE loans are secured by commercial purpose real estate, including both owner occupied properties and investment properties, for various purposes such as hotels, strip malls and apartments. Operations of the individual projects as well as global cash flows of the debtors are the primary sources of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the collateral type as well as the business.

C&I loans are made to operating companies or manufacturers for the purpose of production, operating capacity, accounts receivable, inventory or equipment financing. Cash flow from the operations of the borrower is the primary source of repayment for these loans. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the industry of the borrower. Collateral for these types of loans often do not have sufficient value in a distressed or liquidation scenario to satisfy the outstanding debt. These loans are also made to local and state municipalities for various purposes including refinancing existing obligations, infrastructure up-fit and expansion, or to purchase new equipment. These loans may be secured by general obligations from the municipal authority or revenues generated by infrastructure and equipment financed by the Company. The primary repayment source for these loans include the tax base of the municipality, specific revenue streams related to the infrastructure financed, and other business operations of the municipal authority. The health and stability of state and local economies directly impacts each municipality's tax basis and are important indicators of risk for this segment. The ability of each municipality to increase taxes and fees to offset debt service requirements give this type of loan a very low risk profile in the continuum of the Company's loan portfolio.

Residential Mortgages are loans secured by first and second liens such as home equity loans, home equity lines of credit and 1-4 family residential mortgages, including purchased money mortgages. The primary source of repayment for these loans is the income of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The state of the local housing market can also have a significant impact on this segment because low demand and/or declining home values can limit the ability of borrowers to sell a property and satisfy the debt.

Other Consumer loans are made to individuals and may be either secured by assets other than 1-4 family residences or unsecured. This segment includes auto loans and unsecured loans and lines. The primary source of repayment for these loans is the income and assets of the borrower. The condition of the local economy, in particular the unemployment rate, is an important indicator of risk for this segment. The value of the collateral, if there is any, is less likely to be a source of repayment due to less certain collateral values.

Construction loans include both commercial and consumer. Commercial loans are made to finance construction of buildings or other structures, as well as to finance the acquisition and development of raw land for various purposes. While the risk of these loans is generally confined to the construction period, if there are problems, the project may not be completed, and as such, may not provide sufficient cash flow on its own to service the debt or have sufficient value in a liquidation to cover the outstanding principal. The condition of the local economy is an important indicator of risk, but there are also more specific risks depending on the type of project and the experience and resources of the developer. Consumer loans are made for the construction of residential homes for which a binding sales contract exists and generally are for a period of time sufficient to complete construction. Residential construction loans to individuals generally provide for the payment of interest only during the construction phase. Credit risk for residential real estate construction loans can arise from construction delays, cost overruns, failure of the contractor to complete the project to specifications and economic conditions that could impact demand for or supply of the property being constructed.

Other loans, which includes the Company's largest lending relationship, has unique risk attributes considered inconsistent with our current underwriting standards. The ACL reserve for the Other segment is based on a models based on projected discounted cash flows and supportable loan amount and reserves will fluctuate based on expected cash flow changes and curtailments in the future. These inconsistencies may include, but are not limited to i) transaction and/or relationship sizes that exceed limits established in 2018, ii) overreliance on secondary, tertiary or guarantor cash flow, iii) land acquisition loans without a defined

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

source of amortization, iv) loan structures on operating lines of credit dependent on the value of real estate rather than trading assets, and v) indirect liabilities of certain guarantees resulting from the nonpayment of financial obligations. Management continuously assesses underwriting standards, but significantly enhanced these standards in 2018.

Current Expected Credit Losses (“CECL”) Model

The CECL model is based on our best estimate of facts known with the most current information. Certain portions of the CECL model are inherently subjective and include, but are not limited to estimates with respect to: prepayment speeds, the timing of prepayments, potential losses given default, discount rates and the timing of future cash flows. Management utilizes widely published economic forecasts as the basis for the regression analysis used to estimate the probability of default in the baseline model. The peaks and troughs of these forecasts serve as guardrails for potential subjective adjustments. In addition to considering the outcomes based on the range of forecasts, management recognizes that the assumptions used in economic forecasts may not perfectly align with our market area, risk profile or unique attributes of our portfolio along with other important considerations. Severe changes in forecasts can also create significant variability and management must assess not only the absolute balance of reserves but also consider the appropriateness of the velocity of change. Therefore, management developed a framework to assess the tolerance and reasonableness of the CECL modeling process by challenging certain elements of the forecasts, when appropriate. These outcomes, known as “challenger models,” provide opportunities to examine and subjectively adjust the CECL model output and are designed to be counter cyclical, thereby reducing variability.

Credit Quality Indicators:

The Company’s portfolio grading analysis estimates the capability of the borrower to repay the contractual obligations of the loan agreements as scheduled or at all. The Company’s internal credit risk grading system is based on debt service coverage, collateral values and other subjective factors. Mortgage and consumer loans are defaulted to a pass grade until a loan migrates to past due status.

The Company has a loan review policy and annual scope report that details the level of loan review for loans in a given year. The annual loan review provides the Credit Risk Committee with an independent analysis of the following: 1) credit quality of the loan portfolio, 2) compliance with the loan policy, 3) adequacy of documentation in credit files and 4) validity of risk ratings. Since 2020 and continuing through 2025, the Company used a five step approach for loan review in the following categories:

- Individual reviews of the top twenty large loan relationships (“LLRs”), which are defined as any individual commercial loan or aggregate commercial relationship totaling \$2.0 million or more;
- A sampling of small LLRs, which are defined as individual commercial loans or relationships with aggregate exposure of \$2.0 million or more but not included in the top twenty LLRs;
- A sampling review of commercial loans up to \$10 million in commitment; and
- Focus reviews of micro commercial loans defined as \$2.0 million or less, to evaluate emerging risk rather than individual loan risk. Focus reviews are performed annually on a rotational basis.

The Company’s internally assigned grades are as follows:

Pass – The Company uses six grades of pass, including its watch rating. Generally, a pass rating indicates that the loan is currently performing and is of high quality.

Special Mention – Assets with potential weaknesses that warrant management’s close attention and if left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution’s credit position at some future date.

Substandard – Assets that are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. Such assets are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

CARTER BANKSHARES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

Doubtful – Assets with all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions, and values, highly questionable and improbable.

Loss – Assets considered of such little value that its continuance on the books is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

The ability of borrowers to repay commercial loans is dependent upon the success of their business and general economic conditions. Due to the greater potential for loss within our commercial portfolio, we monitor the commercial loan portfolio through an internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower and are reviewed on an ongoing basis according to our internal policies. Loans rated special mention or substandard have potential or well-defined weaknesses not generally found in high quality, performing loans, and require attention from management to limit loss. The loan portfolio has not yet been significantly impacted by tariffs or other actual or potential changes in trade policies, but potential supply chain disruption and commodity price volatility present additional risk to the loan portfolio.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The following table presents loan balances by year of origination and internally assigned risk rating for our portfolio segments as of March 31,:

	Risk Rating								
(Dollars in Thousands)	2025	2024	2023	2022	2021	2020 and Prior	Revolving	Total Portfolio Loans	
Commercial Real Estate									
Pass	\$ 54,912	\$ 185,789	\$ 295,093	\$ 417,116	\$ 236,973	\$ 667,046	\$ 44,629	\$ 1,901,558	
Special Mention	—	—	—	—	—	56	—	56	
Substandard	—	9,504	—	4,516	107	86	36	14,249	
Total Commercial Real Estate	\$ 54,912	\$ 195,293	\$ 295,093	\$ 421,632	\$ 237,080	\$ 667,188	\$ 44,665	\$ 1,915,863	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Commercial and Industrial									
Pass	\$ 270	\$ 754	\$ 22,994	\$ 24,078	\$ 12,272	\$ 129,619	\$ 41,031	\$ 231,018	
Special Mention	—	—	—	612	—	—	1,324	1,936	
Substandard	—	—	—	17	1,023	30	—	1,070	
Total Commercial and Industrial	\$ 270	\$ 754	\$ 22,994	\$ 24,707	\$ 13,295	\$ 129,649	\$ 42,355	\$ 234,024	
YTD Gross Charge-offs	—	—	—	7	—	—	—	7	
Residential Mortgages									
Pass	\$ 34,459	\$ 22,528	\$ 69,718	\$ 277,139	\$ 156,721	\$ 179,512	\$ 55,759	\$ 795,836	
Special Mention	—	—	—	—	—	91	—	91	
Substandard	—	—	—	519	—	3,957	850	5,326	
Total Residential Mortgages	\$ 34,459	\$ 22,528	\$ 69,718	\$ 277,658	\$ 156,721	\$ 183,560	\$ 56,609	\$ 801,253	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Other Consumer									
Pass	\$ 9,438	\$ 10,232	\$ 4,249	\$ 2,040	\$ 677	\$ 2,130	\$ —	\$ 28,766	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	—	21	—	7	10	—	—	38	
Total Other Consumer	\$ 9,438	\$ 10,253	\$ 4,249	\$ 2,047	\$ 687	\$ 2,130	\$ —	\$ 28,804	
YTD Gross Charge-offs	—	51	12	66	37	5	—	171	
Construction									
Pass	\$ 13,047	\$ 90,300	\$ 191,895	\$ 139,629	\$ 5,798	\$ 8,895	\$ 5,031	\$ 454,595	
Special Mention	—	—	—	—	—	4,477	—	4,477	
Substandard	—	—	—	—	173	40	—	213	
Total Construction	\$ 13,047	\$ 90,300	\$ 191,895	\$ 139,629	\$ 5,971	\$ 13,412	\$ 5,031	\$ 459,285	
YTD Gross Charge-offs	—	—	—	1	—	—	—	1	
Other									
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,202	\$ —	\$ 3,202	
Special Mention	—	—	—	—	—	—	—	—	
Substandard	155,189	89,875	—	—	—	—	—	245,064	
Total Other Loans	\$ 155,189	\$ 89,875	\$ —	\$ —	\$ —	\$ 3,202	\$ —	\$ 248,266	
YTD Gross Charge-offs	—	—	—	—	—	—	—	—	
Total Portfolio Loans									
Pass	\$ 112,126	\$ 309,603	\$ 583,949	\$ 860,002	\$ 412,441	\$ 990,404	\$ 146,450	\$ 3,414,975	
Special Mention	—	—	—	612	—	4,624	1,324	6,560	
Substandard	155,189	99,400	—	5,059	1,313	4,113	886	265,960	
Total Portfolio Loans	\$ 267,315	\$ 409,003	\$ 583,949	\$ 865,673	\$ 413,754	\$ 999,141	\$ 148,660	\$ 3,687,495	
Current YTD Period:									
YTD Gross Charge-offs	\$ —	\$ 51	\$ 12	\$ 74	\$ 37	\$ 5	\$ —	\$ 179	

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The following table presents loan balances by year of origination and internally assigned risk rating for our portfolio segments as of December 31,:

	Risk Rating							Total Portfolio Loans
(Dollars in Thousands)	2024	2023	2022	2021	2020	2019 and Prior	Revolving	
Commercial Real Estate								
Pass	\$ 184,228	\$ 279,983	\$ 424,195	\$ 241,233	\$ 132,329	\$ 552,439	\$ 45,906	\$ 1,860,313
Special Mention	2,400	—	—	—	—	60	—	2,460
Substandard	—	—	6,182	109	—	615	152	7,058
Total Commercial Real Estate	\$ 186,628	\$ 279,983	\$ 430,377	\$ 241,342	\$ 132,329	\$ 553,114	\$ 46,058	\$ 1,869,831
YTD Gross Charge-offs	—	—	—	—	—	—	—	—
Commercial and Industrial								
Pass	\$ 1,130	\$ 23,676	\$ 24,645	\$ 12,843	\$ 19,261	\$ 116,868	\$ 28,989	\$ 227,412
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	685	1,026	33	—	1,327	3,071
Total Commercial and Industrial	\$ 1,130	\$ 23,676	\$ 25,330	\$ 13,869	\$ 19,294	\$ 116,868	\$ 30,316	\$ 230,483
YTD Gross Charge-offs	—	—	—	21	18	1	—	40
Residential Mortgages								
Pass	\$ 31,766	\$ 68,926	\$ 278,320	\$ 155,637	\$ 69,417	\$ 115,181	\$ 53,267	\$ 772,514
Special Mention	—	—	—	—	—	92	—	92
Substandard	—	—	527	—	2,053	1,597	688	4,865
Total Residential Mortgages	\$ 31,766	\$ 68,926	\$ 278,847	\$ 155,637	\$ 71,470	\$ 116,870	\$ 53,955	\$ 777,471
YTD Gross Charge-offs	—	1	—	—	—	31	—	32
Other Consumer								
Pass	\$ 17,896	\$ 5,042	\$ 2,456	\$ 905	\$ 2,433	\$ 124	\$ 32	\$ 28,888
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	1	8	11	—	—	—	20
Total Other Consumer	\$ 17,896	\$ 5,043	\$ 2,464	\$ 916	\$ 2,433	\$ 124	\$ 32	\$ 28,908
YTD Gross Charge-offs	250	119	965	378	27	20	—	1,759
Construction								
Pass	\$ 99,592	\$ 192,593	\$ 138,982	\$ 11,479	\$ 2,408	\$ 6,779	\$ 6,390	\$ 458,223
Special Mention	—	—	—	—	4,429	50	—	4,479
Substandard	—	—	—	185	43	—	—	228
Total Construction	\$ 99,592	\$ 192,593	\$ 138,982	\$ 11,664	\$ 6,880	\$ 6,829	\$ 6,390	\$ 462,930
YTD Gross Charge-offs	—	—	1	—	—	156	—	157
Other								
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,221	\$ —	\$ 3,221
Special Mention	—	—	—	—	—	—	—	—
Substandard	251,982	—	—	—	—	—	—	251,982
Total Other Loans	\$ 251,982	\$ —	\$ —	\$ —	\$ —	\$ 3,221	\$ —	\$ 255,203
YTD Gross Charge-offs	15,000	—	—	—	—	—	—	15,000
Total Portfolio Loans								
Pass	\$ 334,612	\$ 570,220	\$ 868,598	\$ 422,097	\$ 225,848	\$ 794,612	\$ 134,584	\$ 3,350,571
Special Mention	2,400	—	—	—	4,429	202	—	7,031
Substandard	251,982	1	7,402	1,331	2,129	2,212	2,167	267,224
Total Portfolio Loans	\$ 588,994	\$ 570,221	\$ 876,000	\$ 423,428	\$ 232,406	\$ 797,026	\$ 136,751	\$ 3,624,826
Current YTD Period:								
YTD Gross Charge-offs	\$ 15,250	\$ 120	\$ 966	\$ 399	\$ 45	\$ 208	\$ —	\$ 16,988

The Bank's largest credit relationship was nonperforming and rated as substandard at both March 31, 2025 and December 31, 2024 with an aggregate principal balance of \$245.1 million and \$252.0 million at March 31, 2025 and December 31, 2024, respectively.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The following table presents loan balances by year of origination and performing and nonperforming status for our portfolio segments as of March 31,:

(Dollars in Thousands)	2025	2024	2023	2022	2021	2020 and Prior	Revolving	Total Portfolio Loans
Commercial Real Estate								
Performing	\$ 54,912	\$ 185,789	\$ 295,093	\$ 421,632	\$ 236,973	\$ 667,102	\$ 44,629	\$ 1,906,130
Nonperforming	—	9,504	—	—	107	86	36	9,733
Total Commercial Real Estate	\$ 54,912	\$ 195,293	\$ 295,093	\$ 421,632	\$ 237,080	\$ 667,188	\$ 44,665	\$ 1,915,863
Commercial and Industrial								
Performing	\$ 270	\$ 754	\$ 22,994	\$ 24,690	\$ 12,272	\$ 129,619	\$ 42,355	\$ 232,954
Nonperforming	—	—	—	17	1,023	30	—	1,070
Total Commercial and Industrial	\$ 270	\$ 754	\$ 22,994	\$ 24,707	\$ 13,295	\$ 129,649	\$ 42,355	\$ 234,024
Residential Mortgages								
Performing	\$ 34,459	\$ 22,528	\$ 69,718	\$ 277,139	\$ 156,721	\$ 179,603	\$ 55,759	\$ 795,927
Nonperforming	—	—	—	519	—	3,957	850	5,326
Total Residential Mortgages	\$ 34,459	\$ 22,528	\$ 69,718	\$ 277,658	\$ 156,721	\$ 183,560	\$ 56,609	\$ 801,253
Other Consumer								
Performing	\$ 9,438	\$ 10,232	\$ 4,249	\$ 2,040	\$ 677	\$ 2,130	\$ —	\$ 28,766
Nonperforming	—	21	—	7	10	—	—	38
Total Other Consumer	\$ 9,438	\$ 10,253	\$ 4,249	\$ 2,047	\$ 687	\$ 2,130	\$ —	\$ 28,804
Construction								
Performing	\$ 13,047	\$ 90,300	\$ 191,895	\$ 139,629	\$ 5,798	\$ 13,372	\$ 5,031	\$ 459,072
Nonperforming	—	—	—	—	173	40	—	213
Total Construction	\$ 13,047	\$ 90,300	\$ 191,895	\$ 139,629	\$ 5,971	\$ 13,412	\$ 5,031	\$ 459,285
Other								
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,202	\$ —	\$ 3,202
Nonperforming	155,189	89,875	—	—	—	—	—	245,064
Total Other Loans	\$ 155,189	\$ 89,875	\$ —	\$ —	\$ —	\$ 3,202	\$ —	\$ 248,266
Total Portfolio Loans								
Performing	\$ 112,126	\$ 309,603	\$ 583,949	\$ 865,130	\$ 412,441	\$ 995,028	\$ 147,774	\$ 3,426,051
Nonperforming	155,189	99,400	—	543	1,313	4,113	886	261,444
Total Portfolio Loans	\$ 267,315	\$ 409,003	\$ 583,949	\$ 865,673	\$ 413,754	\$ 999,141	\$ 148,660	\$ 3,687,495

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The following table presents loan balances by year of origination and performing and nonperforming status for our portfolio segments as of December 31,:

(Dollars in Thousands)	2024	2023	2022	2021	2020	2019 and Prior	Revolving	Total Portfolio Loans
Commercial Real Estate								
Performing	\$ 186,628	\$ 279,983	\$ 430,076	\$ 241,233	\$ 132,329	\$ 552,500	\$ 45,906	\$ 1,868,655
Nonperforming	—	—	301	109	—	614	152	1,176
Total Commercial Real Estate	\$ 186,628	\$ 279,983	\$ 430,377	\$ 241,342	\$ 132,329	\$ 553,114	\$ 46,058	\$ 1,869,831
Commercial and Industrial								
Performing	\$ 1,130	\$ 23,676	\$ 25,311	\$ 12,843	\$ 19,261	\$ 116,868	\$ 30,316	\$ 229,405
Nonperforming	—	—	19	1,026	33	—	—	1,078
Total Commercial and Industrial	\$ 1,130	\$ 23,676	\$ 25,330	\$ 13,869	\$ 19,294	\$ 116,868	\$ 30,316	\$ 230,483
Residential Mortgages								
Performing	\$ 31,766	\$ 68,926	\$ 278,320	\$ 155,637	\$ 69,417	\$ 115,273	\$ 53,267	\$ 772,606
Nonperforming	—	—	527	—	2,053	1,597	688	4,865
Total Residential Mortgages	\$ 31,766	\$ 68,926	\$ 278,847	\$ 155,637	\$ 71,470	\$ 116,870	\$ 53,955	\$ 777,471
Other Consumer								
Performing	\$ 17,896	\$ 5,043	\$ 2,455	\$ 905	\$ 2,433	\$ 124	\$ 32	\$ 28,888
Nonperforming	—	—	9	11	—	—	—	20
Total Other Consumer	\$ 17,896	\$ 5,043	\$ 2,464	\$ 916	\$ 2,433	\$ 124	\$ 32	\$ 28,908
Construction								
Performing	\$ 99,592	\$ 192,593	\$ 138,982	\$ 11,479	\$ 6,837	\$ 6,829	\$ 6,390	\$ 462,702
Nonperforming	—	—	—	185	43	—	—	228
Total Construction	\$ 99,592	\$ 192,593	\$ 138,982	\$ 11,664	\$ 6,880	\$ 6,829	\$ 6,390	\$ 462,930
Other								
Performing	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,221	\$ —	\$ 3,221
Nonperforming	251,982	—	—	—	—	—	—	251,982
Total Other Loans	\$ 251,982	\$ —	\$ —	\$ —	\$ —	\$ 3,221	\$ —	\$ 255,203
Total Portfolio Loans								
Performing	\$ 337,012	\$ 570,221	\$ 875,144	\$ 422,097	\$ 230,277	\$ 794,815	\$ 135,911	\$ 3,365,477
Nonperforming	251,982	—	856	1,331	2,129	2,211	840	259,349
Total Portfolio Loans	\$ 588,994	\$ 570,221	\$ 876,000	\$ 423,428	\$ 232,406	\$ 797,026	\$ 136,751	\$ 3,624,826

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

Age Analysis of Past-Due Loans by Class

The following tables include an aging analysis of the recorded investment of past-due portfolio loans at the dates presented:

March 31, 2025						
(Dollars in Thousands)	Current Loans	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Total 30-89 Days Past Due	Nonaccrual Loans	Total Portfolio Loans
Commercial Real Estate	\$ 1,905,870	\$ 260	\$ —	\$ 260	\$ 9,733	\$ 1,915,863
Commercial & Industrial	232,169	5	780	785	1,070	234,024
Residential Mortgages	794,999	928	—	928	5,326	801,253
Other Consumer	28,515	191	60	251	38	28,804
Construction	459,072	—	—	—	213	459,285
Other	3,202	—	—	—	245,064	248,266
Total	\$ 3,423,827	\$ 1,384	\$ 840	\$ 2,224	\$ 261,444	\$ 3,687,495

December 31, 2024						
(Dollars in Thousands)	Current Loans	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Total 30-89 Days Past Due	Nonaccrual Loans	Total Portfolio Loans
Commercial Real Estate	\$ 1,866,013	\$ 2,642	\$ —	\$ 2,642	\$ 1,176	\$ 1,869,831
Commercial & Industrial	229,225	180	—	180	1,078	230,483
Residential Mortgages	771,689	867	50	917	4,865	777,471
Other Consumer	28,582	208	98	306	20	28,908
Construction	461,919	783	—	783	228	462,930
Other	3,221	—	—	—	251,982	255,203
Total	\$ 3,360,649	\$ 4,680	\$ 148	\$ 4,828	\$ 259,349	\$ 3,624,826

Loans past due 90 days or more and still accruing are automatically transferred to nonaccrual status and were zero at March 31, 2025 and December 31, 2024, respectively.

There were no nonaccrual or past due loans related to loans held-for-sale as of March 31, 2025 and December 31, 2024, respectively.

The following table presents loans on nonaccrual status and loans past due 90 days or more and still accruing by portfolio segment of loan at the dates presented. There were no loans at the dates presented that were past due more than 90 days and still accruing.

(Dollars in Thousands)	March 31, 2025			December 31, 2024		
	Nonaccrual without an Allowance for Credit Losses	Nonaccrual with an Allowance for Credit Losses	Total Nonaccrual Loans	Nonaccrual without an Allowance for Credit Losses	Nonaccrual with an Allowance for Credit Losses	Total Nonaccrual Loans
Commercial Real Estate	\$ 9,504	\$ 229	\$ 9,733	\$ —	\$ 1,176	\$ 1,176
Commercial and Industrial	—	1,070	1,070	—	1,078	1,078
Residential Mortgages	2,018	3,308	5,326	2,053	2,812	4,865
Other Consumer	—	38	38	—	20	20
Construction	—	213	213	—	228	228
Other	—	245,064	245,064	—	251,982	251,982
Total Portfolio Loans	\$ 11,522	\$ 249,922	\$ 261,444	\$ 2,053	\$ 257,296	\$ 259,349

A loan is considered nonperforming when we transfer the interest methodology from accrual to nonaccrual. Nonaccrual status recognizes that the collection in full of both principal and interest is unlikely. Without applying additional scrutiny at a granular level, management believes delinquency to be a leading indicator with respect to the likelihood of collection in full of both principal and interest. Accordingly, management automatically transfers loans to nonaccrual status if they are 90 or more days' delinquent. Management reserves the right to exercise discretion at the individual loan level. For example, we may elect to transfer a loan to nonaccrual regardless of the delinquency status if we believe the collection in full of both principal and interest to be unlikely. We may also elect to retain a loan that is 90 or more days' delinquent in accrual status if we believe the loan is well secured and in the process of collection. Nonaccrual loans, and loans that have been characterized as restructured

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loans may be individually evaluated for credit losses in the Allowance for Credit Losses model if the loan commitment is \$1.0 million or greater and/or based on management's discretion; unless we elect to maintain the loan in the general pool. During the three months ended March 31, 2025 and March 31, 2024, respectively, no material amount of interest income was recognized on nonperforming loans subsequent to their classification as nonperforming loans.

The following table presents the amortized cost basis of individually evaluated loans at the dates presented. Changes in the fair value of the types of collateral and discounted cash flow modeling for individually evaluated loans are reported in the (recovery) provision for credit losses on loans in the period of change.

March 31, 2025						
Collateral Type	Warehouse	Equipment	Single Family	Multi Family	Discounted Cash Flow	Total
(Dollars in Thousands)	Fair Value - Collateral					
Commercial Real Estate	\$ 9,504	\$ —	\$ —	\$ 4,516	\$ —	\$ 14,020
Commercial and Industrial	—	1,023	—	—	—	1,023
Residential Mortgage	—	—	2,018	—	—	2,018
Other	—	—	—	—	245,064	245,064
Total	\$ 9,504	\$ 1,023	\$ 2,018	\$ 4,516	\$ 245,064	\$ 262,125

December 31, 2024				
Collateral Type	Equipment	Single Family	Discounted Cash Flow	Total
(Dollars in Thousands)	Fair Value - Collateral			
Commercial and Industrial	1,026	—	—	1,026
Residential Mortgage	—	2,053	—	2,053
Other	—	—	251,982	251,982
Total	\$ 1,026	\$ 2,053	\$ 251,982	\$ 255,061

The following tables presents activity in the ACL for the periods presented:

Three Months Ended March 31, 2025							
(Dollars in Thousands)	Commercial Real Estate	Commercial & Industrial	Residential Mortgages	Other Consumer	Construction	Other	Total
Allowance for Credit Losses on Loans:							
Balance, Beginning of Period	\$ 20,146	\$ 2,791	\$ 10,389	\$ 682	\$ 11,297	\$ 30,295	\$ 75,600
(Recovery) Provision for Credit Losses on Loans	(2)	(112)	446	72	752	(3,181)	(2,025)
Charge-offs	—	(7)	—	(171)	(1)	—	(179)
Recoveries	—	3	8	110	1	—	122
Net (Charge-offs) Recoveries	—	(4)	8	(61)	—	—	(57)
Balance, End of Period	\$ 20,144	\$ 2,675	\$ 10,843	\$ 693	\$ 12,049	\$ 27,114	\$ 73,518

Three Months Ended March 31, 2024							
(Dollars in Thousands)	Commercial Real Estate	Commercial & Industrial	Residential Mortgages	Other Consumer	Construction	Other	Total
Allowance for Credit Losses on Loans:							
Balance, Beginning of Period	\$ 19,873	\$ 3,286	\$ 10,879	\$ 868	\$ 7,792	\$ 54,354	\$ 97,052
(Recovery) Provision for Credit Losses on Loans	(711)	(208)	180	253	503	(1)	16
Charge-offs	—	(18)	(23)	(480)	(156)	—	(677)
Recoveries	—	1	2	142	—	—	145
Net Charge-offs	—	(17)	(21)	(338)	(156)	—	(532)
Balance, End of Period	\$ 19,162	\$ 3,061	\$ 11,038	\$ 783	\$ 8,139	\$ 54,353	\$ 96,536

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NOTE 6 - FAIR VALUE MEASUREMENTS

The Company uses fair value measurements when recording and disclosing certain financial assets and liabilities. Securities available-for-sale, equity securities, loans and derivative financial instruments are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record other assets at fair value on a nonrecurring basis, such as loans held-for-sale, individually evaluated loans, OREO, and certain other assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction. In determining fair value, we use various valuation approaches, including market, income and cost approaches. The fair value standard establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, which are developed based on market data we have obtained from independent sources. Unobservable inputs reflect our estimates of assumptions that market participants would use in pricing an asset or liability, which are developed based on the best information available in the circumstances.

The fair value hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. We recognize transfers between any of the fair value hierarchy levels at the end of the reporting period in which the transfer occurred.

The following are descriptions of the valuation methodologies that the Company uses for financial instruments recorded at fair value on either a recurring or nonrecurring basis.

Recurring Basis

Securities Available-for-Sale: The fair values of securities available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges, if available. This valuation method is classified as Level 1 in the fair value hierarchy. For securities where quoted prices are not available, fair values are calculated on market prices of similar securities, or matrix pricing, which is a mathematical technique, used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. Matrix pricing relies on the securities' relationship to similarly traded securities, benchmark curves, and the benchmarking of like securities. Matrix pricing utilizes observable market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. In instances where broker quotes are used, these quotes are obtained from market makers or broker-dealers recognized to be market participants. This valuation method is classified as Level 2 in the fair value hierarchy. For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators. This valuation method is classified as Level 3 in the fair value hierarchy.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
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Equity Securities: The fair values of equity securities are determined by obtaining quoted prices on nationally recognized or foreign securities exchanges, if available. This valuation method is classified as Level 1 in the fair value hierarchy. As of March 31, 2025, Level 1 fair values are available for each of the Company's equity securities.

Derivative Financial Instruments and Hedging Activities: The Company uses derivative instruments such as interest rate swaps for commercial loans with our customers. Upon entering into swaps with the borrower, the Company entered into offsetting positions with counterparties to minimize risk to the Company. The back-to-back swaps qualify as derivatives, but are not designated as hedging instruments. Interest rate swap contracts involve the risk of dealing with borrower and counterparties and their ability to meet contractual terms. We calculate the fair value for derivatives using accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. Each valuation considers the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, such as interest rate curves and implied volatilities. When the fair value of a derivative instrument contract is positive, this generally indicates that the counterparty or customer owes the Company, and results in credit risk to the Company. When the fair value of a derivative instrument contract is negative, the Company owes the customer or counterparty, and, therefore, has no risk. Accordingly, interest rate swaps for commercial loans are classified as Level 2.

The Company previously used pay-fixed/receive-floating interest rate swaps (the "Pay-Fixed Swap Agreements"). The Pay-Fixed Swap Agreements were designated as fair value hedges in order to hedge the risk of changes in the fair value of the fixed rate loans included in the amortizing single family mortgages and CRE loans. These fair value hedges were utilized to convert the hedged loans from a fixed rate to a synthetic floating Secured Overnight Financing Rate ("SOFR"). As long as a hedging instrument was designated and the results of the effectiveness testing support that the instrument qualified for hedge accounting treatment, 100% of the periodic changes in fair value of the hedging instrument were accounted for in net interest income. The fair value of the hedge was recorded in either other assets or in other liabilities depending on the position of the hedge, and the offset was recorded in loans. This was the case whether or not economic mismatches exist in the hedging relationship. As a result, there was no periodic measurement or recognition of ineffectiveness. Rather, the full impact of hedge gains and losses was recognized in the period in which the hedged transactions had an impact to earnings. As of March 31, 2025 the Company had since terminated all its Pay-Fixed Swap Agreements.

The Company also enters into commitments to originate mortgage loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans to be held-for-sale are considered to be derivatives. The period of time between issuance of a loan commitment and closing and sale of the loan generally ranges from 15 to 90 days. The Company protects itself from changes in interest rates through the use of best efforts forward delivery commitments, whereby the Company commits to sell a loan at the time the borrower commits to an interest rate with the intent that the buyer has assumed interest rate risk on rate lock commitments due to changes in interest rates.

Nonrecurring Basis

Individually Evaluated Loans: Individually evaluated loans with commitments of \$1.0 million or greater and/or based on management's discretion are evaluated for potential specific reserves and adjusted, if a shortfall exists, to fair value less costs to sell. Fair value is measured based on the value of the underlying collateral securing the loan if repayment is expected solely from the sale or operation of the collateral or present value of estimated future cash flows discounted at the loan's contractual interest rate if the loan is not determined to be collateral dependent. All loans with a specific reserve are classified as Level 3 in the fair value hierarchy.

Fair value for individually evaluated loans is determined using several methods. Generally, the fair value of real estate is determined based on appraisals by qualified licensed appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. These routine adjustments are made to adjust the value of a specific property relative to comparable properties for variations in qualities such as location, size, and income production capacity relative to the subject property of the appraisal. Such adjustments are typically significant and result in a Level 3 classification of the inputs for determining fair value.

Subsequent to the initial impairment date, existing individually evaluated loans are reevaluated quarterly for additional impairment and adjustments to fair value less costs to sell are made, where appropriate. For individually evaluated loans, the first stage of our impairment analysis involves inspection of the property in question to affirm the condition has not deteriorated since the previous impairment analysis date. Management also engages in conversations with local real estate professionals and

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market participants to determine the likely marketing time and value range for the property. The second stage involves an assessment of current trends in the regional market. After thorough consideration of these factors, management will order a new appraisal.

OREO is evaluated at the time of acquisition and is recorded at fair value as determined by an appraisal or evaluation, less costs to sell. After acquisition, most OREO assets are revalued every twelve months, or more frequently when deemed necessary by management based upon changes in market or collateral conditions. For smaller OREO assets with existing carrying values less than \$0.5 million, management may elect to re-value the assets, at minimum, once every twenty-four months based on the size of the exposure. Fair value, when recorded, is generally based upon appraisals by approved, independent state certified appraisers. Appraisals on OREO may be discounted based on our historical knowledge, changes in market conditions from the time of appraisal or other information available to us. OREO and other repossessed assets marked to fair value are classified as Level 3. At March 31, 2025 OREO assets were in compliance with the OREO policy as set forth above, and substantially all of the assets were listed for sale with credible third-party real estate brokers.

The following tables present the Company's financial assets and liabilities that are measured at fair value on a recurring basis by fair value hierarchy level at the dates presented:

(Dollars in Thousands)	March 31, 2025			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities Available-for-Sale:				
U.S. Government Agency Securities	\$ 24,624	\$ —	\$ 24,624	\$ —
Residential Mortgage-Backed Securities	98,473	—	98,473	—
Commercial Mortgage-Backed Securities	20,472	—	20,472	—
Other Commercial Mortgage-Backed Securities	29,760	—	29,760	—
Asset Backed Securities	112,917	—	112,917	—
Collateralized Mortgage Obligations	168,551	—	168,551	—
States and Political Subdivisions	226,820	—	226,820	—
Corporate Notes	63,773	—	56,037	7,736
Total Securities Available-for-Sale	745,390	—	737,654	7,736
Equity Securities	10,178	10,178	—	—
Derivatives	13,879	—	13,879	—
Total	\$ 769,447	\$ 10,178	\$ 751,533	\$ 7,736
Liabilities				
Derivatives	\$ 13,723	\$ —	\$ 13,723	\$ —
Total	\$ 13,723	\$ —	\$ 13,723	\$ —

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(Dollars in Thousands)	December 31, 2024			
	Carrying Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Securities Available-for-Sale:				
U.S. Government Agency Securities	\$ 26,950	\$ —	\$ 26,950	\$ —
Residential Mortgage-Backed Securities	96,153	—	96,153	—
Commercial Mortgage-Backed Securities	21,587	—	21,587	—
Other Commercial Mortgage-Backed Securities	21,970	—	21,970	—
Asset Backed Securities	118,521	—	118,521	—
Collateralized Mortgage Obligations	148,588	—	148,588	—
States and Political Subdivisions	221,181	—	221,181	—
Corporate Notes	63,450	—	55,692	7,758
Total Securities Available-for-Sale	718,400	—	710,642	7,758
Equity Securities	10,041	10,041	—	—
Portfolio Loan Pool Subject to Fair Value Hedge	622	—	622	—
Derivatives	17,356	—	17,356	—
Total	\$ 746,419	\$ 10,041	\$ 728,620	\$ 7,758
Liabilities				
Derivatives	\$ 17,710	\$ —	\$ 17,710	\$ —
Total	\$ 17,710	\$ —	\$ 17,710	\$ —

We have invested in subordinated debt of other financial institutions. We have two securities totaling \$7.7 million that are considered to be Level 3 securities at March 31, 2025 and two totaling \$7.8 million at December 31, 2024, attributable to the calculated change in fair value of \$0.1 million. The Level 3 fair value is benchmarked to other securities that have observable market values in Level 2 using comparable financial ratio analysis specific to the industry in which the underlying company operates. The underwriting includes considerations of capital adequacy, asset quality trends, management's ability to continue efficient and profitable operations, the institution's core earnings ability, liquidity management platform and current on and off-balance sheet interest rate risk exposures.

Financial assets measured at fair value on a nonrecurring basis at the dates presented are summarized below:

(Dollars in Thousands)	March 31, 2025			
	Level 1	Level 2	Level 3	Fair Value
OREO	\$ —	\$ —	\$ 577	\$ 577
Individually Evaluated Loans	\$ —	\$ —	\$ 579	\$ 579

(Dollars in Thousands)	December 31, 2024			
	Level 1	Level 2	Level 3	Fair Value
OREO	\$ —	\$ —	\$ 659	\$ 659
Individually Evaluated Loans	\$ —	\$ —	\$ 579	\$ 579

The Company had one C&I individually evaluated loan totaling \$0.6 million measured at fair value on a nonrecurring basis as of March 31, 2025 and at December 31, 2024. The Company's largest credit relationship is classified as an individually evaluated loan with a net carrying amount totaling \$218.0 million at March 31, 2025 and \$221.7 million at December 31, 2024. The Company utilized various cash flow and discounting assumptions in the alternative modeling, instead of fair value, which resulted in a valuation allowance of \$27.1 million at March 31, 2025 and \$30.3 million at December 31, 2024. When evaluating the net carrying value of this credit relationship at March 31, 2025, the Company utilized discounted cash flow valuation techniques to estimate the timing and magnitude of potential recoveries resulting from various collection processes.

OREO, which is measured at the lower of carrying or fair value less costs to sell, had a net carrying amount of \$0.6 million as of March 31, 2025, compared with \$0.7 million at December 31, 2024, primarily due to an additional write-down on an OREO

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property. The Company had \$0.1 million write-downs recorded on OREO for the three months ended March 31, 2025 and had zero write-downs recorded on OREO for the three months ended March 31, 2024.

The following tables summarize the Company's assets that were measured at fair value on a nonrecurring basis at the dates presented:

(Dollars in Thousands)	March 31, 2025				
	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Range	Average
Assets					
Individually Evaluated Loans	\$ 579	Appraisals	Estimated Selling Costs	3.5%	3.5 %
Total Individually Evaluated Loans	\$ 579				
OREO	389	Internal Valuations	Estimated Selling Costs	5.0%	5.0 %
OREO	188	Discounted Internal Valuations	Management's Subject Discount	24.0%	24.0 %
Total OREO	\$ 577				

(Dollars in Thousands)	December 31, 2024				
	Fair Value	Valuation Technique	Unobservable Inputs	Weighted Range	Average
Assets					
Individually Evaluated Loans	579	Discounted Appraisals	Estimated Selling Costs	3.5%	3.5 %
Total Individually Evaluated Loans	\$ 579				
OREO	143	Internal Valuations	Estimated Selling Costs	5.0%	5.0 %
OREO	516	Discounted Internal Valuations	Management's Subject Discount	0.0% — 24.0%	24.0 %
Total OREO	\$ 659				

A baseline discount rate has been established for impairment measurement. This baseline discount rate was back tested against historical OREO sales, and therefore, represents an average recovery rate based on the transaction sizes and asset types in the population examined. Management considers the unique attributes and characteristics of each specific individually evaluated loan and may use judgment to adjust the baseline discount rate when appropriate.

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The carrying values and estimated fair values of our financial instruments at March 31, 2025 and December 31, 2024 are presented in the following tables. Fair values for March 31, 2025 and December 31, 2024 are estimated under the exit price notion in accordance with ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities.”

GAAP requires disclosure of fair value information about financial instruments carried at book value on the Consolidated Balance Sheets. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

(Dollars in Thousands)	Carrying Value	Fair Value Measurements at March 31, 2025			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Cash Equivalents	\$ 88,999	\$ 42,509	\$ 46,490	\$ —	\$ 88,999
Securities Available-for-Sale	745,390	—	737,654	7,736	745,390
Equity Securities	10,178	10,178	—	—	10,178
Portfolio Loans, net	3,613,977	—	—	3,441,053	3,441,053
Federal Home Loan Bank Stock, at Cost	5,875	—	—	NA	NA
Other Assets- Interest Rate Derivatives	13,879	—	13,879	—	13,879
Accrued Interest Receivable	17,268	27	4,204	13,037	17,268
Financial Liabilities:					
Deposits	\$ 4,200,927	\$ 631,714	\$ 1,675,834	\$ 1,906,680	\$ 4,214,228
Other Liabilities- Interest Rate Derivatives	13,723	—	13,723	—	13,723
FHLB Borrowings	55,000	—	—	54,781	54,781
Accrued Interest Payable	6,733	—	1	6,732	6,733

(Dollars in Thousands)	Carrying Value	Fair Value Measurements at December 31, 2024			
		Level 1	Level 2	Level 3	Total
Financial Assets:					
Cash and Cash Equivalents	\$ 131,171	\$ 39,608	\$ 91,563	\$ —	\$ 131,171
Securities Available-for-Sale	718,400	—	710,642	7,758	718,400
Equity Securities	10,041	10,041	—	—	10,041
Portfolio Loans, net	3,549,226	—	—	3,379,192	3,379,192
Federal Home Loan Bank Stock, at Cost	6,487	—	—	NA	NA
Other Assets- Interest Rate Derivatives	17,356	—	17,356	—	17,356
Accrued Interest Receivable	17,842	—	4,406	13,436	17,842
Financial Liabilities:					
Deposits	\$ 4,153,421	\$ 634,436	\$ 1,594,615	\$ 1,937,914	\$ 4,166,965
Other Liabilities- Interest Rate Derivatives	17,710	—	17,710	—	17,710
FHLB Borrowings	70,000	—	—	69,604	69,604
Accrued Interest Payable	8,218	—	5	8,213	8,218

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 7 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In accordance with applicable accounting guidance for derivatives and hedging, all derivatives are recognized as either assets or liabilities on the Consolidated Balance Sheets at fair value. Interest rate swaps are contracts in which a series of interest rate flows (fixed and variable) are exchanged over a prescribed period. The notional amounts on which the interest payments are based are not exchanged. These derivative positions relate to transactions in which the Company enters into an interest rate swap with a commercial customer while at the same time entering into an offsetting interest rate swap with another financial institution, or counterparty. In connection with each transaction, the Company originates a floating rate loan to the customer at a notional amount. In turn, the customer contracts with the counterparty to swap the stream of cash flows associated with the floating interest rate loan with the Company for a stream of fixed interest rate cash flows based on the same notional amount as the Company's loan. The transaction allows the customer to effectively convert a variable rate loan to a fixed rate loan with the Company receiving a variable rate. These agreements could have floors or caps on the contracted interest rates.

The Company also has the ability to execute on balance sheet hedges. On July 11, 2024, the Company entered into two related Pay-Fixed Swap Agreements for a combined notional amount of \$300.0 million. The Pay-Fixed Swap Agreements were designated as fair value hedges in order to hedge the risk of changes in the fair value of the fixed rate loans included in amortizing single family mortgages and CRE loans. These fair value hedges were utilized to convert the hedged loans from a fixed rate to a synthetic floating SOFR. On December 19, 2024, the Company terminated the first Pay-Fixed Swap Agreement with an original notional value of \$175.0 million that would have matured on July 11, 2029. Negative interest income adjustments related to the termination of this hedge was \$154 thousand. On January 13, 2025, the Company terminated the remaining Pay-Fixed Swap Agreement with an original notional value of \$125.0 million that would have matured on July 11, 2027. The negative interest income adjustment for the termination of this hedge was \$110 thousand. While these two Pay-Fixed Swap Agreements were effective, the Company recognized interest income of \$1.2 million related to these agreements.

As long as a hedging instrument is designated and the results of the effectiveness testing support that the instrument qualifies for hedge accounting treatment, 100% of the periodic changes in fair value of the hedging instrument are accounted for in net interest income. The fair value of the remaining hedge is recorded in either other assets or in other liabilities depending on the position of the hedge, and the offset is recorded in loans. This is the case whether or not economic mismatches exist in the hedging relationship. As a result, there is no periodic measurement or recognition of ineffectiveness. Rather, the full impact of hedge gains and losses is recognized in the period in which the hedged transactions impact earnings. The remaining hedge was determined to be effective during all periods presented and the Company expects them to remain effective during the remaining terms.

Pursuant to agreements with various financial institutions, the Company may receive collateral or may be required to post collateral based upon mark-to-market positions. Beyond unsecured threshold levels, collateral in the form of cash or securities may be made available to counterparties of interest rate swap transactions. Based upon current positions and related future collateral requirements relating to them, management believes any effect on our cash flow or liquidity position to be immaterial.

Derivatives contain an element of credit risk, the possibility that the Company will incur a loss because a counterparty, which may be a financial institution or a customer, fails to meet its contractual obligations. All derivative contracts with financial institutions may be executed only with counterparties approved by the Asset and Liability Committee ("ALCO") and all derivatives with customers are approved by a team of members from senior management who have been trained to understand the risk associated with interest rate swaps and have past industry experience. Interest rate swaps are considered derivatives but are not accounted for using hedge accounting. As such, changes in the estimated fair value of the derivatives are recorded in current earnings in the Consolidated Statements of Income.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The following table indicates the amounts representing the fair value of derivative assets and derivative liabilities at the dates presented:

(Dollars in Thousands)	Fair Values of Derivative Instruments Asset Derivatives (Included in Other Assets)					
	March 31, 2025			December 31, 2024		
	Number of Transactions	Notional Amount	Fair Value	Number of Transactions	Notional Amount	Fair Value
Derivatives not Designated as Hedging Instruments						
Interest Rate Lock Commitments – Mortgage Loans	7	\$ 3,560	\$ 8	3	\$ 866	\$ 2
Interest Rate Swap Contracts – Commercial Loans	56	365,446	13,871	56	368,850	17,354
Total Derivatives not Designated as Hedging Instruments	63	\$ 369,006	\$ 13,879	59	\$ 369,716	\$ 17,356
Total Derivatives	63	\$ 369,006	\$ 13,879	59	\$ 369,716	\$ 17,356

(Dollars in Thousands)	Fair Values of Derivative Instruments Liability Derivatives (Included in Other Liabilities)					
	March 31, 2025			December 31, 2024		
	Number of Transactions	Notional Amount	Fair Value	Number of Transactions	Notional Amount	Fair Value
Derivatives Designated as Hedging Instruments						
Interest Rate Swaps - Balance Sheet Hedge	—	\$ —	\$ —	1	\$ 125,000	\$ 554
Total Derivatives Designated as Hedging Instruments	—	\$ —	\$ —	1	\$ 125,000	\$ 554
Derivatives not Designated as Hedging Instruments						
Forward Sale Contracts – Mortgage Loans	7	\$ 3,560	\$ 8	3	\$ 866	\$ 2
Interest Rate Swap Contracts – Commercial Loans	56	365,446	13,715	56	368,850	17,154
Total Derivatives not Designated as Hedging Instruments	63	\$ 369,006	\$ 13,723	59	\$ 369,716	\$ 17,156
Total Derivatives	63	\$ 369,006	\$ 13,723	60	\$ 494,716	\$ 17,710

The following table indicates the (loss) income recognized within “other noninterest income” in the Consolidated Statements of Income for derivatives as of the periods presented:

(Dollars in Thousands)	Three Months Ended March 31,	
	2025	2024
Derivatives Designated as Hedging Instruments		
Interest Rate Swaps - Balance Sheet Hedge	\$ (140)	\$ —
Total Derivative Loss Designated as Hedging Instruments	(140)	—
Derivatives not Designated as Hedging Instruments		
Interest Rate Lock Commitments – Mortgage Loans	6	(3)
Forward Sale Contracts – Mortgage Loans	(6)	3
Interest Rate Swap Contracts – Commercial Loans	(44)	14
Total Derivative (Loss) Income not Designated as Hedging Instruments	(44)	14
Net Derivative (Loss) Income	\$ (184)	\$ 14

Presenting offsetting derivatives that are subject to legally enforceable netting arrangements with the same party is permitted. For example, we may have a derivative asset and a derivative liability with the same counterparty to a swap transaction and are permitted to offset the asset position and the liability position resulting in a net presentation.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The following table indicates the gross amounts of derivative assets and derivative liabilities designated as hedging instruments and not designated as hedging instruments, the amounts offset and the carrying values included in the Consolidated Balance Sheets at the dates presented:

(Dollars in Thousands)	Asset Derivatives (Included in Other Assets)		Liability Derivatives (Included in Other Liabilities)	
	March 31, 2025	December 31, 2024	March 31, 2025	December 31, 2024
Derivatives Designated as Hedging Instruments				
Gross Amounts Recognized	\$ —	\$ —	\$ —	\$ 592
Gross Amounts Offset	—	—	—	38
Net Amounts Presented in the Consolidated Balance Sheets	—	—	—	554
Derivatives not Designated as Hedging Instruments				
Gross Amounts Recognized	13,879	17,356	13,723	17,156
Gross Amounts Offset	—	—	—	—
Net Amounts Presented in the Consolidated Balance Sheets	13,879	17,356	13,723	17,156
Net Amount	\$ 13,879	\$ 17,356	\$ 13,723	\$ 17,710

NOTE 8 – DEPOSITS

The following table presents the composition of deposits at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Noninterest-Bearing Demand	\$ 631,714	\$ 634,436
Interest-Bearing Demand	794,059	726,947
Money Market	528,381	512,162
Savings	353,394	355,506
Certificates of Deposits	1,893,379	1,924,370
Total	\$ 4,200,927	\$ 4,153,421

All deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to the maximum amount allowed by law. The Dodd-Frank Act, signed into law on July 21, 2010, makes permanent the \$250,000 limit for federal deposit insurance and the coverage limit applies per depositor, per insured depository institution for each account ownership. Certificates of deposits that exceed the FDIC Insurance limit of \$250,000 at March 31, 2025 and December 31, 2024 were \$295.0 million and \$297.9 million, respectively.

At both March 31, 2025 and December 31, 2024, total brokered deposits (excluding the Certificate of Deposit Account Registry Services (“CDARS”) and ICS two-way) were \$196.1 million, which are included within the “certificates of deposit” line item in the Consolidated Balance Sheet.

Certificates of Deposit maturing as of the date presented:

(Dollars in Thousands)	March 31, 2025
3 Months or Less	\$ 657,831
Over 3 Months through 12 Months	730,742
Over 1 Year Through 3 Years	409,783
Over 3 Years	95,023
Total	\$ 1,893,379

Overdrafts reclassified to loans were \$0.3 million at both March 31, 2025 and December 31, 2024, respectively.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 9 – FEDERAL HOME LOAN BANK BORROWINGS AND FEDERAL FUNDS PURCHASED

Borrowings serve as an additional source of liquidity for the Company. The Company had \$55.0 million of Federal Home Loan Bank (“FHLB”) borrowings at March 31, 2025 and \$70.0 million at December 31, 2024. The decrease of \$15.0 million is due to one FHLB advance that matured on March 27, 2025. FHLB borrowings are fixed and variable rate advances for various terms and are secured by a blanket lien on select residential mortgages, select multifamily loans, and select commercial real estate loans. The Company had no variable rate FHLB borrowings outstanding at March 31, 2025 or December 31, 2024. The FHLB charges prepayment fees for advances that are repaid before maturity, which is the net present value between current market rates and the fixed rate on each borrowing. Total loans pledged as collateral were \$1.6 billion at March 31, 2025 and at December 31, 2024. There were no securities available-for-sale pledged as collateral at both March 31, 2025 and December 31, 2024, respectively.

At March 31, 2025, funding sources accessible to the Company include borrowing availability at the FHLB, equal to 25% of the Company’s assets or approximately \$1.2 billion, subject to the amount of eligible collateral pledged, of which the Company is eligible to borrow up to an additional \$743.2 million. At March 31, 2025 and at December 31, 2024, the Company has \$30.0 million unsecured facilities with three other correspondent financial institutions, as well as, a \$45.0 million fully secured facility with one other correspondent financial institution. The Company also has access to the institutional certificate of deposit (“CD”) and brokered deposit markets. The Company did not have outstanding borrowings on these fed funds lines as of March 31, 2025 or December 31, 2024. The Company had the capacity to borrow up to an additional \$735.3 million from the FHLB at December 31, 2024.

The following table represents the balance of FHLB borrowings, the weighted average interest rate and the borrowing availability at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
FHLB Borrowings	\$ 55,000	\$ 70,000
Weighted Average Interest Rate	3.99 %	4.02 %
FHLB Availability	\$ 743,209	\$ 735,294

The following table represents the balance of federal funds purchased, the weighted average interest rate and the borrowing availability at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Federal Funds Purchased	\$ —	\$ —
Weighted Average Interest Rate	— %	— %
Federal Funds Purchased Availability	\$ 75,000	\$ 75,000

Scheduled annual maturities and weighted average interest rates for FHLB borrowings for each of the five years subsequent to March 31, 2025 and thereafter are as follows:

(Dollars in Thousands)	Balance	Weighted Average Rate
1 year	\$ 30,000	4.05 %
2 years	25,000	3.92 %
3 years	—	— %
4 years	—	— %
5 years	—	— %
Thereafter	—	— %
Total FHLB Borrowings	\$ 55,000	3.99 %

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Commitments to extend credit, which amounted to \$764.7 million at March 31, 2025 and \$833.6 million at December 31, 2024, represent agreements to lend to customers with fixed expiration dates or other termination clauses. The Company provides lines of credit to our clients to finance the completion of construction projects and revolving lines of credit to operating companies to finance their working capital needs. Lines of credit for construction projects represented \$435.6 million, or 57.0%, and \$445.3 million, or 53.4%, of the commitments to extend credit at March 31, 2025 and December 31, 2024, respectively. Standby letters of credit are conditional commitments issued by the Company guaranteeing the performance of a customer to a third-party. Those guarantees are primarily issued to support public and private borrowing arrangements. The Company had outstanding letters of credit totaling \$16.8 million at March 31, 2025 and \$16.7 million at December 31, 2024.

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Commitments to Extend Credit	\$ 764,687	\$ 833,594
Standby and Performance Letter of Credit	16,796	16,657
Total	\$ 781,483	\$ 850,251

Our exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and unconditional obligations as it does for on-balance sheet instruments. Unless noted otherwise, collateral or other security is required to support financial instruments with credit risk.

Life-of-Loss Reserve on Unfunded Loan Commitments

We maintain a life-of-loss reserve on unfunded commercial lending commitments and letters of credit to provide for the risk of loss inherent in these arrangements. The life-of-loss reserve is computed using a methodology similar to that used to determine the ACL for loans, modified to take into account the probability of a draw-down on the commitment. The life-of-loan reserve for unfunded commitments is included on our Consolidated Balance Sheets.

The following table presents activity in the life-of-loss reserve on unfunded loan commitments as of and for the dates presented:

(Dollars in Thousands)	March 31, 2025	March 31, 2024
Life-of-Loss Reserve on Unfunded Loan Commitments		
Balance at beginning of period	\$ 3,186	\$ 3,193
Recovery for Unfunded Commitments	(114)	(43)
Balance at end of period	\$ 3,072	\$ 3,150

Amounts are added or subtracted to the recovery for unfunded commitments through a credit or charge to current earnings in the recovery for unfunded commitments. A recovery of \$114 thousand was recorded for the three months ended March 31, 2025 for the recovery for unfunded commitments, which resulted in a decrease of \$71 thousand compared to the three months ended March 31, 2024.

Legal Proceedings

In the normal course of business, the Company is subject to various legal and administrative proceedings and claims. Legal and administrative proceedings are subject to inherent uncertainties and unfavorable rulings could occur, and although the timing and outcome of any legal or administrative proceeding cannot be predicted with certainty, the Company believes, based on current knowledge, that the resolution of any such matters will not have a material adverse effect on the Company.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

NOTE 11 – TAX EFFECTS ON OTHER COMPREHENSIVE INCOME

The following table presents the change in components of other comprehensive income for the periods presented, net of tax effects:

(Dollars in Thousands)	Pre-Tax Amount	Tax Expense	Net of Tax Amount
Three Months Ended March 31, 2025			
Net Unrealized Gains Arising during the Period	\$ 10,383	\$ (2,235)	\$ 8,148
Other Comprehensive Income	\$ 10,383	\$ (2,235)	\$ 8,148
Three Months Ended March 31, 2024			
Net Unrealized Gains Arising during the Period	\$ 2,119	\$ (476)	\$ 1,643
Other Comprehensive Income	\$ 2,119	\$ (476)	\$ 1,643

NOTE 12 - PROVISION FOR INCOME TAXES

The following is a reconciliation of the differences between income tax provision and the amount computed by applying the statutory federal income tax rate to income before taxes for the periods presented:

(Dollars in Thousands)	Three Months Ended March 31,			
	2025		2024	
	Amount	Percent	Amount	Percent
Federal Income Tax at Statutory Rate	\$ 2,339	21.0	\$ 1,519	21.0
State Income Tax, net of Federal Benefit	261	2.3	210	2.9
Tax-exempt Interest, net of Disallowance	(117)	(1.1)	(137)	(1.9)
Federal Tax Credits, net of Basis Reduction	(152)	(1.4)	(155)	(2.1)
Tax Credit Investment Amortization, net of Federal Benefit	128	1.2	129	1.8
Change in Valuation Allowance	34	0.3	21	0.3
Income from Bank Owned Life Insurance	(467)	(4.2)	(73)	(1.0)
Interim Period Effective Tax Rate Adjustment	181	1.6	(133)	(1.8)
Other	(24)	(0.1)	42	0.5
Income Tax Provision and Effective Income Tax Rate	\$ 2,183	19.6	\$ 1,423	19.7

The income tax provision differs from the amount computed by applying the statutory federal income tax rate to income before taxes. The Company ordinarily generates an annual effective tax rate that is less than the statutory rate of 21% due to benefits resulting from tax-exempt interest, tax-exempt income from bank-owned life insurance, and tax benefits resulting from certain partnership investments.

During the three months ended March 31, 2025, tax-free bank owned life insurance increased primarily due to an \$1.9 million BOLI death benefit.

The Company elected to adopt the proportional amortization method of accounting for all qualifying equity investments within the historic tax credits (“HTC”) program. The Company makes equity investments as a limited partner in various partnerships that sponsor HTC as a strategic tax initiative designed to receive income tax credits and other income tax benefits, such as deductible flow-through losses. As of March 31, 2025, the Company recognized \$1.0 million in HTC equity investments recorded as a component of other assets on the Consolidated Balance Sheets.

The Company records income tax credits and other income tax benefits received from its HTC investments as a component of the income tax provision on the Consolidated Statements of Income and as a component of operating activities on the Consolidated Statements of Cash Flows.

Investments accounted for using the proportional amortization method are amortized and recorded as a component of the income tax provision on the Consolidated Statements of Income.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (continued)

The Company records non-income-tax-related activity and other returns received from its HTC investments as a component of other noninterest income on the Consolidated Statements of Income and as a component of operating activities on the Consolidated Statements of Cash Flows. As of March 31, 2025, the Company has not recognized any non-income-tax-related activity from its HTC investments.

NOTE 13 - SEGMENT REPORTING

The Company is a holding company and the parent company to the Bank and conducts its business solely through the Bank. As a state-chartered commercial bank, the Bank earns revenue primarily from interest on loans and securities and fees charged for financial services provided to customers. The Company operates through a single operating and reporting segment, Community Banking that offers services which include accepting a full range of deposit products and originating commercial and consumer loans. All financial information is reported on a consolidated basis and is evaluated regularly by the Chief Executive Officer, the Company's Chief Operating Decision Maker ("CODM") in allocating resources and assessing performance. The CODM uses the consolidated net income to benchmark the Company against its competitors. The benchmarking analysis in conjunction with monitoring of actual to budget results are used in assessment of performance and in establishing compensation. Loans, investments and deposits provide the revenues, net in the community bank's operation. Interest expense, (recovery) provision for credit losses and salaries and benefits provide the significant expenses in the community bank's operation. The results of operations for the Company's single reporting segment are shown within the Consolidated Statements of Income and Consolidated Balance Sheets.

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is intended to help the reader understand Carter Bankshares, Inc., its operations, and its present business environment, and its consolidated results of operations and financial condition and highlights material changes in its financial condition and results of operations as of and for the three month periods ended March 31, 2025 and March 31, 2024. The MD&A is provided as a supplement to, and should be read in conjunction with, The Company’s Consolidated Financial Statements and the accompanying notes thereto contained in Item 1 of this Quarterly Report on Form 10-Q. Certain reclassifications have been made to prior periods to place them on a basis comparable with the current period presentation. The results of operations reported in the accompanying Consolidated Financial Statements are not necessarily indicative of results to be expected in future periods. The MD&A includes the following sections:

- Important Note Regarding Forward-Looking Statements
- Explanation of Use of Non-GAAP Financial Measures
- Critical Accounting Estimates
- Overview and Strategy
- Results of Operations and Financial Condition
 - Earnings Summary
 - Financial Condition
 - Liquidity and Capital Resources
 - Contractual Obligations
 - Off-Balance Sheet Arrangements

Important Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements that relate to our financial condition, market conditions, results of operations, plans, objectives, outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality and nonaccrual and nonperforming loans. Forward looking statements are typically identified by words or phrases such as “will likely result,” “expect,” “anticipate,” “estimate,” “forecast,” “project,” “intend,” “believe,” “assume,” “strategy,” “trend,” “plan,” “outlook,” “outcome,” “continue,” “remain,” “potential,” “opportunity,” “comfortable,” “current,” “position,” “maintain,” “sustain,” “seek,” “achieve” and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, could or may.

These statements are not guarantees of future results or performance and involve certain risks, uncertainties and assumptions that are difficult to predict and often are beyond the Company’s control. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. The matters discussed in these forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results and trends to differ materially from those made, projected, or implied in or by the forward-looking statements including, but not limited to the effects of:

- market interest rates and the impacts of market interest rates on economic conditions, customer behavior, and the Company’s net interest margin, net interest income and its deposit, loan and securities portfolios;
- inflation, market and monetary fluctuations;
- changes in trade, tariffs, monetary and fiscal policies and laws of the U.S. government and the related impacts on economic conditions and financial markets, and changes in policies of the Federal Reserve, FDIC and U.S. Department of the Treasury;

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

- changes in accounting policies, practices, or guidance, for example, our adoption of Current Expected Credit Losses ("CECL") methodology, including potential volatility in the Company's operating results due to application of the CECL methodology;
- cyber-security threats, attacks or events;
- rapid technological developments and changes;
- our ability to resolve our nonperforming assets and our ability to secure collateral on loans that have entered nonaccrual status due to loan maturities and failure to pay in full;
- changes in the Company's liquidity and capital positions;
- concentrations of loans secured by real estate, particularly CRE, and the potential impacts of changes in market conditions on the value of real estate collateral;
- increased delinquency and foreclosure rates on CRE loans;
- an insufficient allowance for credit losses;
- the potential adverse effects of unusual and infrequently occurring events, such as weather-related disasters, terrorist acts, war and other military conflicts (such as the ongoing war between Russia and Ukraine) or public health events and of any governmental and societal responses thereto; these potential adverse effects may include, without limitation, adverse effects on the ability of the Company's borrowers to satisfy their obligations to the Company, on the value of collateral securing loans, on the demand for the Company's loans or its other products and services, on incidents of cyberattack and fraud, on the Company's liquidity or capital positions, on risks posed by reliance on third-party service providers, on other aspects of the Company's business operations and on financial markets and economic growth;
- a change in spreads on interest-earning assets and interest-bearing liabilities;
- regulatory supervision and oversight, including our relationship with regulators and any actions that may be initiated by our regulators;
- legislation affecting the financial services industry as a whole, and the Company and the Bank, in particular;
- the outcome of pending and future litigation and/or governmental proceedings;
- increasing price and product/service competition;
- the ability to continue to introduce competitive new products and services on a timely, cost-effective basis;
- managing our internal growth and acquisitions;
- the possibility that the anticipated benefits from acquisitions cannot be fully realized in a timely manner or at all, or that integrating acquired operations will be more difficult, disruptive or more costly than anticipated;
- the soundness of other financial institutions and any indirect exposure related to large bank failures and their impact on the broader market through other customers, suppliers and partners or that the conditions which resulted in the liquidity concerns with those failed banks may also adversely impact, directly or indirectly, other financial institutions and market participants with which the Company has commercial or deposit relationships with;
- material increases in costs and expenses;
- reliance on significant customer relationships;

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

- general economic or business conditions, including unemployment levels, supply chain disruptions and slowdowns in economic growth;
- significant weakening of the local economies in which we operate;
- changes in customer behaviors, including consumer spending, borrowing and saving habits;
- changes in deposit flows and loan demand;
- our failure to attract or retain key associates;
- expansions or consolidations in the Company's branch network, including that the anticipated benefits of the Company's branch acquisitions or the Company's branch network optimization project are not fully realized in a timely manner or at all;
- deterioration of the housing market and reduced demand for mortgages; and
- re-emergence of turbulence in significant portions of the global financial and real estate markets that could impact our performance, both directly, by affecting our revenues and the value of our assets and liabilities, and indirectly, by affecting the economy generally and access to capital in the amounts, at the times and on the terms required to support our future businesses.

Please also refer to such other factors as discussed throughout Part I, Item 1A, "Risk Factors" in the Company's [Annual Report on Form 10-K for the year ended December 31, 2024](#), and any of the Company's subsequent filings with the Securities and Exchange Commission ("SEC"). Forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. We caution you not to unduly rely on forward-looking statements because the assumptions, beliefs, expectations and projections about future events are expressed in or implied by a forward-looking statement may, and often do, differ materially from actual results. Any forward-looking statement speaks only as to the date on which it is made, and we undertake no obligation to update, revise or clarify any forward-looking statement to reflect developments occurring after the statement is made.

Explanation of Use of Non-GAAP Financial Measures

In addition to the results of operations presented in accordance with generally accepted accounting principles in the United States ("GAAP"), management uses, and this quarterly report references, interest and dividend income, yield on interest earning assets, net interest income and net interest margin on a fully taxable equivalent, ("FTE") basis, which are non-GAAP financial measures. Management believes these measures provide information useful to investors in understanding our underlying business, operational performance and performance trends as it facilitates comparisons with the performance of other companies in the financial services industry. The Company believes the presentation of interest and dividend income, yield on interest earning assets, net interest income and net interest margin on an FTE basis ensures the comparability of interest and dividend income, yield on interest earning assets, net interest income and net interest margin arising from both taxable and tax-exempt sources and is consistent with industry practice. Interest and dividend income (GAAP) per the Consolidated Statements of Income is reconciled to interest and dividend income adjusted on an FTE basis, yield on interest earning assets (GAAP) is reconciled to yield on interest earning assets adjusted on an FTE basis, net interest income (GAAP) is reconciled to net interest income adjusted on an FTE basis and net interest margin (GAAP) is reconciled to net interest margin adjusted on an FTE basis in the "Results of Operations and Financial Condition - Net Interest Income" section of this MD&A.

Although management believes that this non-GAAP financial measure enhances investors' understanding of its business and performance, this non-GAAP financial measure should not be considered an alternative to GAAP or considered to be more relevant than financial results determined in accordance with GAAP, nor is it necessarily comparable with similar non-GAAP measures which may be presented by other companies.

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

Critical Accounting Estimates

The Company's critical accounting estimates involving significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of March 31, 2025 have remained unchanged from the disclosures presented under the heading "Critical Accounting Estimates" in its [Annual Report on Form 10-K for the year ended December 31, 2024](#) under the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," and are incorporated herein by reference.

Overview and Strategy

Carter Bankshares, Inc. (the "Company") is a bank holding company headquartered in Martinsville, Virginia with assets of \$4.7 billion at March 31, 2025. The Company is the parent company of its wholly owned subsidiary, Carter Bank & Trust (the "Bank"). The Bank is a Federal Deposit Insurance Corporation ("FDIC") insured, Virginia state-chartered bank, which operates 65 branches in Virginia and North Carolina. The Company provides a full range of financial services with retail, and commercial banking products and insurance. The Company's common stock trades on the Nasdaq Global Select Market under the ticker symbol "CARE".

The Company has entered into a definitive purchase and assumption agreement to acquire two leased branch facilities and the deposits associated therewith, located in Mooresville, North Carolina and Winston Salem, North Carolina, from First Reliance Bank. The Company expects this transaction to close during the second quarter of 2025.

The Company earns revenue primarily from interest on loans and securities and fees charged for financial services provided to our customers. The Company incurs expenses for the cost of deposits, borrowings, provision for credit losses and other operating costs such as salaries and employee benefits, data processing, FDIC expense, occupancy and income tax provision.

Part of the Company's current three-year strategic plan is to focus on refining and enhancing its brand image and position in the markets it serves. With this new brand strategy, the Company has embarked on a multi-year implementation plan to create a brand tailored to the needs of its critical growth audiences, with a focus on innovating brand experiences to exceed expectations and to build a brand that stands apart. This means a commitment to aligning processes, operations and systems around the Company's brand while introducing new products and services, so that in time the Company can increase its brand awareness in the communities it serves. To strengthen and further shape the brand and culture of the Company, a new set of guiding principles were introduced to associates in June 2023. The guiding principles include a new purpose statement: *To create opportunities for more people and businesses to prosper*; supported by our new set of core values: *Build Relationships, Earn Trust and Take Ownership*. We believe these new guiding principles will help create alignment to support future growth by empowering our associates and igniting a passion for the Company. On October 30, 2024 the Company unveiled the new brand identity centered entirely around the people who matter most: customers and associates of Carter Bank and Trust and the communities it serves to help deliver on its promise of helping people experience a life lived full.

The Company's goal is to shift from restructuring the balance sheet to pursuing a prudent growth strategy when appropriate. We believe this strategy will be primarily targeted at organic growth, but will also consider opportunistic acquisitions that fit this strategic vision. We believe that the Bank's strong capital and liquidity positions support this strategy. In addition to loan and deposit growth, the Company will seek to increase fee income while closely monitoring operating expenses.

The Company is focused on executing this strategy to successfully support the new brand and grow its business in our current markets as well as any new markets it may enter. As part of executing this strategy, the Company continues to dedicate significant resources to the resolution of the Company's nonaccrual loans, the significant majority of which are related to a single large credit relationship that the Company placed on nonaccrual status in the second quarter of 2023, in a manner that best protects the Company, the Bank and shareholders. The Company is closely monitoring all developments that may impact collateral values or potential recoveries on its nonperforming loans, including claims that may be asserted by other purported creditors.

The Company's financial results continue to be significantly impacted by the single large credit relationship that the Company placed on nonaccrual status during the second quarter of 2023, which has an aggregate principal balance of \$245.1 million as of March 31, 2025. Since placement of these loans, now reduced to judgements, on nonaccrual status during the second quarter of

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

2023, interest income has been negatively impacted by \$6.8 million and \$9.3 million during the three months ended March 31, 2025 and 2024, respectively, or by \$71.9 million in the aggregate.

Results of Operations and Financial Condition

Earnings Summary

Highlights for the Three Months Ended March 31, 2025

- Net interest income increased \$1.7 million, or 6.0%, to \$30.1 million for the three months ended March 31, 2025 compared to \$28.4 million for the same period in 2024, positively impacted by the recent short-term interest rate cuts by the Federal Reserve from September through December 2024;
- The (recovery) provision for credit losses decreased \$2.0 million to a recovery of \$2.0 million for the three months ended March 31, 2025, compared to the same period in 2024 primarily driven by a decline in the Other segment reserve rate related to the Company's largest credit relationship from 12.01% to 11.05% and Other segment reserves released of \$0.8 million due to \$6.9 million of curtailment payments during the three months ended March 31, 2025, partially offset by loan growth;
- Total noninterest income increased \$1.9 million to \$6.9 million for the three months ended March 31, 2025 compared to the same period in 2024;
- Total noninterest expense increased \$1.8 million to \$28.0 million for the three months ended March 31, 2025 compared to the same period in 2024; and
- Provision for income taxes increased \$0.8 million to \$2.2 million for the three months ended March 31, 2025 compared to the same period in 2024.

Balance Sheet Highlights (period-end balances, March 31, 2025 compared to December 31, 2024)

- The available-for-sale securities portfolio increased \$27.0 million and is currently 15.9% of total assets compared to 15.4% of total assets;
- Total portfolio loans increased \$62.7 million, or 7.0%, on an annualized basis, due to loan growth during the three months ended March 31, 2025;
- The portfolio loans to deposit ratio was 87.8%, compared to 87.3%;
- At March 31, 2025, nonperforming loans increased by \$2.1 million to \$261.4 million compared to December 31, 2024. Nonperforming loans as a percentage of total portfolio loans were 7.09% compared to 7.15%. The increase during the quarter was primarily due to a CRE relationship, consisting of four loans, that transferred to nonperforming loan ("NPL") status totaling \$9.4 million offset by \$6.9 million of curtailment payments during the first quarter of 2025 made by the Bank's largest nonperforming credit relationship that was initially placed on nonaccrual status during the second quarter of 2023;
- The Allowance for Credit Losses, ("ACL") to total portfolio loans ratio was 1.99% compared to 2.09%. The ACL on portfolio loans totaled \$73.5 million at March 31, 2025, compared to \$75.6 million at December 31, 2024;
- Total deposits increased \$47.5 million, or 4.6%, on an annualized basis, to \$4.2 billion at March 31, 2025, compared to December 31, 2024; and
- FHLB borrowings decreased \$15.0 million to \$55.0 million at March 31, 2025 compared to \$70.0 million at December 31, 2024.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

The Company reported net income of \$9.0 million, or \$0.39 diluted earnings per share for the three months ended March 31, 2025 compared to net income of \$5.8 million, or \$0.25 diluted earnings per share, for the three months ended March 31, 2024.

PERFORMANCE RATIOS	Three Months Ended March 31,	
	2025	2024
Return on Average Assets	0.78 %	0.52 %
Return on Average Shareholders' Equity	9.27 %	6.59 %
Portfolio Loans to Deposit Ratio	87.78 %	91.61 %
Allowance for Credit Losses to Total Portfolio Loans	1.99 %	2.75 %
Nonperforming Loans to Total Portfolio Loans	7.09 %	8.76 %

Net Interest Income

Our principal source of revenue is net interest income. Net interest income represents the difference between the interest and fees earned on interest-earning assets and the interest paid on interest-bearing liabilities. Net interest income is affected by changes in the average balance of interest-earning assets, interest-bearing liabilities, as well as changes in interest rates and spreads. The level and mix of interest-earning assets and interest-bearing liabilities is managed by our Asset and Liability Committee (“ALCO”), in order to mitigate interest rate and liquidity risks of the balance sheet. A variety of ALCO strategies were implemented, within prescribed ALCO risk parameters, to produce what the Company believes is an acceptable level of net interest income.

Net interest income and the net interest margin are presented on an FTE basis. The FTE basis (non-GAAP) adjusts net interest income and net interest margin for the tax benefit of income on certain tax-exempt loans and securities using the applicable federal statutory tax rate for each period (which was 21% for the periods presented) and the dividend-received deduction for equity securities. The Company believes this FTE basis presentation provides a relevant comparison between taxable and non-taxable sources of interest income. Refer to the “Explanation of Use of Non-GAAP Financial Measures” above for additional discussion regarding the non-GAAP measures used in this Quarterly Report on Form 10-Q.

The following table reconciles interest and dividend income (GAAP), yield on interest-earning assets (GAAP), net interest margin (GAAP) and net interest income (GAAP) per the Consolidated Statements of Income to interest and dividend income on an FTE basis (non-GAAP), yield on interest-earning assets on an FTE basis (non-GAAP), net interest margin on an FTE basis (non-GAAP) and net interest income on an FTE basis (non-GAAP), respectively, for the periods presented:

(Dollars in Thousands)	Three Months Ended March 31,	
	2025	2024
Interest and Dividend Income (GAAP)	\$ 56,007	\$ 54,049
Tax Equivalent Adjustment	178	206
Interest and Dividend Income (FTE) (Non-GAAP)	56,185	54,255
Average Earning Assets	4,554,103	4,429,020
Yield on Interest-earning Assets (GAAP)	4.99 %	4.91 %
Yield on Interest-earning Assets (FTE) (Non-GAAP)	5.00 %	4.93 %
Net Interest Income (GAAP)	30,138	28,419
Tax Equivalent Adjustment	178	206
Net Interest Income (FTE) (Non-GAAP)	\$ 30,316	\$ 28,625
Average Earning Assets	4,554,103	4,429,020
Net Interest Margin (GAAP)	2.68 %	2.58 %
Net Interest Margin (FTE) (Non-GAAP)	2.70 %	2.60 %

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)
Average Balance Sheet and Net Interest Income Analysis (FTE)

The following table provides information regarding the average balances, interest and rates earned on interest-earning assets and the average balances, interest and rates paid on interest-bearing liabilities for the periods presented:

(Dollars in Thousands)	Three Months Ended March 31, 2025			Three Months Ended March 31, 2024		
	Average Balance	Income/Expense	Yield/Rate	Average Balance	Income/Expense	Yield/Rate
ASSETS						
Interest-Bearing Deposits with Banks	\$ 67,387	\$ 748	4.50 %	\$ 24,129	\$ 335	5.58 %
Tax-Free Investment Securities ²	11,662	84	2.92 %	11,818	85	2.89 %
Taxable Investment Securities	807,891	6,655	3.34 %	853,540	7,743	3.65 %
Total Securities	819,553	6,739	3.33 %	865,358	7,828	3.64 %
Tax-Free Loans ^{1, 2}	93,480	761	3.30 %	111,471	897	3.24 %
Taxable Loans ¹	3,567,184	47,825	5.44 %	3,407,659	44,817	5.29 %
Total Loans	3,660,664	48,586	5.38 %	3,519,130	45,714	5.22 %
Federal Home Loan Bank Stock	6,499	112	6.99 %	20,403	378	7.45 %
Total Interest-Earning Assets	4,554,103	\$ 56,185	5.00 %	4,429,020	\$ 54,255	4.93 %
Noninterest Earning Assets	121,766			91,171		
Total Assets	\$ 4,675,869			\$ 4,520,191		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Interest-Bearing Demand	\$ 744,895	\$ 3,386	1.84 %	\$ 496,052	\$ 1,112	0.90 %
Money Market	525,463	3,319	2.56 %	524,896	3,996	3.06 %
Savings	355,123	113	0.13 %	439,775	137	0.13 %
Certificates of Deposit	1,918,195	18,205	3.85 %	1,635,819	15,472	3.80 %
Total Interest-Bearing Deposits	3,543,676	25,023	2.86 %	3,096,542	20,717	2.69 %
FHLB Borrowings	69,833	702	4.08 %	366,782	4,819	5.28 %
Federal Funds Purchased	—	—	— %	—	—	— %
Other Borrowings	10,417	144	5.61 %	7,703	94	4.91 %
Total Borrowings	80,250	846	4.28 %	374,485	4,913	5.28 %
Total Interest-Bearing Liabilities	3,623,926	25,869	2.90 %	3,471,027	25,630	2.97 %
Noninterest-Bearing Liabilities	660,437			694,293		
Shareholders' Equity	391,506			354,871		
Total Liabilities and Shareholders' Equity	\$ 4,675,869			\$ 4,520,191		
Net Interest Income²		\$ 30,316			\$ 28,625	
Net Interest Margin²			2.70 %			2.60 %

¹ Nonaccruing loans are included in the daily average loan amounts outstanding.

² Tax-exempt income is on an FTE basis using the statutory federal corporate income tax rate of 21 percent.

Net interest income increased \$1.7 million, or 6.0% to \$30.1 million for the three months ended March 31, 2025 compared to the same period in 2024. Net interest income, on an FTE basis (non-GAAP), increased \$1.7 million, or 5.9%, to \$30.3 million for the three months ended March 31, 2025 compared to \$28.6 million for the same period in 2024. Net interest margin increased 10 basis points to 2.68% for the three months ended March 31, 2025 compared to 2.58% for the same period in 2024. Net interest margin, on an FTE basis (non-GAAP), also increased 10 basis points to 2.70% for the three months ended March 31, 2025 compared to 2.60% for the same period in 2024.

The increases resulted from higher yields on average earning assets of seven basis points and funding costs that declined seven basis points for the three months ended March 31, 2025 compared to the same period in 2024. During the three months ended March 31, 2025, \$754.0 million of CDs matured and repriced from an average rate of 4.36% to an average rate of 3.38%. Average interest-earning assets increased by \$125.1 million with the yield on average interest-earning assets increasing seven basis points. The most significant increase in interest-earning assets was a 16 basis point increase in the yield on average loans from 5.22% for the three months ended March 31, 2024 to 5.38% for the three months ended March 31, 2025.

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

Interest income increased to \$56.0 million for the three months ended March 31, 2025 from \$54.0 million compared to the same period in 2024. Interest income, on an FTE basis (non-GAAP), increased \$1.9 million, or 3.6%, to \$56.2 million for the three months ended March 31, 2025 compared to \$54.3 million for the same period in 2024, resulting from average loan growth of \$159.5 million, primarily due to growth in taxable loans. Average interest-earning assets increased primarily due to growth in average loans of \$141.5 million and an increase of \$43.3 million in average interest-bearing deposits with banks during the three months ended March 31, 2025, and was partially offset by a decrease of \$45.8 million in average investment securities and a decrease of \$13.9 million in average FHLB stock.

The change in average investment securities is the result of active balance sheet management to deploy the proceeds from securities maturities and principal curtailments into higher yielding loans, rather than reinvesting those proceeds back into the securities portfolio. The portfolio has been diversified as to bond types, maturities, and interest rate structures. As of March 31, 2025, the securities portfolio was comprised of 42.5% variable rate securities with approximately 85.5% that will reprice at least once over the next 12 months. We believe having a balanced mix of variable and fixed rate securities is an important strategy, especially during times of rising interest rates because fixed-rate bond prices generally fall when interest rates increase, which can result in unrealized losses. However, variable rate securities do not carry as much interest rate risk as fixed rate securities, so there is much less price volatility. This variable rate strategy has limited the impact of past upward shifts in the yield curve on the Company's unrealized losses on debt securities. If the Federal Reserve continues reducing short-term interest rates, the Bank may consider changes to this interest rate mix strategy going forward.

Interest expense for the three months ended March 31, 2025 increased \$0.2 million, or 0.9%, to \$25.9 million compared to the same period in 2024. The increase of \$447.1 million in average interest-bearing deposits reflected solid growth in average CDs of \$282.4 million, an increase of \$248.8 million in average interest-bearing demand accounts and an increase of \$0.6 million in average money market accounts, offset by a decrease of \$84.7 million in average savings accounts as customer preferences shifted from lower cost non-maturing deposits to higher-yielding interest-bearing demand, money market and short-term CD products.

Our balance sheet is currently exhibiting characteristics of a slightly liability sensitive position due to the short-term nature of our deposit portfolio and FHLB borrowings. Specifically, 73.5% of our CD portfolio and 54.5% of our outstanding FHLB borrowings will mature and reprice over the next twelve months. This strategy gives us flexibility to manage the structure and pricing of our deposit and borrowing portfolios to reduce future funding costs should the Federal Open Market Committee ("FOMC") continue cutting short-term rates in the future.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

The following table sets forth for the periods presented a summary of the changes in interest earned and interest paid resulting from changes in volume and changes in rates:

(Dollars in Thousands)	Three Months Ended March 31, 2025 Compared to Three Months Ended March 31, 2024		
	Volume ³	Rate ³	Increase/ (Decrease)
Interest Earned on:			
Interest-Bearing Deposits with Banks	\$ 493	\$ (80)	\$ 413
Tax-free Investment Securities ²	(1)	—	(1)
Taxable Investment Securities	(400)	(688)	(1,088)
Total Securities	(401)	(688)	(1,089)
Tax-free Loans ^{1, 2}	(147)	11	(136)
Taxable Loans ¹	2,127	881	3,008
Total Loans	1,980	892	2,872
Federal Home Loan Bank Stock	(242)	(24)	(266)
Total Interest-Earning Assets	\$ 1,830	\$ 100	\$ 1,930
Interest Paid on:			
Interest-Bearing Demand	\$ 746	\$ 1,528	\$ 2,274
Money Market	4	(681)	(677)
Savings	(27)	3	(24)
Certificates of Deposit	2,680	53	2,733
Total Interest-Bearing Deposits	3,403	903	4,306
Federal Home Loan Bank Borrowings	(3,191)	(926)	(4,117)
Federal Funds Purchased	—	—	—
Other Borrowings	36	14	50
Total Borrowings	(3,155)	(912)	(4,067)
Total Interest-Bearing Liabilities	\$ 248	\$ (9)	\$ 239
Change in Net Interest Margin	\$ 1,582	\$ 109	\$ 1,691

¹ Nonaccruing loans are included in the daily average loan amounts outstanding.

² Tax-exempt income is on an FTE basis (non-GAAP) using the statutory federal corporate income tax rate of 21 percent.

³ Changes to rate/volume are allocated to both rate and volume on a proportionate dollar basis.

(Recovery) Provision for Credit Losses

The Company recognizes (recovery) provision for credit losses based on the difference between the existing balance of ACL reserves and the ACL reserve balance necessary to adequately absorb expected credit losses associated with the Company's financial instruments. Similarly, the Company recognizes (recovery) provision for unfunded commitments based on the difference between the existing balance of reserves for unfunded commitments and the reserve balance for unfunded commitments necessary to adequately absorb expected credit losses associated with those commitments. (Recovery) provision for credit losses is determined based on management's estimates of the appropriate level of ACL needed to absorb expected life-of-loan losses in the loan portfolio, after giving consideration to charge-offs and recoveries for the period.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

The following table presents information regarding the (recovery) provision for credit losses and net charge-offs for the periods presented:

(Dollars in Thousands)	Three Months Ended March 31,			
	2025	2024	\$ Change	\$ Change
(Recovery) Provision for Credit Losses	\$ (2,025)	\$ 16	\$ (2,041)	NM
Recovery for Unfunded Commitments	(114)	(43)	(71)	(165.1)%
Total Recovery for Credit Losses on Loans	(2,139)	(27)	(2,112)	NM
Provision for Securities	—	—	—	— %
Total Recovery for Credit Losses	\$ (2,139)	\$ (27)	\$ (2,112)	NM
Net Loan Charge-offs	\$ 57	\$ 532	\$ (475)	(89.3)%
Net Loan Charge-offs / Average Portfolio Loans	0.01 %	0.06 %		
<i>NM- Not Meaningful</i>				

The (recovery) provision for credit losses decreased \$2.0 million for the three months ended March 31, 2025 compared to the same period in 2024. The decrease was primarily driven by a decline in the Other loan segment reserve rate, specifically the Company’s largest credit relationship, from 12.01% to 11.05% and \$6.9 million of curtailment payments during the three months ended March 31, 2025 and loan growth.

The (recovery) provision for unfunded commitments for the three months ended March 31, 2025 was a recovery of \$114 thousand compared to the same period in 2024, a decrease of \$0.1 million primarily due to changes in construction commitments.

Net loan charge-offs were \$0.1 million for the three months ended March 31, 2025 compared to \$0.5 million for the same period in 2024. As a percentage of average portfolio loans, net loan charge-offs were 0.01% and 0.06% for the three months ended March 31, 2025 and 2024, respectively.

See the “Allowance for Credit Losses” section of this MD&A for additional details regarding our charge-offs.

Noninterest Income

(Dollars in Thousands)	Three Months Ended March 31,			
	2025	2024	\$ Change	% Change
Service Charges, Commissions and Fees	1,874	1,875	(1)	(0.1) %
Debit Card Interchange Fees	2,104	2,086	18	0.9 %
Insurance Commissions	344	614	(270)	(44.0) %
Bank Owned Life Insurance Income	341	348	(7)	(2.0) %
Other	2,238	122	2,116	NM
Total Noninterest Income	\$ 6,901	\$ 5,045	\$ 1,856	36.8 %
<i>NM - Not meaningful</i>				

For the three months ended March 31, 2025, total noninterest income was \$6.9 million, an increase of \$1.9 million, or 36.8%, from the same period in 2024. The most significant increase was primarily related to other noninterest income as a result of a \$1.9 million gain on a BOLI death benefit. Also impacting other noninterest income, was an increase of \$0.1 million on the community development fund due to higher market values during the three months ended March 31, 2025. Offsetting other noninterest income compared to the three months ended March 31, 2024 was a decline of \$0.3 million in insurance commissions due lower activity in the three months ended March 31, 2025.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)
Noninterest Expense

(Dollars in Thousands)	Three Months Ended March 31,			
	2025	2024	\$ Change	% Change
Salaries and Employee Benefits	\$ 13,657	\$ 14,200	\$ (543)	(3.8) %
Occupancy Expense, net	4,472	3,748	724	19.3 %
FDIC Insurance Expense	1,430	1,687	(257)	(15.2) %
Other Taxes	947	906	41	4.5 %
Advertising Expense	911	357	554	155.2 %
Telephone Expense	304	417	(113)	(27.1) %
Professional and Legal Fees	1,230	1,513	(283)	(18.7) %
Data Processing	1,444	891	553	62.1 %
Debit Card Expense	992	756	236	31.2 %
Other	2,655	1,782	873	49.0 %
Total Noninterest Expense	\$ 28,042	\$ 26,257	\$ 1,785	6.8 %

For the three months ended March 31, 2025, total noninterest expense was \$28.0 million, an increase of \$1.8 million, or 6.8%, from the same period in 2024. The most significant variances for the comparable period related to increases of \$0.9 million in other noninterest expense, \$0.7 million in occupancy expenses, \$0.6 million in advertising expenses and \$0.6 million in data processing expenses, offset by decreases of \$0.5 million in salaries and employee benefits, \$0.3 million in professional and legal fees and \$0.3 million in FDIC insurance expense.

The significant increases in other noninterest expense are related to a \$0.3 million 1035 exchange fee recorded in the first quarter of 2025 as a direct result of the early surrender and transfer to a new carrier of one of the Company’s BOLI policies and a gain of \$0.3 million on two closed offices sold in the first quarter of 2024. The increase in occupancy expense was due to new software licenses and additional maintenance contracts during the three months ended March 31, 2025. The increase in advertising expenses primarily related to contributions made during the first quarter of 2025, as well as, additional expenses in the current quarter related to the launching of the new brand refresh that occurred in the fourth quarter of 2024. The increase in data processing expenses relates primarily to general inflationary cost increases for existing and new service agreements in the beginning of the year.

The decreases in salaries and employee benefits resulted from higher deferred compensation costs, offset by higher medical expenses, annual merit increases and higher incentive costs during the three months ended March 31, 2025. The decrease in professional and legal fees is the result of higher expenses incurred during the three months ended March 31, 2024 related to the large nonperforming credit relationship that the Company initially placed on nonaccrual status during the second quarter of 2023. The decrease in FDIC insurance expense was primarily due to the aforementioned curtailment payments which have reduced the outstanding balance of the aforementioned large nonperforming credit relationship from \$301.9 million at March 31, 2024 to \$245.1 million at March 31, 2025, which is a component used to determine the assessment.

Provision for Income Taxes

The provision for income taxes increased \$0.8 million to \$2.2 million for the three months ended March 31, 2025 compared to \$1.4 million for three months ended March 31, 2024. Pre-tax income increased \$3.9 million for the three months ended March 31, 2025 compared to the same period in 2024, primarily due to recording a \$2.0 million recovery to the (recovery) provision for credit losses in the first quarter of 2025, as well as, a gain of \$1.9 million for a BOLI death benefit in first quarter of 2025. The effective tax rate was 19.6% for the three months ended March 31, 2025 compared to 19.7% for the same period in 2024. The slight decrease in the effective tax rate for the three months ended March 31, 2025 compared to the same period in 2024 was primarily related to BOLI tax-free income related to the \$1.9 million death benefit received in the first quarter of 2025, offset by the increase in pre-tax income. The Company ordinarily generates an annual effective tax rate that is less than the statutory rate of 21% due to benefits resulting from tax-exempt interest income, tax credit projects and bank owned life insurance (“BOLI”).

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

Financial Condition

March 31, 2025

Total assets increased \$41.1 million, to \$4.7 billion at March 31, 2025 compared to December 31, 2024. Cash and due from banks decreased \$42.2 million to \$89.0 million at March 31, 2025 compared to \$131.2 million at December 31, 2024, primarily due to excess liquidity being redeployed to fund loan growth and to retire FHLB borrowings. The available-for-sale securities portfolio increased \$27.0 million and is currently 15.9% of total assets at March 31, 2025 compared to 15.4% of total assets at December 31, 2024. The increase is due to redeploying excess cash into higher yielding securities.

During the three months ended March 31, 2025 there were new security purchases totaling \$33.7 million, partially offset by normal paydowns and maturities. As of March 31, 2025, the securities portfolio was comprised of 42.5% variable rate securities with approximately 85.5% that will reprice at least once over the next 12 months. At March 31, 2025, total gross unrealized gains in the available-for-sale portfolio were \$0.1 million, offset by \$72.1 million of gross unrealized losses. Refer to the "Securities" section below for further discussion of unrealized losses in the available-for-sale securities portfolio.

Total portfolio loans increased \$62.7 million, or 7.0%, on an annualized basis, to \$3.7 billion at March 31, 2025 compared to December 31, 2024. The increase in loans primarily related to growth of \$46.0 million in commercial real estate loans, \$23.8 million in residential mortgages and \$3.5 million in C&I loans, offset by a decrease of \$6.9 million in the Other segment due to the aforementioned curtailment payments, as well as a decrease of \$3.6 million in construction loans and a slight decrease in other consumer of \$0.1 million compared to December 31, 2024.

The ACL was 1.99% of total portfolio loans at March 31, 2025 compared to 2.09% as of December 31, 2024. Management believes the ACL is adequate to absorb expected losses inherent in the loan portfolio. See the sections of this MD&A titled "Provision for Credit Losses," "Credit Quality" and "Allowance for Credit Losses" for information about the factors that impacted the ACL and the provision for credit losses.

FHLB stock, at cost decreased \$0.6 million to \$5.9 million at March 31, 2025 compared to December 31, 2024. The decrease is due to a lower level of FHLB borrowings due to deposit growth that funded paydowns of FHLB borrowings. Closed retail bank offices had a book value of \$0.6 million at March 31, 2025 and \$0.7 million at December 31, 2024, and are included in OREO on the Consolidated Balance Sheets.

During the first quarter of 2025, the Company initiated a 1035 exchange of \$10.5 million in BOLI in order to transfer the proceeds to a new insurance carrier and take advantage of enhanced credit ratings and better yields due to improving BOLI markets. The exchange was an opportunity to retire below market yielding BOLI assets and reinvest the proceeds from the exchange into higher yielding BOLI related assets on the balance sheet.

Total deposits increased \$47.5 million to \$4.2 billion at March 31, 2025 compared to December 31, 2024. Deposits increased primarily due to growth in interest-bearing demand accounts of \$67.1 million, and an increase of \$16.2 million in money market accounts, partially offset by decreases of \$31.0 million in CDs, \$2.7 million in noninterest-bearing demand accounts and \$2.1 million in savings accounts. As of March 31, 2025, based on assumptions that the Bank uses to prepare its regulatory call report, approximately 81.6% of our total deposits of \$4.2 billion were insured under standard FDIC insurance coverage limits, and approximately 18.4% of our total deposits were uninsured deposits over the standard FDIC insurance coverage limit. The Company's deposit base is diversified and granular and is comprised of approximately 78.8% of retail deposits.

FHLB borrowings decreased \$15.0 million to \$55.0 million at March 31, 2025 compared to \$70.0 million at December 31, 2024. The Company had no outstanding federal funds purchased at March 31, 2025 and December 31, 2024.

Total capital of \$401.8 million at March 31, 2025, reflects an increase of \$17.5 million compared to \$384.3 million at December 31, 2024. The increase in total capital from March 31, 2024 is primarily due to net income of \$9.0 million for the three months ended March 31, 2025, other comprehensive income of \$8.1 million for the three months ended March 31, 2025 due to positive changes in fair value of investment securities, and \$0.4 million related to restricted stock activity all during the three months ended March 31, 2025.

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The Company remains well capitalized. The Tier 1 capital ratio was 11.01% at March 31, 2025 compared to 10.88% at December 31, 2024. The leverage ratio was 9.67% at March 31, 2025, compared to 9.56% at December 31, 2024 and the total risk-based capital ratio was 12.27% at March 31, 2025 compared to 12.13% at December 31, 2024.

The Bank also remained well capitalized as of March 31, 2025. The Bank's Tier 1 capital ratio was 10.85% at March 31, 2025 compared to 10.72% at December 31, 2024. The Bank's leverage ratio was 9.53% at March 31, 2025 compared to 9.42% at December 31, 2024. The Bank's total risk-based capital ratio was 12.11% at March 31, 2025 compared to 11.98% at December 31, 2024.

Securities

The following table presents the composition of available-for-sale securities at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024	\$ Change
U.S. Government Agency Securities	24,624	26,950	(2,326)
Residential Mortgage-Backed Securities	98,473	96,153	2,320
Commercial Mortgage-Backed Securities	20,472	21,587	(1,115)
Other Commercial Mortgage-Backed Securities	29,760	21,970	7,790
Asset Backed Securities	112,917	118,521	(5,604)
Collateralized Mortgage Obligations	168,551	148,588	19,963
States and Political Subdivisions	226,820	221,181	5,639
Corporate Notes	63,773	63,450	323
Total	\$ 745,390	\$ 718,400	\$ 26,990

The Company invests in various securities in order to maintain a source of liquidity, to satisfy various pledging requirements, to increase net interest income and as a tool of the ALCO to diversify and reposition the balance sheet for interest rate risk purposes. Securities are subject to market risks that could negatively affect the level of liquidity available to us. Security purchases are subject to our investment policy that is approved annually by our Board and administered through ALCO and our treasury function.

The securities portfolio increased \$27.0 million to \$745.4 million at March 31, 2025 compared to \$718.4 million at December 31, 2024. Securities comprise 15.9% of total assets at March 31, 2025 compared to 15.4% at December 31, 2024. The increase is due to ongoing maturities, principal curtailments, purchases and sales of available-for-sale securities and changes in market values driven by fluctuations in intermediate treasury yields. During the three months ended March 31, 2025, there were new security purchases totaling \$33.7 million, partially offset by normal paydowns and maturities. Liquidity generated by the securities portfolio was primarily deployed into higher yielding loans. As of March 31, 2025, the securities portfolio was comprised of 42.5% variable rate securities with approximately 85.5% that will reprice at least once over the next 12 months.

At March 31, 2025, total gross unrealized gains in the available-for-sale portfolio were \$0.1 million offset by \$72.1 million of gross unrealized losses. At December 31, 2024, total gross unrealized gains in the available-for-sale portfolio were \$0.1 million, offset by \$82.4 million of gross unrealized losses.

The unrealized losses on debt securities are believed to be temporary primarily because these unrealized losses are due to reductions in market value caused by upward movement in interest rates since the securities purchase (as applicable), and not related to the credit quality of these securities. Our portfolio consists of 45.3% of securities issued by United States government sponsored entities and carry an implicit government guarantee. States and political subdivisions comprise 30.4% of the portfolio and are largely general obligations or essential purpose revenue bonds, which have performed very well historically over all business cycles, and are rated AA and AAA. We have the ability to hold these securities to maturity and expect full recovery of the amortized cost. We may occasionally sell securities to take advantage of market opportunities or as part of a strategic initiative.

The Company's investment securities with intermediate and long-term maturities were the largest driver of these gross unrealized losses, as the market values of these securities are significantly impacted by the Treasury yield curve for similar

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durations (i.e., 5- and 10-year Treasury securities). This portion of the Treasury yield curve has moved lower over the past three months, driving unrealized losses on outstanding securities lower. Changes in short-term interest rates can affect the yield on floating rate securities. Yields on floating rate securities will fall as the Federal Reserve Board (“FRB”) lowers short-term rates. Changes in intermediate and long-term interest rates, which are market driven, affect the market value of fixed rate securities with similar maturities. The Company expects that market values on the Bank’s intermediate and long-term maturity holdings will continue to fluctuate in large part driven by treasury yield changes.

At March 31, 2025 the 5-year and 10-year U.S. Treasury yields were 3.96% and 4.23%, respectively. At December 31, 2024, those same bond yields were 4.38% and 4.58%, respectively. Therefore, these decreases of 42 bps and 35 bps, respectively in the intermediate part of the yield curve largely caused the reduction in unrealized losses for the first quarter of 2025. The effects were generally greater for longer maturity bonds, such as municipal bonds. On the other hand, floating rate bonds largely held consistent values, as those interest rates adjust in line with Federal Reserve interest rate hikes.

Should the impairment of any of these securities become credit related, the impairment will be recognized by establishing an ACL through (recovery) provision for credit losses in the period the credit related impairment is identified, while any non-credit loss will be recognized in accumulated other comprehensive loss, net of applicable taxes. At March 31, 2025 and December 31, 2024, the Company had no credit related impairment.

The Basel rules permit most banking organizations to retain, through a one-time election, existing treatment for accumulated other comprehensive loss, which currently does not affect regulatory capital. The Company elected to retain this treatment which reduces the volatility of regulatory capital levels.

Loan Composition

The following table summarizes our loan portfolio at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Commercial		
Commercial Real Estate	\$ 1,915,863	\$ 1,869,831
Commercial and Industrial	234,024	230,483
Total Commercial Loans	2,149,887	2,100,314
Consumer		
Residential Mortgages	801,253	777,471
Other Consumer	28,804	28,908
Total Consumer Loans	830,057	806,379
Construction	459,285	462,930
Other	248,266	255,203
Total Portfolio Loans	3,687,495	3,624,826
Loans Held-for-Sale	—	—
Total Loans	\$ 3,687,495	\$ 3,624,826

Our loan portfolio represents our most significant source of interest income. The risk that borrowers are unable to pay such obligations is inherent in the loan portfolio. Other conditions such as downturns in the borrower's industry or the overall economic climate can significantly impact the borrower's ability to pay. For a discussion of the risk factors relevant to our business and operations, please refer to Part I, Item 1A, “Risk Factors,” contained in our [Annual Report on Form 10-K for the year ended December 31, 2024](#).

Total portfolio loans increased \$62.7 million, or 7.0%, on an annualized basis, to \$3.7 billion at March 31, 2025 compared to December 31, 2024 with production primarily in our CRE, Commercial and Industrial and residential mortgage loan portfolios. The CRE portfolio is monitored for potential concentrations of credit risk by market, property type and tenant concentrations. At March 31, 2025, the loan portfolio was comprised of 25.0% floating rates which reprice monthly, 39.1%, variable rates that reprice at least once during the life of the loan and the remaining 35.9% are fixed rate loans. The Company continues to carefully monitor the loan portfolio during 2025, including in light of market conditions that impact our borrowers and the interest rate environment.

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Total CRE represented 52.0% of total portfolio loans at March 31, 2025 compared to 51.6% at December 31, 2024. The collateral for the Company's CRE loans are geographically concentrated predominantly in North Carolina, Virginia, South Carolina, West Virginia and Georgia and within the retail/restaurant, warehouse, hospitality, multifamily, and office industries.

The following table presents the Company's CRE loan portfolio breakout by collateral type, loan amounts for each collateral type included in special mention and substandard and the related percentages by segment to the collateral types at the dates presented:

March 31, 2025								
(Dollars in Thousands)	Commercial Real Estate	Commercial & Industrial	Residential Mortgage	Construction	Other	Total	CRE Collateral Type in Special Mention and Substandard Risk Rating	% of Each Segment to Total CRE Collateral Type
Retail/Restaurant	\$ 434,123	\$ 120	\$ —	\$ 58,990	\$ 3,201	\$ 496,434	\$ 144	19.1 %
Warehouse	421,018	488	—	39,850	—	461,356	9,598	17.8 %
Hospitality	293,010	—	—	17,466	51,552	362,028	51,552	14.0 %
Multifamily	286,210	—	—	117,695	—	403,905	4,516	15.6 %
Office	218,809	—	—	7,591	508	226,908	544	8.8 %
Land	690	—	—	115,637	57,925	174,252	57,972	6.7 %
Single Family	25,837	—	56,015	22,543	13,367	117,762	13,441	4.5 %
Country Club	3,380	—	—	—	45,002	48,382	45,002	1.9 %
Long-term Care	36,992	—	—	25,405	—	62,397	—	2.4 %
Other	197,540	382	188	39,354	711	238,175	5,140	9.2 %
Total	\$ 1,917,609	\$ 990	\$ 56,203	\$ 444,531	\$ 172,266	\$ 2,591,599	\$ 187,909	100.0 %

December 31, 2024								
(Dollars in Thousands)	Commercial Real Estate	Commercial & Industrial	Residential Mortgage	Construction	Other	Total	CRE Collateral Type in Special Mention and Substandard Risk Rating	% of Each Segment to Total CRE Collateral Type
Retail/Restaurant	\$ 415,624	\$ 122	\$ —	\$ 55,093	\$ —	\$ 470,839	\$ 451	18.5 %
Warehouse	405,333	493	—	53,990	—	459,816	3,865	18.1 %
Hospitality	288,505	—	—	14,647	51,552	354,704	51,552	13.9 %
Multifamily	286,203	—	—	105,677	—	391,880	4,516	15.4 %
Office	221,445	—	—	7,468	508	229,421	1,080	9.0 %
Land	771	—	—	114,344	57,925	173,040	57,975	6.8 %
Single Family	25,630	—	50,334	37,622	13,367	126,953	13,445	5.0 %
Country Club	3,393	—	—	—	45,002	48,395	45,002	1.9 %
Long-term Care	30,474	—	—	17,492	—	47,966	—	1.9 %
Other	197,655	389	—	36,964	7,628	242,636	12,159	9.5 %
Total	\$ 1,875,033	\$ 1,004	\$ 50,334	\$ 443,297	\$ 175,982	\$ 2,545,650	\$ 190,045	100.0 %

CRE loans represent a portfolio concentration risk. The majority of our CRE loans are made in the above noted geographies and granted to experienced developers and sponsors with loan guaranty structures that provide recourse to individuals with access to financial resources. We believe our knowledge of CRE and our operating knowledge at the local and regional level of these markets allows us to effectively manage concentration risk. Our operating knowledge at the local and regional level is derived from our front-line connection to the customer and our understanding of their business model. We also have access to research tools that inform us about market statistics such as occupancy, lease growth rates and new construction starts. This data is reviewed frequently by our credit officers and disseminated to our lenders. The Bank's underwriting process includes multiple shock scenarios primarily focused on cash flow and leverage in order to determine a supportable loan amount.

We attempt to limit our exposure to credit risk by diversifying our loan portfolio by segment, geography, collateral and industry while actively managing concentrations. When concentrations exist in certain segments, we seek to mitigate this risk by

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reviewing the relevant economic indicators and internal risk rating trends of the loans in these segments. The Company established transaction, relationship and specific loan segment limits in its loan policy. Total commercial real estate balances should not exceed the combination of 300% of total risk-based capital and growth in excess of 50% over the previous thirty-six months and construction loan balances should not exceed 100% of total risk-based capital. Investment real estate property types and purchased loan programs have individual dollar limits that should not be exceeded in the portfolio and are based on management’s risk tolerance relative to capital. In addition, there are specific targets for various categories of real estate loans with respect to debt service coverage ratios, loan-to-value ratios, loan terms, and amortization periods. We also have policy limits on loan-to-cost for construction projects. Although leverage is important, the Company also focuses on cash flow generation and employs stress testing to calculate a supportable loan amount.

Aggregate commitments to our top 10 credit relationships were \$688.8 million, or 18.7% of gross loans, at March 31, 2025, compared to \$698.3 million, or 19.3% of gross loans, at December 31, 2024. The Other segment represents 35.6% of the top 10 credit relationships and the Company transferred its largest credit relationship with a balance of \$245.1 million as of March 31, 2025 to nonaccrual during the second quarter of 2023, as described in more detail below under “Credit Quality” in this MD&A.

The following table summarizes our top 10 relationships and a description of industries represented at the dates presented:

Dollars in Thousands	For the Periods Ending			March 31, 2025 % of Gross Loans	March 31, 2025 % of RBC
	March 31, 2025	December 31, 2024	Change		
1. Hospitality, Agriculture & Energy	\$ 245,064	\$ 251,982	\$ (6,918)	6.65 %	48.01 %
2. Multifamily	58,804	58,871	(67)	1.59 %	11.52 %
3. Health Care Facility / Long-Term Care	52,565	52,855	(290)	1.43 %	10.30 %
4. Multifamily	51,990	51,990	—	1.41 %	10.19 %
5. Retail & Office	51,516	52,913	(1,397)	1.40 %	10.09 %
6. Warehouse	49,228	49,661	(433)	1.34 %	9.64 %
7. Long-Term Care	46,199	46,199	—	1.25 %	9.05 %
8. Health Care Facility	44,779	44,779	—	1.21 %	8.77 %
9. Warehouse	44,349	44,577	(228)	1.20 %	8.69 %
10. Retail	44,334	44,511	(177)	1.20 %	8.69 %
Top Ten (10) Relationships	688,828	698,338	(9,510)	18.68 %	134.95 %
Total Gross Loans	3,687,495	3,624,826	62,669		
% of Total Gross Loans	18.68 %	19.27 %	(0.59)%		
<i>Concentration (25% of RBC)</i>	\$ 127,611	\$ 125,190			

Unfunded commitments on lines of credit were \$582.6 million at March 31, 2025 as compared to \$620.8 million at December 31, 2024. The majority of unused commitments are for construction projects that will be drawn as the construction progresses toward completion. Total utilization was 55.8% at March 31, 2025 and 53.8% at December 31, 2024. Unfunded commitments on commercial operating lines of credit was 56.3% at March 31, 2025 and 53.8% at December 31, 2024.

Unsecured loans pose higher risk for the Company due to the lack of a well-defined secondary source of repayment. Commercial unsecured loans are reserved for the best quality customers with well-established businesses that operate with low financial and operating leverage. The repayment capacity of the borrower should exceed the policy and guidelines for secured loans. The Company significantly increased the standards for consumer unsecured lending by adjusting upward the required qualifying Fair Isaac Corporation (“FICO”) scores and restricting loan amounts at lower FICO scores.

Deferred costs and fees included in the portfolio balances above were \$10.6 million and \$8.8 million at March 31, 2025 and December 31, 2024, respectively. Discounts on purchased 1-4 family loans included in the portfolio balances above were \$97.6 thousand and \$104.1 thousand at March 31, 2025 and December 31, 2024, respectively.

Refer to Note 4, Loans, in the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q for additional information related to our loans.

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Credit Quality

On a monthly basis, a Criticized Asset Committee meets to review certain watch, special mention and substandard risk rated loans within prescribed policy thresholds. These loans typically represent the highest risk of loss to the Company. Action plans are established and these loans are monitored through regular contact with the borrower and loan officer, review of current financial information and other documentation, review of all loan or potential loan restructures or modifications and the regular re-evaluation of assets held as collateral.

On a quarterly basis, the Credit Risk Committee of the Board meets to review our loan portfolio metrics, approve segment limits, approve the adequacy of ACL, and review the findings from Loan Review identified in the previous quarter. Annually, this same committee approves credit related policy changes and policy enhancements as they become available.

Additional credit risk management practices include continuous reviews of trends in our lending footprint and our lending policies and procedures to support sound underwriting practices, concentrations, delinquencies and annual portfolio stress testing. Our Loan Review department serves as a mechanism to independently monitor credit quality and assess the effectiveness of credit risk management practices to provide oversight of all lending activities. The loan review function has the primary responsibility for assessing commercial credit administration and credit decision functions of consumer and mortgage underwriting, as well as determining the appropriateness of risk ratings for those loans reviewed and providing input to the loan risk rating process. Our policy is to place loans in all categories in nonaccrual status when collection of interest or principal is doubtful, or generally when interest or principal payments are 90 days or more past due based on contractual terms. Consumer unsecured loans and secured loans are evaluated for charge-off after the loan becomes 90 days past due. Loans past due 90 days are automatically transferred to nonaccrual status. Management reserves the right to exercise discretion at the individual loan level. For example, we may elect to transfer a loan to nonaccrual regardless of the delinquency status if we believe the collection in full of both principal and interest to be unlikely. We may also elect to retain a loan that is 90 or more days' delinquent in accrual status if we believe the loan is well secured and in the process of collection. Unsecured loans are fully charged-off and secured loans are charged-off to the estimated fair value of the collateral less the cost to sell.

The ability of borrowers to repay commercial loans is dependent upon the success of their business and general economic conditions. Due to the greater potential for loss within our commercial portfolio, we monitor the commercial loan portfolio through an internal risk rating system. Loan risk ratings are assigned based upon the creditworthiness of the borrower and are reviewed on an ongoing basis according to our internal policies. Loans rated special mention or substandard have potential or well-defined weaknesses not generally found in high quality, performing loans, and require attention from management to limit loss.

Nonperforming assets consist of nonaccrual loans and OREO. The following table summarizes nonperforming assets at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024	Change
Nonaccrual Loans			
Commercial Real Estate	\$ 9,733	\$ 1,176	\$ 8,557
Commercial and Industrial	1,070	1,078	(8)
Residential Mortgages	5,326	4,865	461
Other Consumer	38	20	18
Construction	213	228	(15)
Other	245,064	251,982	(6,918)
Total Nonperforming Loans	261,444	259,349	2,095
Other Real Estate Owned	577	659	(82)
Total Nonperforming Assets	\$ 262,021	\$ 260,008	\$ 2,013

Nonperforming assets increased \$2.0 million to \$262.0 million at March 31, 2025 compared to December 31, 2024. The increase of \$2.1 million in nonperforming loans was primarily related to the transfer of a \$9.5 million CRE relationship, consisting of four loans, to NPL status, offset by \$6.9 million of curtailment payments made by the Bank's largest nonperforming credit relationship.

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During the second quarter of 2023, the Company placed \$301.9 million of commercial loans that reside in the Other segment of the Company’s loan portfolio, relating to the Bank’s largest credit relationship, on nonaccrual status due to loan maturities and failure to pay in full. These loans with a current outstanding principal balance of \$245.1 million at March 31, 2025, remained on nonaccrual status at both March 31, 2025 and December 31, 2024. These nonperforming loans are 93.7% of the Company’s total nonperforming loans and 93.5% of the Company’s total nonperforming assets at March 31, 2025.

As discussed in more detail in the Company’s 2024 Annual Report on Form 10-K under “—Our Business and Strategy,” we have agreed upon a pathway of curtailment and payoff of the Bank’s credit relationship with various entities in which James C. Justice, II has an interest (collectively, the “Justice Entities”). During 2024 and the three months ended March 31, 2025, \$56.8 million of curtailment payments made by the Justice Entities to the Bank decreased the aggregate nonperforming loan balance outstanding to the Bank from \$301.9 million as of December 31, 2023 to \$245.1 million as of March 31, 2025. The Company believes it is well secured based on the net carrying value of the credit relationship and it has appropriately reserved for expected credit losses with respect to all such loans based on information currently available. However, the Company cannot give any assurance as to the timing or amount of future payments or collections on such loans or that the Company will ultimately collect all amounts contractually due. The Company is closely monitoring all developments that may impact collateral values or potential recoveries on its nonperforming loans, including claims that may be asserted by other purported creditors.

Based on analyses of the credit relationship and various discounted cash flow valuation techniques utilized in the alternative modeling, which resulted in specific reserves with respect to these loans of \$27.1 million at March 31, 2025, or 11.0%, of these loans aggregate principal amount as compared to \$30.3 million or 12.0% of these loans aggregate principal amount at December 31, 2024. This decline was driven by the aforementioned curtailments, updated analysis of the credit relationship during the first quarter of 2025 using the discounted cash flow model with updated assumptions and inputs regarding the credit relationship, legal risk and related risks.

As the borrowers on these loans operate in the hospitality, agriculture, and energy sectors, this credit relationship is secured by, among other collateral, commercial real estate properties in these sectors including but not limited to top-tier hospitality properties. When evaluating the net carrying value of this credit relationship at March 31, 2025, the Company utilized discounted cash flow valuation techniques to estimate the timing and magnitude of potential recoveries resulting from various collection processes.

The following is an analysis of nonperforming loans by loan portfolio segment at the dates presented, and each segment’s relative contribution to total nonperforming loans:

(Dollars in Thousands)	March 31, 2025		December 31, 2024	
	Amount	% of NPLs	Amount	% of NPLs
Commercial Real Estate	\$ 9,733	3.7 %	\$ 1,176	0.4 %
Commercial and Industrial	1,070	0.4 %	1,078	0.4 %
Residential Mortgages	5,326	2.1 %	4,865	1.9 %
Other Consumer	38	— %	20	— %
Construction	213	0.1 %	228	0.1 %
Other	245,064	93.7 %	251,982	97.2 %
Balance End of Period	\$ 261,444	100.0 %	\$ 259,349	100.0 %

Closed retail bank offices had a book value of \$0.6 million at March 31, 2025 and \$0.7 million at December 31, 2024, and are recorded in OREO on the Consolidated Balance Sheets. During the three months ended March 31, 2025, the Bank had an additional write-down on one OREO property, which is currently being marketed for sale.

Past Company legacy underwriting standards relied heavily on loan to value and did not necessarily consider the income characteristics of the borrower or the repayment capacity of collateral with respect to speculative land financing. An overreliance on value as a primary repayment source can become compromised during real estate cycles. As a result, management has worked through these legacy credits and has installed a number of underwriting guardrails that consider the global cash flows and repayment capability of borrowers and/or guarantors, the proportion of speculation, transaction limits and introduced sensitivity analysis in order to determine supportable loan amounts. While these guardrails do not insulate the Company from credit cycles, management believes it should reduce the experience of defaults.

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Closed-end installment loans, amortizing loans secured by real estate and any other loans with payments scheduled monthly are reported past due when the borrower is in arrears two or more monthly payments. Other multi-payment obligations with payments scheduled other than monthly are reported past due when one scheduled payment is due and unpaid for 30 days or more. We monitor delinquency on a monthly basis, including loans that are at risk for becoming delinquent and early stage delinquencies in order to identify emerging patterns and potential problem loans.

Allowance for Credit Losses

The following is the allocation of the ACL balance by segment at the dates presented:

(Dollars in Thousands)	March 31, 2025		December 31, 2024	
	Amount	% of Loans in each Category to Total Portfolio Loans	Amount	% of Loans in each Category to Total Portfolio Loans
Commercial Real Estate	\$ 20,144	52.0 %	\$ 20,146	51.6 %
Commercial & Industrial	2,675	6.3 %	2,791	6.4 %
Residential Mortgages	10,843	21.7 %	10,389	21.4 %
Other Consumer	693	0.8 %	682	0.8 %
Construction	12,049	12.5 %	11,297	12.8 %
Other	27,114	6.7 %	30,295	7.0 %
Balance End of Period	\$ 73,518	100.0 %	\$ 75,600	100.0 %

The ACL was \$73.5 million, or 1.99%, of total portfolio loans at March 31, 2025 compared to \$75.6 million, or 2.09%, of total portfolio loans at December 31, 2024.

The following table summarizes the credit quality ratios and their components at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Allowance for Credit Losses to Total Portfolio Loans		
Allowance for Credit Losses	\$ 73,518	\$ 75,600
Total Portfolio Loans	3,687,495	3,624,826
Allowance for Credit Losses to Total Portfolio Loans	1.99 %	2.09 %
Nonperforming Loans to Total Portfolio Loans		
Nonperforming Loans	\$ 261,444	\$ 259,349
Total Portfolio Loans	3,687,495	3,624,826
Nonperforming Loans to Total Portfolio Loans	7.09 %	7.15 %
Allowance for Credit Losses to Nonperforming Loans		
Allowance for Credit Losses	\$ 73,518	\$ 75,600
Nonperforming Loans	261,444	259,349
Allowance for Credit Losses to Nonperforming Loans	28.12 %	29.15 %
Net Charge-offs to Average Portfolio Loans		
Net Charge-offs (annualized)	\$ 230	\$ 16,413
Average Total Portfolio Loans	3,660,484	3,560,297
Net Charge-offs to Average Portfolio Loans	0.01 %	0.46 %

The (recovery) provision for credit losses, which includes a (recovery) provision for losses on loans and a (recovery) provision on unfunded commitments, is a charge to earnings to maintain the ACL at a level consistent with management's assessment of expected losses in the loan portfolio at the balance sheet date. The (recovery) provision for credit losses decreased \$2.0 million for the three months ended March 31, 2025 compared to the same period in 2024. The decrease in the (recovery) provision for credit losses was primarily due to a decline in the Other segment reserve rate, specifically the Company's largest credit relationship, from 12.01% to 11.05%, and \$6.9 million of curtailment payments made by the Bank's largest nonperforming credit relationship, offset by loan growth during the three months ended March 31, 2025.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

The (recovery) provision for unfunded commitments decreased \$0.1 million for the three months ended March 31, 2025 compared to the same period in 2024. The decrease was due to decreased commitments in construction loans during the three months ended March 31, 2025. The reserve for unfunded commitments is largely comprised of unfunded commitments related to real estate construction loans and pressure on the reserve rates. There are three basic factors that influence the reserve rates associated with unfunded commitments for real estate construction loans. First, the reserve rate is extrapolated from the reserve rates calculated for certain commercial real estate funded loans within the ACL model. These reserve rates are influenced by the same factors cited in the ACL model such as economic forecasts, average portfolio life, etc. Refer to Note 1, Basis of Presentation, in the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q for additional information related to the ACL Policy and the discussion of these factors. Second, since the category of construction is generic, management applies a weighting of the reserve rates associated with certain CRE loans. The proportion of these segments affect the weighting. Third, volume changes impact the total reserve calculation.

Net charge-offs were \$0.1 million and \$0.5 million for the three months ended March 31, 2025 compared to the same period in 2024, respectively. As a percentage of average portfolio loans, net charge-offs were 0.01% and 0.06% for the three months ended March 31, 2025 compared to the same period in 2024, respectively.

At March 31, 2025 NPLs increased \$2.1 million since December 31, 2024. NPLs as a percentage of total portfolio loans were 7.09% and 7.15% as of March 31, 2025 and December 31, 2024, respectively.

The following tables represent credit exposures by internally assigned risk ratings at the dates presented:

March 31, 2025							
(Dollars in Thousands)	Commercial Real Estate	Commercial & Industrial	Residential Mortgages	Other Consumer	Construction	Other	Total
Pass	\$ 1,901,558	\$ 231,018	\$ 795,836	\$ 28,766	\$ 454,595	\$ 3,202	\$ 3,414,975
Special Mention	56	1,936	91	—	4,477	—	6,560
Substandard	14,249	1,070	5,326	38	213	245,064	265,960
Total Portfolio Loans	\$ 1,915,863	\$ 234,024	\$ 801,253	\$ 28,804	\$ 459,285	\$ 248,266	\$ 3,687,495
Performing Loans	\$ 1,906,130	\$ 232,954	\$ 795,927	\$ 28,766	\$ 459,072	\$ 3,202	\$ 3,426,051
Nonaccrual Loans	9,733	1,070	5,326	38	213	245,064	261,444
Total Portfolio Loans	\$ 1,915,863	\$ 234,024	\$ 801,253	\$ 28,804	\$ 459,285	\$ 248,266	\$ 3,687,495

December 31, 2024							
(Dollars in Thousands)	Commercial Real Estate	Commercial & Industrial	Residential Mortgages	Other Consumer	Construction	Other	Total
Pass	\$ 1,860,313	\$ 227,412	\$ 772,514	\$ 28,888	\$ 458,223	\$ 3,221	\$ 3,350,571
Special Mention	2,460	—	92	—	4,479	—	7,031
Substandard	7,058	3,071	4,865	20	228	251,982	267,224
Total Portfolio Loans	\$ 1,869,831	\$ 230,483	\$ 777,471	\$ 28,908	\$ 462,930	\$ 255,203	\$ 3,624,826
Performing Loans	\$ 1,868,655	\$ 229,405	\$ 772,606	\$ 28,888	\$ 462,702	\$ 3,221	\$ 3,365,477
Nonaccrual Loans	1,176	1,078	4,865	20	228	251,982	259,349
Total Portfolio Loans	\$ 1,869,831	\$ 230,483	\$ 777,471	\$ 28,908	\$ 462,930	\$ 255,203	\$ 3,624,826

At March 31, 2025 and December 31, 2024, the Company had no loans that were risk rated as doubtful. Special mention and substandard loans at March 31, 2025 decreased compared to December 31, 2024, with a decrease of \$1.3 million in substandard and a decrease of \$0.5 million in special mention. The decrease of \$1.3 million in substandard was primarily related to the previously mentioned \$6.9 million curtailment payments received during the three months ended March 31, 2025 and a \$1.4 million CRE relationship that paid off during the three months ended March 31, 2025, partially offset by a CRE relationship, consisting of four loans totaling \$9.5 million that were downgraded during the three months ended March 31, 2025. At March 31, 2025 and December 31, 2024 substandard loans were impacted by the above mentioned large nonaccrual credit relationship in the Other loan category, which was placed on nonaccrual status during the second quarter of 2023.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

Refer to Note 5, Allowance for Credit Losses, in the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q for additional information related to the Company’s ACL.

Deposits

The following table presents the composition of deposits at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024	\$ Change	% Change
Noninterest-Bearing Demand	\$ 631,714	\$ 634,436	\$ (2,722)	(0.43) %
Interest-Bearing Demand	794,059	726,947	67,112	9.23 %
Money Market	528,381	512,162	16,219	3.17 %
Savings	353,394	355,506	(2,112)	(0.59) %
Certificate of Deposits	1,893,379	1,924,370	(30,991)	(1.61) %
Total Deposits	\$ 4,200,927	\$ 4,153,421	\$ 47,506	1.14 %

Deposits are the Company’s primary source of funds. The Company believes that the deposit base is stable and that the Company has the ability to attract new depositors while diversifying the deposit composition. Total deposits at March 31, 2025, increased \$47.5 million, which included increases in interest-bearing demand deposits of \$67.1 million and money market accounts of \$16.2 million, offset by decreases in CDs of \$31.0 million, \$2.7 million in noninterest-bearing demand deposits and \$2.1 million in savings accounts. The decreases in savings and noninterest-bearing demand deposits was primarily due customers preferences shifting to higher-yielding deposit products as short-term interest rates increased.

At March 31, 2025, noninterest-bearing deposits comprised 15.0% of total deposits compared to 15.3% at December 31, 2024. CDs comprised 45.1% and 46.3% of total deposits at March 31, 2025 and December 31, 2024, respectively. As of March 31, 2025, based on assumptions that the Bank uses to prepare its regulatory call report, approximately 81.6% of our total deposits of \$4.2 billion were insured under standard FDIC insurance coverage limits, and approximately 18.4% of our total deposits were uninsured deposits over the standard FDIC insurance coverage limit. The Company’s deposit base is diversified and granular and is comprised of approximately 78.7% of retail deposits.

The following table presents additional information in relation to deposits at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Deposits from the CDARS	\$ —	\$ —
Noninterest-Bearing Public Funds Deposits	27,140	55,385
Interest-Bearing Public Funds Deposits	126,315	125,342
Total Deposits not Covered by Deposit Insurance ¹	773,365	762,937
Certificates of Deposits not Covered by Deposit Insurance	295,048	297,938
Deposits for Certain Directors, Executive Officers and their Affiliates	2,086	2,305

¹These deposits are presented on an estimated basis. This estimate was determined based on the same methodologies and assumptions used for regulatory reporting requirements.

Maturities of CDs over \$250,000 or more, excluding brokered deposits, not covered by deposit insurance at March 31, 2025 are summarized as follows:

(Dollars in Thousands)	Amount	Percent
Three Months or Less	\$ 134,898	45.7 %
Over Three Months Through Twelve Months	113,760	38.6 %
Over Twelve Months Through Three Years	44,096	14.9 %
Over Three Years	2,294	0.8 %
Total	\$ 295,048	100.0 %

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)
FHLB Borrowings and Federal Funds Purchased

Information pertaining to FHLB borrowings and federal funds purchased at the dates presented are summarized in the table below:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Balance at Period End		
Federal Home Loan Bank Borrowings	\$ 55,000	\$ 70,000
Federal Funds Purchased	—	—
Average Balance during the Period		
Federal Home Loan Bank Borrowings	\$ 69,833	\$ 222,719
Federal Funds Purchased	—	—
Average Interest Rate during the Period		
Federal Home Loan Bank Borrowings	4.08 %	5.11 %
Federal Funds Purchased	— %	— %
Maximum Month-end Balance during the Period		
Federal Home Loan Bank Borrowings	\$ 70,000	\$ 403,000
Federal Funds Purchased	—	—
Average Interest Rate at Period End		
Federal Home Loan Bank Borrowings	3.99 %	4.02 %
Federal Funds Purchased	— %	— %

Borrowings are an additional source of liquidity for the Company. FHLB borrowings decreased \$15.0 million to \$55.0 million at March 31, 2025 from \$70.0 million at December 31, 2024 primarily due to a maturity on one FHLB advance on March 27, 2025. The Company used liquidity provided by deposit growth to reduce outstanding short-term FHLB borrowings during the three months ended March 31, 2025. The Company had no overnight federal funds purchased at March 31, 2025 or at December 31, 2024. The level and composition of borrowed funds fluctuates over time based on many factors including market conditions, loan growth, investment securities, deposit growth and capital considerations. We manage our borrowed funds to provide a reliable source of liquidity.

The Company held FHLB of Atlanta stock of \$5.9 million and \$6.5 million at March 31, 2025 and December 31, 2024, respectively. The decrease in FHLB stock was due to a lower required level of stock holdings due to a lower level of FHLB borrowings. Dividends recorded on restricted stock were \$0.1 million for the three months ended March 31, 2025 compared to \$0.4 million for the same period in 2024. The investment is carried at cost and evaluated for impairment based on the ultimate recoverability of the par value. We hold FHLB stock because we are a member of the FHLB of Atlanta. The FHLB requires members to purchase and hold a specified level of FHLB stock based upon the members’ asset values, level of borrowings and participation in other programs offered. Stock in the FHLB is non-marketable and is redeemable at the discretion of the FHLB. Members do not purchase stock in the FHLB for the same reasons that traditional equity investors acquire stock in an investor-owned enterprise. Rather, members purchase stock to obtain access to the products and services offered by the FHLB. Unlike equity securities of traditional for-profit enterprises, the stock of the FHLB does not provide its holders with an opportunity for capital appreciation because, by regulation, FHLB stock can only be purchased, redeemed and transferred at par value.

Refer to Note 9, Federal Home Loan Bank Borrowings and Federal Funds Purchased, in the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q for additional information related to the Company’s borrowings.

Liquidity and Capital Resources
Liquidity

Liquidity is defined as a financial institution’s ability to meet its cash and collateral obligations at a reasonable cost. This includes the ability to satisfy the financial needs of depositors who want to withdraw funds or borrowers needing to access funds to meet their credit needs. In order to manage liquidity risk the Company’s Board has delegated authority to ALCO for formulation, implementation and oversight of liquidity risk management for the Company. The ALCO’s goal is to maintain adequate levels of liquidity at a reasonable cost to meet funding needs in both a normal operating environment and for potential liquidity stress events. The ALCO closely monitors and manages liquidity by reviewing cash flow projections, performing

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

balance sheet stress tests and by maintaining a detailed contingency funding plan that includes specific liquidity measures that are reviewed by the ALCO monthly. Our liquidity policy and contingency funding plan provide graduated risk tolerance levels for multiple liquidity measures and potential liquidity environments. If our liquidity position moves to a level that has been defined as high risk, specific actions are required, such as increased monitoring or the development of an action plan to reduce the risk position.

The Company's primary funding and liquidity source is a stable customer deposit base. Management believes that we have the ability to retain existing deposits and attract new deposits, mitigating any potential funding dependency on other more volatile sources. Although deposits are the primary source of funds, the Company has identified various other funding sources that can be used as part of our normal funding program when either a structure or cost efficiency has been identified. Additional funding sources accessible to the Company include borrowing availability at the FHLB, equal to 25.0% of the Company's assets or approximating \$1.2 billion, subject to the amount of eligible collateral pledged, of which the Company is eligible to borrow up to an additional \$743.2 million. The Company has unsecured facilities with three other correspondent financial institutions totaling \$30.0 million, a fully secured facility with one other correspondent financial institution totaling \$45.0 million, and access to the institutional CD market, and the brokered deposit market. The Company did not have outstanding borrowings on these fed funds lines as of March 31, 2025. In addition to the above funding resources, the Company also has \$447.2 million of unpledged available-for-sale investment securities, at fair value, as an additional source of liquidity. Please refer to the Liquidity Sources table below for available funding with the FHLB and our secured and unsecured lines of credit with correspondent banks. As of March 31, 2025, approximately 81.6% of our total deposits of \$4.2 billion were insured under standard FDIC insurance coverage limits, and approximately 18.4% of our total deposits were uninsured deposits over the standard FDIC insurance coverage limit.

The Company closely monitors changes in the industry and market conditions that may impact the Company's liquidity and will use other borrowing means or other liquidity and funding strategies sources to fund its liquidity needs as needed. The Company is also closely tracking the potential impacts on the Company's liquidity of declines in the fair value of the Company's securities portfolio due to fluctuations in interest rates and developments in the financial markets, and in light of developments in the banking industry that may change the availability of traditional sources of liquidity or market expectations with respect to available sources and amounts of additional liquidity.

An important component of our ability to effectively respond to potential liquidity stress events is maintaining a cushion of highly liquid assets or assets that can be converted to cash quickly, with little or no loss in value, to meet financial obligations. ALCO policy guidelines define a ratio of highly liquid assets to total assets by graduated risk tolerance levels of minimal, moderate and high. At March 31, 2025, the Bank had \$493.7 million in highly liquid assets, which consisted of Federal Reserve Board Excess Reserves and interest-bearing deposits in other financial institutions of \$46.5 million and \$447.2 million in unpledged securities. This resulted in highly liquid assets to total assets ratio of 10.5% at March 31, 2025. Total available liquidity to uninsured deposits was 182.1% at March 31, 2025.

If an extended recession, or significant industry or market volatility, caused large numbers of our deposit customers to withdraw their funds, we might become more reliant on volatile or more expensive sources of funding.

The following table provides detail of liquidity sources at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Cash and Due From Banks, including Interest-bearing Deposits	\$ 88,999	\$ 131,171
Unpledged Investment Securities	447,178	418,350
Excess Pledged Securities	54,294	33,022
FHLB Borrowing Availability	743,209	735,294
Collateralized Lines of Credit	45,000	45,000
Unsecured Lines of Credit Availability	30,000	30,000
Total Liquidity Sources	\$ 1,408,680	\$ 1,392,837

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

The following table provides total liquidity sources and ratios at the dates presented:

(Dollars in Thousands)	March 31, 2025	December 31, 2024
Total Liquidity Sources	\$ 1,408,680	\$ 1,392,837
Highly Liquid Assets ¹ to Total Assets	10.5 %	10.9 %
Highly Liquid Assets ¹ to Uninsured Deposits	63.8 %	66.8 %
Total Available Liquidity to Uninsured Deposits	182.1 %	182.6 %

¹ Highly liquid assets consist of \$46.5 million in Federal Reserve Board excess reserves and interest-bearing deposits in other financial institutions and \$447.2 million in unpledged securities.

Capital Resources

The Company reviews, on an ongoing basis, its and the Bank’s capital levels and opportunities to effectively deploy the Company’s capital or return capital to shareholders through stock repurchases or potential dividends. The following table summarizes the actual risk-based capital amounts and ratios for the Company and the Bank at the dates presented:

(Dollars in Thousands)	Minimum Required Basel III	Well Capitalized ¹	March 31, 2025		December 31, 2024	
			Amount	Ratio	Amount	Ratio
Carter Bankshares, Inc.						
Leverage Ratio	4.00 %	NA	458,139	9.67 %	448,834	9.56 %
Common Equity Tier 1 (to Risk-weighted Assets)	7.00 %	NA	458,139	11.01 %	448,834	10.88 %
Tier 1 Capital (to Risk-weighted Assets)	8.50 %	NA	458,139	11.01 %	448,834	10.88 %
Total Capital (to Risk-weighted Assets)	10.50 %	NA	510,442	12.27 %	500,759	12.13 %
Carter Bank & Trust						
Leverage Ratio	4.00 %	5.00 %	450,713	9.53 %	441,916	9.42 %
Common Equity Tier 1 (to Risk-weighted Assets)	7.00 %	6.50 %	450,713	10.85 %	441,916	10.72 %
Tier 1 Capital (to Risk-weighted Assets)	8.50 %	8.00 %	450,713	10.85 %	441,916	10.72 %
Total Capital (to Risk-weighted Assets)	10.50 %	10.00 %	502,932	12.11 %	493,760	11.98 %

¹ To be “well capitalized” under the prompt corrective action framework applies to the Bank only.

Total capital of \$401.8 million at March 31, 2025, reflects an increase of \$17.5 million compared to December 31, 2024. The increase in total capital from December 31, 2024 is primarily due to net income of \$9.0 million, an increase of \$8.1 million in other comprehensive income due to positive changes in fair value of investment securities, as well as an increase of \$0.4 million related to restricted stock activity all during the three months ended March 31, 2025.

The Company and the Bank are subject to various capital requirements administered by the federal banking regulators. Failure to meet the minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies. Quantitative measures established by regulations to ensure capital adequacy require us to maintain minimum amounts and ratios.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At March 31, 2025 and December 31, 2024, the most recent regulatory notifications categorized the Bank as well-capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution’s category.

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (continued)

At March 31, 2025, the Bank continues to maintain its capital position with a leverage ratio of 9.53% as compared to the regulatory guideline of 5.00% to be well-capitalized and a risk-based Common Equity Tier 1 ratio of 10.85% compared to the regulatory guideline of 6.50% to be well-capitalized. Our risk-based Tier 1 and Total Capital ratios were 10.85% and 12.11%, respectively, which places the Company above the federal bank regulatory agencies' well-capitalized guidelines of 8.00% and 10.00%, respectively. We believe that we have the ability to raise additional capital, if necessary.

The Basel rules permit banking organizations with less than \$15.0 billion in assets to retain, through a one-time election, existing treatment for accumulated other comprehensive loss, which currently does not affect regulatory capital. The Company elected to retain this treatment which reduces the volatility of regulatory capital levels.

The Basel III Capital Rules require the Company and the Bank to maintain minimum Common Equity Tier 1, Tier 1 and Total Capital ratios, along with a capital conservation buffer, effectively resulting in new minimum capital ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of Common Equity Tier 1 capital to risk-weighted assets above the minimum, but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is applicable to only certain covered institutions and does not have any current applicability to the Company or the Bank.

Contractual Obligations

As of March 31, 2025, there have been no material changes outside the ordinary course of business to the information about the Company's contractual obligations and cash commitments disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Contractual Obligations" in the Company's [Annual Report on Form 10-K for the year ended December 31, 2024](#) (the "2024 Annual Report").

Off-Balance Sheet Arrangements

As of March 31, 2025, there have been no material changes to the off-balance sheet arrangements disclosed in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Off-Balance Sheet Arrangements" in the Company's 2024 Annual Report.

CARTER BANKSHARES, INC. AND SUBSIDIARIES**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Market Risk**

Market risk is defined as the degree to which changes in interest rates, foreign exchange rates, commodity prices, or equity prices can adversely affect a financial institution's earnings or capital. For financial institutions, market risk arises primarily from interest rate risk inherent in lending, investment, and deposit-taking activities. Interest rate risk can arise from timing differences in the repricing and maturities of interest-earning assets and interest-bearing liabilities (repricing risk), changes in the expected maturities of assets and liabilities arising from embedded options, such as borrowers' ability to prepay home mortgage loans at any time, depositors' ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve, where interest rates increase or decrease in a non-parallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and SOFR (basis risk).

Interest rate fluctuations affect earnings by changing net interest income and other interest-sensitive income and expense levels. Interest rate changes affect capital by changing the net present value of a financial institution's future cash flows, and the cash flows themselves, as rates change. Accepting this risk is a normal part of banking and can be an important source of profitability and enhancement of shareholder value. However, excessive interest rate risk can threaten a financial institution's earnings, capital, liquidity, and solvency. The Company's ALCO is responsible for the reviewing the interest rate sensitivity position of the institution, establishing policies to monitor and limit exposure to this type of risk, and employing strategies to ensure our asset-liability structure produces the maximum yield-cost spread available based on current market conditions. The Company's Investment / Interest Rate Risk Committee, a committee of the Board of Directors, reviews and approves the policies established by ALCO.

Earnings Simulation Modeling

The ALCO uses an asset liability model ("ALM") to forecast earning simulations that measure the sensitivity of net interest income to changes in interest rates. The ALM calculates an earnings estimate based on current and projected balances and rates. This method is subject to the accuracy of the assumptions that support the ALM process. The ALCO derives the assumptions used in the ALM from historical trends and management's outlook, including expected loan growth, loan prepayment rates, deposit growth rates, changes to deposit product betas and non-maturity deposit decay rates, and projected yields and rates. The ALM assumes that all maturities, calls, and prepayments in the securities portfolio are reinvested in like instruments. These assumptions may not be realized and unanticipated events and circumstances may also occur that cause the assumptions to be inaccurate. The ALM also does not take into account any future actions management may take to mitigate the impact of unforeseen interest rate changes. A sensitivity analysis for deposit betas, deposit decay rates and loan prepayment speeds is performed at least annually within the ALM to help ALCO better understand the impact of these critical assumptions on the ALM results. The ALCO reviews the assumptions of the ALM at least quarterly and periodically adjusts them when deemed appropriate.

The ALCO also uses different interest rate scenarios and shifts in yield curve shapes to measure the sensitivity of earnings to various interest rate environments. Interest rates on unique asset and liability accounts move differently when the short-term market rate changes. These differences are reflected in the different rate scenarios utilized by the ALM. For earning simulations, our policy guidelines limit the change in net interest income over a 12-month and 24-month horizon using rate shocks of +/- 100, 200, 300, 400 basis points and for non-parallel yield curve shift scenarios. We have temporarily suspended the + 300 and + 400 basis point rate shock analyses. Due to the FOMC's recent action taken at their last three scheduled meetings of 2024 to reduce the Fed Funds Target Rate range by an aggregate of 100 bps from 5.25% - 5.50% to 4.25% - 4.50% coupled with current rate forecasts that imply that the FOMC is unlikely to increase the Fed Funds Target Rate during 2025, we believe the impact to net interest income when evaluating the + 300 and +400 basis point rate shock scenarios do not provide meaningful insight into our interest rate risk position nor does it project a probable interest rate environment for the foreseeable future.

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - (continued)

The following tables reflect the earnings simulation results at the dates presented utilizing a forecasted static balance sheet over the next twelve months. All percentage changes presented are within prescribed ranges set by ALCO.

Change in Interest Rate (basis points)	March 31, 2025	December 31, 2024
	% Change in Pretax Net Interest Income	% Change in Pretax Net Interest Income
200	0.1%	1.9%
100	0.2%	1.1%
-100	2.7%	2.1%
-200	5.8%	4.6%
-300	8.8%	6.8%
-400	8.3%	6.6%

The results from the earnings simulation imply that the Company's balance sheet is slightly liability sensitive at March 31, 2025 and December 31, 2024. The above table indicates that, in a rising interest rate environment, the Company is positioned to have a small increase in net interest income for the same asset and liability mix due to the balance sheet composition, related maturity structures, and repricing correlations to market interest rates for assets and liabilities. However, in a declining interest rate environment, the Company is positioned to have a more advantageous increase in net interest income driven by the same factors discussed above and below. The liability sensitive position at March 31, 2025 is due to a variety of factors which include 1) higher than market rate unfunded loan commitments that were originated during 2024 with fixed rates that are assumed to draw down, or convert to funded loan balances, during the next twelve months, 2) shortening maturities of the time deposit portfolio due to shorter term time deposit promotional campaigns in response to the recent inverted yield curve, and 3) more aggressive non maturing deposit betas utilized in a rates down environment versus a rates up environment based on bank specific non maturing deposit rate beta assumptions observed during the most recent rate cycle.

Economic Value of Equity Modeling

Economic value of equity simulation is used to calculate the estimated fair value of assets and liabilities over different interest rate environments. The ALM calculates the economic value of equity based on discounted cash flow analysis. The net economic value of equity is the economic value of all assets minus the economic value of all liabilities. The change in net economic value of equity over different rate environments is an indication of the longer-term earnings capability of the balance sheet. The Company uses the same assumptions in the economic value of equity simulation model as in the earnings simulation model. The economic value of equity simulation model uses instantaneous rate shocks to the balance sheet. For economic value of equity simulation, our policy guidelines limit the change in economic value of equity given changes in rates of +/- 100, 200, 300, 400 basis points and for non-parallel yield curve shift scenarios. We have temporarily suspended the + 300 and + 400 basis point rate shock analyses. Due to the FOMC's recent action taken at their last three scheduled meetings of 2024 to reduce the Fed Funds Target Rate range by 100 bps from 5.25% - 5.50% to 4.25% - 4.50% coupled with current rate forecasts that imply that the FOMC is unlikely to increase the Fed Funds Target Rate during 2025, we believe the impact to net interest income when evaluating the + 300 and +400 basis point rate shock scenarios do not provide meaningful insight into our interest rate risk position nor does it project a probable interest rate environment for the foreseeable future.

Results for the economic value of equity modeling are driven primarily by the shape of the underlying yield curves and option-adjusted spreads used to discount the projected cash flows of assets and liabilities, and the assumed life span of the assets and liabilities being discounted.

The following tables reflect the economic value of equity analyses results at the dates presented. All percentage changes presented are within prescribed ranges set by management.

Change in Interest Rate (basis points)	March 31, 2025	December 31, 2024
	% Change in Economic Value of Equity	% Change in Economic Value of Equity
200	(7.3) %	(8.3) %
100	(2.8) %	(3.3) %
-100	1.8 %	2.4 %
-200	2.7 %	3.8 %
-300	1.2 %	2.9 %
-400	(6.6) %	(1.9) %

CARTER BANKSHARES, INC. AND SUBSIDIARIES
ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) (its principal executive officer and principal financial officer, respectively), management has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of March 31, 2025. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods required by the Securities and Exchange Commission (the “SEC”), and that such information is accumulated and communicated to the Company’s management, including our CEO and CFO as appropriate, to allow timely decisions regarding required disclosure.

Based on and as of the date of such evaluation, our CEO and CFO concluded that the design and operation of our disclosure controls and procedures were effective in all material respects, as of the end of the period covered by this Report.

Changes in Internal Control Over Financial Reporting

No changes were made to our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2025 that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

CARTER BANKSHARES, INC. AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the normal course of business, the Company is subject to various legal and administrative proceedings and claims. Legal and administrative proceedings are subject to inherent uncertainties and unfavorable rulings could occur, and the timing and outcome of any legal or administrative proceeding cannot be predicted with certainty. As of March 31, 2025, the Company is not involved in any material pending or threatened legal proceedings other than proceedings occurring in the ordinary course of business.

ITEM 1A. RISK FACTORS

There have been no material changes in the risk factors faced by the Company from those disclosed in our [2024 Annual Report on Form 10-K](#).

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended March 31, 2025, the Company did not have a common share repurchase program. The following table provides information regarding the Company's purchases of its common stock during the quarter ended March 31, 2025:

Period	Issuer Purchases of Equity Securities			
	Total Number of Shares Purchased ¹	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum number (or approximate dollar value) of Shares that may yet be purchased under the plans or programs ⁽²⁾
01/01/2025 - 01/31/2025	1,257	\$ 17.83	—	—
02/01/2025 - 02/28/2025	6,102	17.66	—	—
03/01/2025 - 03/31/2025	—	—	—	—
Total	7,359	\$ 17.69	—	—

¹ Reflects shares that were withheld upon vesting of restricted shares granted to employees of the Company in order to satisfy tax withholding obligations.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

During the three months ended March 31, 2025, none of our directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended) adopted, modified or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K of the Securities Act of 1933).

CARTER BANKSHARES, INC. AND SUBSIDIARIES

ITEM 6. EXHIBITS.

Exhibits:

- [3.1](#) [Articles of Incorporation of Carter Bankshares, Inc., effective October 7, 2020 \(incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 23, 2020\)](#)
- [3.2](#) [Bylaws of Carter Bankshares, Inc., as adopted October 28, 2020 \(incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on November 23, 2020\)](#)
- [10.7.9](#) [Form of Time-Based Restricted Stock Agreement \(for employee: LTIP\) for use on and after February 27, 2025 under the Carter Bankshares, Inc. Amended and Restated 2018 Omnibus Equity Incentive Plan \(incorporated by reference to Exhibit 10.7.9 to the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2025\)](#)
- [10.7.10](#) [Form of Performance Unit Agreement \(for employee: LTIP\) for use on and after February 27, 2025 under the Carter Bankshares, Inc. Amended and Restated 2018 Omnibus Equity Incentive Plan \(incorporated by reference to Exhibit 10.7.10 to the Company's Annual Report on Form 10-K filed with the SEC on March 7, 2025\)](#)
- [31.1](#) [Certification by principal executive officer pursuant to Rule 13a-14\(a\) \(filed herewith\)](#)
- [31.2](#) [Certification by principal financial officer pursuant to Rule 13a-14\(a\) \(filed herewith\)](#)
- [32](#) [Certification by principal executive officer and principal financial officer pursuant to 18 U.S.C. §1350 \(furnished herewith\)](#)
- 101.INS Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH Inline XBRL Taxonomy Extension Schema
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase
- 101.LAB Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)

CARTER BANKSHARES, INC. AND SUBSIDIARIES

SIGNATURES

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

CARTER BANKSHARES, INC.

(Registrant)

By: /s/ Litz H. Van Dyke

Name: Litz H. Van Dyke

Title: Chief Executive Officer (Principal Executive Officer)

Date: May 8, 2025

By: /s/ Wendy S. Bell

Name: Wendy S. Bell

Title: Chief Financial Officer (Principal Financial and Accounting Officer)

Date: May 8, 2025