

# Carter Bank & Trust Announces First Quarter 2019 Financial Results

2019-04-25

MARTINSVILLE, Va.--(BUSINESS WIRE)-- Carter Bank & Trust ( the "Bank") (NASDAQ:CARE) today announced net income of \$7.5 million, or \$0.29 earnings per share, for the first quarter of 2019, as compared to net income of \$8.8 million, or \$0.34 earnings per share, for the first quarter of 2018. Pre-tax pre-provision earnings<sup>1</sup> were \$9.6 million for the quarters ended March 31, 2019 and 2018.

## First Quarter 2019 Financial Highlights

- First quarter net income of \$7.5 million, or \$0.29 earnings per share, as compared to net income of \$3.4 million, or \$0.13 earnings per share, in the fourth quarter of 2018 and net income of \$8.8 million, or \$0.34 earnings per share, over the same quarter of 2018;
- Net interest income declined \$1.2 million, or 4.1%, to \$27.9 million as compared to the linked quarter primarily due to two fewer days in the first quarter and a nine basis point increase in funding costs compared to the fourth quarter of 2018, but increased \$0.5 million, or 1.7%, over the same quarter in 2018;
- Net interest margin, on a fully taxable equivalent basis, declined seven basis points to 3.09% over the linked quarter, but increased five basis points over the same quarter last year;
- Solid portfolio loan growth of \$141.8 million, or 5.2%, as compared to the linked quarter and growth of \$184.7 million, or 6.9%, as compared to March 31, 2018;
- Total deposits increased \$27.1 million to \$3.6 billion as of March 31, 2019 as compared to December 31, 2018. Noninterest-bearing deposits increased by \$35.3 million, or 6.7%, to \$559.9 million as compared to linked quarter and money market accounts increased \$31.7 million, or 39.2%, due to recent special rate promotions

during the first quarter of 2019;

- Nonperforming loans declined \$1.1 million, or 2.3% as compared to December 31, 2018 and decreased \$13.0 million, or 20.7%, from March 31, 2018. Nonperforming loans as a percentage of total portfolio loans were 1.74%, 1.88% and 2.35% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Litz H. Van Dyke, Chief Executive Officer, stated, "Our performance this quarter reflects solid loan and deposit growth as a result of our various strategic initiatives designed to grow loans and core deposits. In addition, there were a couple of important strategic milestones achieved during the first quarter. First was our successful roll out of our online and mobile banking platforms. These new platforms will be the foundation to provide additional products and services as well as greater convenience to our customers. The second important milestone was the transition of our common stock to the Nasdaq Global Select Market. This will provide our shareholders greater liquidity in trading our stock and help enhance shareholder value by allowing the market capitalization of our company to more accurately reflect our franchise value."

## Operating Highlights

Net interest income increased \$0.5 million, or 1.7%, to \$27.9 million during the first quarter of 2019 as compared to the same period of 2018. The net interest margin, on a fully taxable equivalent basis, increased five basis points to 3.09% over the past twelve months. The increases in short-term interest rates continue to positively impact both net interest income and net interest margin, but are somewhat muted by lower replacement loan yields from legacy loan pay-downs during 2018. The yield on interest-earning assets increased 40 basis points, offset by a 43 basis point increase in funding costs as compared to the same period of 2018.

The provision for loan losses totaled \$1.6 million for the period ended March 31, 2019 and \$1.5 million for the same period of 2018. At March 31, 2019, nonperforming loans were \$49.6 million, a decrease of \$1.1 million, or 2.3% as compared to December 31, 2018. Net charge-offs were \$1.3 million in the first quarter of 2019 as compared to \$33 thousand of net recoveries in the same period of 2018. As a percentage of total loans, on an annualized basis, net charge-offs (recoveries) were 0.18% and (0.01)% for the quarters ending March 31, 2019 and 2018, respectively. Nonperforming loans as a percentage of total portfolio loans were 1.74%, 1.88% and 2.35% as of March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

Noninterest income at March 31, 2019, excluding net securities gains, was essentially flat as compared to the same period of 2018. The stable comparison was due to higher debit card interchange fees and higher bank owned life insurance earnings, which were offset by lower income from other real estate owned ("OREO") due to the sale of several large commercial properties over the last 12 months that generated income beginning in the first quarter of 2018 and lower insurance commissions due to the sale of the bank owned insurance agency in the first quarter of 2018. Securities gains of \$31 thousand and \$0.9 million were realized during the first quarter of 2019 and 2018,

respectively, to take advantage of market opportunities and reduce the credit risk of the securities portfolio.

Total noninterest expense decreased \$0.5 million, or 2.0%, for the first quarter of 2019 to \$22.1 million as compared to \$22.6 million in the same period of 2018. The reduction was primarily driven by decreases of \$0.2 million in salaries and employee benefits, \$0.6 million in legal and professional fees, \$0.5 million in tax credit amortization and \$0.4 million in OREO expenses. The decrease in salaries and benefits were primarily attributable to an increase in salary deferrals on new loan originations due to increased new loan volumes in the first quarter of 2019. The decrease in legal and professional fees were related to regulatory and compliance reviews which were completed as of June 30, 2018. Offsetting these decreases were increases of \$0.5 million in data processing expense due to our core conversion completed in the fourth quarter of 2018 and \$0.5 million in occupancy expense as a result of higher depreciation for hardware and software and amortization of maintenance agreements related to the aforementioned core conversion.

## Financial Condition

Total assets were \$4.1 billion at March 31, 2019 and \$4.0 billion at December 31, 2018. Total portfolio loans increased \$141.8 million, or 5.2%, to \$2.8 billion as of March 31, 2019 as compared to December 31, 2018. Nonperforming loans decreased \$1.1 million to \$49.6 million, or 2.3% as of March 31, 2019 as compared to \$50.7 million at December 31, 2018. OREO decreased \$3.1 million at March 31, 2019 as compared to December 31, 2018 due to the sale of properties during the first quarter of 2019. Closed retail bank offices declined \$1.4 million from December 31, 2018 and have a remaining book value of \$5.3 million at March 31, 2019.

Federal Reserve Bank excess reserves decreased \$100.2 million at March 31, 2019 as compared to December 31, 2018. The balance was higher at year-end primarily due to large legacy credit reductions received late in December of 2018. This excess cash was deployed into higher yielding and diversified securities, funded loan growth, and also funded the planned decrease in high cost deposits.

The securities portfolio increased \$15.9 million and is currently 19.5% of total assets at March 31, 2019 as compared to 19.4% of total assets at December 31, 2018. The increase is a result of deposit growth and active balance sheet management. We have further diversified the securities portfolio as to bond types, maturities and interest rate structures.

Total deposits increased \$27.1 million to \$3.6 billion as of March 31, 2019 as compared to December 31, 2018. Noninterest-bearing deposits increased by \$35.3 million, or 6.7%, to \$559.9 million as of March 31, 2019 as compared to \$524.6 million as of December 31, 2018 and money market accounts increased \$31.7 million, or 39.2%, due to recent special rate promotions during the first quarter of 2019. Offsetting these increases were decreases of \$16.2 million, or 5.9%, in interest-bearing demand deposits, \$10.3 million, or 1.7%, in savings accounts

and \$13.4 million in certificates of deposits as compared to December 31, 2018. Noninterest-bearing deposits comprised 15.5% and 14.6% of total deposits at March 31, 2019 and December 31, 2018, respectively.

The allowance for loan losses was 1.39% of total portfolio loans as of March 31, 2019 as compared to 1.45% as of December 31, 2018. General reserves as a percentage of total loans were 1.20% at March 31, 2019 as compared to 1.26% as of December 31, 2018. The allowance for loan losses was 79.8% of nonperforming loans as of March 31, 2019 as compared to 77.3% of nonperforming loans as of December 31, 2018. In the view of management, the allowance for loan losses is adequate to absorb probable losses inherent in the loan portfolio.

The Bank remains well capitalized. The Bank's Tier 1 Capital ratio decreased to 13.61% as of March 31, 2019 as compared to 13.97% as of December 31, 2018. The Bank's leverage ratio was 9.85% at March 31, 2019 as compared to 9.69% as of December 31, 2018. The Bank's Total Risk-Based Capital ratio was 14.86% at March 31, 2019 as compared to 15.22% at December 31, 2018.

## About Carter Bank & Trust

Headquartered in Martinsville, VA, Carter Bank & Trust is a state-chartered community bank in Virginia and trades on the Nasdaq Global Select Market under the symbol CARE. The Bank has \$4.1 billion in assets and 105 branches in Virginia and North Carolina. For more information visit [www.CarterBankandTrust.com](http://www.CarterBankandTrust.com).

## Important Note Regarding Non-GAAP Financial Measures

Statements included in this press release include non-GAAP financial measures and should be read along with the accompanying tables in our definitions and reconciliations of GAAP to non-GAAP financial measures. This press release and the accompanying tables discuss financial measures, such as adjusted noninterest expense, adjusted efficiency ratio, and net interest income on a fully taxable equivalent basis, which are all non-GAAP measures. We believe that such non-GAAP measures are useful because they enhance the ability of investors and management to evaluate and compare the Bank's operating results from period to period in a meaningful manner. Non-GAAP measures should not be considered as an alternative to any measure of performance as promulgated under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. Investors should consider the Bank's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Bank. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Bank's results or financial condition as reported under GAAP.

## Important Note Regarding Forward-Looking Statements

This information contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally relate to our financial condition, results of operations, plans, objectives, outlook for earnings, revenues, expenses, capital and liquidity levels and ratios, asset levels, asset quality, financial position, and other matters regarding or affecting Carter Bank & Trust and its future business and operations. Forward looking statements are typically identified by words or phrases such as “will likely result,” “expect,” “anticipate,” “estimate,” “forecast,” “project,” “intend,” “believe,” “assume,” “strategy,” “trend,” “plan,” “outlook,” “outcome,” “continue,” “remain,” “potential,” “opportunity,” “believe,” “comfortable,” “current,” “position,” “maintain,” “sustain,” “seek,” “achieve” and variations of such words and similar expressions, or future or conditional verbs such as will, would, should, could or may. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. The matters discussed in these forward-looking statements are subject to various risks, uncertainties and other factors that could cause actual results and trends to differ materially from those made, projected, or implied in or by the forward-looking statements depending on a variety of uncertainties or other factors including, but not limited to: credit losses; cyber-security concerns; rapid technological developments and changes; sensitivity to the interest rate environment including a prolonged period of low interest rates, a rapid increase in interest rates or a change in the shape of the yield curve; a change in spreads on interest-earning assets and interest-bearing liabilities; regulatory supervision and oversight; legislation affecting the financial services industry as a whole, and Carter Bank & Trust, in particular; the outcome of pending and future litigation and governmental proceedings; increasing price and product/service competition; the ability to continue to introduce competitive new products and services on a timely, cost-effective basis; managing our internal growth and acquisitions; the possibility that the anticipated benefits from acquisitions cannot be fully realized in a timely manner or at all, or that integrating the acquired operations will be more difficult, disruptive or more costly than anticipated; containing costs and expenses; reliance on significant customer relationships; general economic or business conditions; deterioration of the housing market and reduced demand for mortgages; deterioration in the overall macroeconomic conditions or the state of the banking industry that could warrant further analysis of the carrying value of goodwill and could result in an adjustment to its carrying value resulting in a non-cash charge to net income; re-emergence of turbulence in significant portions of the global financial and real estate markets that could impact our performance, both directly, by affecting our revenues and the value of our assets and liabilities, and indirectly, by affecting the economy generally and access to capital in the amounts, at the times and on the terms required to support our future businesses. Many of these factors, as well as other factors, are described in our filings with the FDIC. Forward-looking statements are based on beliefs and assumptions using information available at the time the statements are made. We caution you not to unduly rely on forward-looking statements because the assumptions, beliefs, expectations and projections about future events may, and often do, differ materially from actual results. Any forward-looking statement speaks only as to the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect developments occurring after the statement is made.

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

(Dollars in Thousands, except per share data)

	March 31, 2019	December 31, 2018	March 31, 2018
<b>ASSETS</b>			
Cash and Due From Banks	\$ 42,493	\$ 47,413	\$ 52,030
Interest-Bearing Deposits in Other Financial Institutions	60,430	61,612	62,880
Federal Reserve Bank Excess Reserves	84,644	184,798	97,367
<b>Total Cash and Cash Equivalents</b>	<b>187,567</b>	<b>293,823</b>	<b>212,277</b>
Securities, Available-for-Sale, at Fair Value	798,669	782,758	954,127
Loans Held-for-Sale	6,285	2,559	-
Portfolio Loans	2,845,606	2,703,792	2,661,063
Allowance for Loan Losses	(39,572)	(39,199)	(36,866)
<b>Portfolio Loans, net</b>	<b>2,806,034</b>	<b>2,664,593</b>	<b>2,624,197</b>
Bank Premises and Equipment, net	86,751	85,841	79,896
Other Real Estate Owned, net	30,592	33,681	63,263
Goodwill	58,726	58,726	58,726
Bank Owned Life Insurance	51,522	51,161	50,000
Other Assets	71,836	66,457	70,307
<b>TOTAL ASSETS</b>	<b>\$ 4,097,982</b>	<b>\$ 4,039,599</b>	<b>\$ 4,112,793</b>
<b>LIABILITIES</b>			
Deposits:			
Noninterest-Bearing Demand	\$ 559,924	\$ 524,614	\$ 574,811
Interest-Bearing Demand	260,922	277,174	264,939
Money Market	112,526	80,835	107,624
Savings	600,450	610,757	690,315
Certificates of Deposits	2,084,444	2,097,801	2,031,887
<b>Total Deposits</b>	<b>3,618,266</b>	<b>3,591,181</b>	<b>3,669,576</b>
Other Liabilities	29,947	12,204	10,340
<b>TOTAL LIABILITIES</b>	<b>3,648,213</b>	<b>3,603,385</b>	<b>3,679,916</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common Stock, Par Value \$1.00 Per Share, Authorized 100,000,000 Shares;			
26,308,087 outstanding at March 31, 2019,	26,308	26,270	26,258
26,270,174 outstanding at December 31, 2018 and 26,257,761 at March 31, 2018	142,183	142,175	142,178
Additional Paid-in-Capital	285,124	277,835	274,759
Retained Earnings	(3,846)	(10,066)	(10,318)
Accumulated Other Comprehensive Loss			
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>449,769</b>	<b>436,214</b>	<b>432,877</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 4,097,982</b>	<b>\$ 4,039,599</b>	<b>\$ 4,112,793</b>
<b>PROFITABILITY RATIOS (ANNUALIZED)</b>			
Return on Average Assets	0.75%	0.29%	0.88%
Return on Average Shareholders' Equity	6.89%	2.75%	8.33%
Portfolio Loan to Deposit Ratio	78.65%	75.29%	72.52%
Allowance to Total Portfolio Loans	1.39%	1.45%	1.39%
<b>CAPITALIZATION RATIOS</b>			
Shareholders' Equity to Average Assets	10.93%	10.70%	10.62%
Tier 1 Leverage Ratio	9.85%	9.69%	9.62%
Risk-Based Capital - Tier 1	13.61%	13.97%	13.31%
Risk-Based Capital - Total	14.86%	15.22%	14.56%



ASSETS	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate	Average Balance	Income/Expense	Rate
Interest-Bearing Deposits with Banks	\$ 170,031	\$ 1,021	2.44%	\$ 151,221	\$ 920	2.41%	\$ 204,746	\$ 862	1.71%
Tax-Free Investment Securities	110,955	1,018	3.72%	110,148	1,027	3.70%	169,171	1,843	4.42%
Taxable Investment Securities	701,390	4,122	2.38%	693,162	3,757	2.15%	772,468	3,755	1.97%
Tax-Free Loans	401,066	3,314	3.35%	407,391	2,965	2.89%	434,428	3,336	3.11%
Taxable Loans	2,396,152	30,568	5.17%	2,394,188	32,032	5.31%	2,230,068	26,879	4.89%
<b>Total Interest-Earning Assets</b>	<b>\$3,779,594</b>	<b>\$ 40,043</b>	<b>4.30%</b>	<b>\$3,756,110</b>	<b>\$ 40,701</b>	<b>4.30%</b>	<b>\$3,810,881</b>	<b>\$ 36,675</b>	<b>3.90%</b>
<b>LIABILITIES</b>									
Deposits:									
Interest-Bearing Demand	\$ 271,214	\$ 641	0.96%	\$ 236,604	\$ 549	0.92%	\$ 264,680	\$ 404	0.62%
Money Market	90,601	243	1.09%	82,003	170	0.82%	116,845	132	0.46%
Savings	606,317	486	0.33%	619,703	488	0.31%	710,837	526	0.30%
Certificates of Deposit	2,098,658	9,854	1.90%	2,104,294	9,567	1.80%	2,013,030	7,089	1.43%
<b>Total Interest-Bearing Deposits</b>	<b>\$3,066,790</b>	<b>\$ 11,224</b>	<b>1.48%</b>	<b>\$3,042,604</b>	<b>\$ 10,774</b>	<b>1.40%</b>	<b>\$3,105,392</b>	<b>\$ 8,151</b>	<b>1.06%</b>
Borrowings:									
Other Borrowings	329	20	24.65%	-	-	-	-	-	-
<b>Total Borrowings</b>	<b>329</b>	<b>20</b>	<b>24.65%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest-Bearing Liabilities</b>	<b>\$3,067,119</b>	<b>\$ 11,244</b>	<b>1.49%</b>	<b>\$3,042,604</b>	<b>\$ 10,774</b>	<b>1.40%</b>	<b>\$3,105,392</b>	<b>\$ 8,151</b>	<b>1.06%</b>
<b>Net Interest Income</b>		<b>\$ 28,799</b>			<b>\$ 29,927</b>			<b>\$ 28,524</b>	
<b>Net Interest Margin</b>			<b>3.09%</b>			<b>3.16%</b>			<b>3.04%</b>

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

(Dollars in Thousands)	March 31, 2019	December 31, 2018	March 31, 2018
<b>Commercial</b>			
Commercial Real Estate	\$ 1,444,692	\$ 1,381,231	\$ 1,359,930
Commercial and Industrial	670,501	660,872	913,242
Commercial Construction	247,968	238,016	153,236
<b>Total Commercial Loans</b>	<b>2,363,161</b>	<b>2,280,119</b>	<b>2,426,408</b>
<b>Consumer</b>			
Residential Mortgages	392,712	339,307	147,875
Other Consumer	71,622	73,058	79,080
Consumer Construction	18,111	11,308	7,700
<b>Total Consumer Loans</b>	<b>482,445</b>	<b>423,673</b>	<b>234,655</b>
<b>Total Portfolio Loans</b>	<b>2,845,606</b>	<b>2,703,792</b>	<b>2,661,063</b>
Loans Held-for-Sale	6,285	2,559	-
<b>Total Loans</b>	<b>\$ 2,851,891</b>	<b>\$ 2,706,351</b>	<b>\$ 2,661,063</b>

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

(Dollars in Thousands)	March 31, 2019	December 31, 2018	March 31, 2018
<b>Nonperforming Loans</b>			
Real Estate	\$ 4,357	\$ 3,289	\$ 10,242
Consumer	76	65	-
Commercial	1,359	606	-
<b>Total Nonperforming Loans</b>	<b>5,792</b>	<b>3,960</b>	<b>10,242</b>

### Nonperforming Troubled Debt Restructurings

Real Estate	43,778	46,771	52,295
Consumer	-	-	-
Commercial	-	-	-
<b>Total Nonperforming Troubled Debt Restructurings</b>	<b>43,778</b>	<b>46,771</b>	<b>52,295</b>
<b>Total Nonperforming Loans and Troubled Debt Restructurings</b>	<b>49,570</b>	<b>50,731</b>	<b>62,537</b>
Other Real Estate Owned	30,592	33,681	63,263
<b>Total Nonperforming Assets</b>	<b>\$ 80,162</b>	<b>\$ 84,412</b>	<b>\$ 125,800</b>

	March 31, 2019	December 31, 2018	March 31, 2018
Nonperforming Loans	\$ 49,570	\$ 50,731	\$ 62,537
Other Real Estate Owned	30,592	33,681	63,263
<b>Nonperforming Assets</b>	<b>80,162</b>	<b>84,412</b>	<b>125,800</b>
Troubled Debt Restructurings (Nonaccruing)	43,778	46,771	52,295
Troubled Debt Restructurings (Accruing)	114,259	114,806	327,550
<b>Total Troubled Debt Restructurings</b>	<b>\$ 158,037</b>	<b>\$ 161,577</b>	<b>\$ 379,845</b>
Nonperforming Loans to Total Portfolio Loans	1.74%	1.88%	2.35%
Nonperforming Assets to Total Portfolio Loans plus Other Real Estate Owned	2.79%	3.08%	4.62%
Allowance for Loan Losses to Total Portfolio Loans	1.39%	1.45%	1.39%
Allowance for Loan Losses to Nonperforming Loans	79.83%	77.27%	58.95%
Net Loan Charge-offs (Recoveries)	\$ 1,254	\$ 12,989	\$ (33)
Net Loan Charge-offs (Recoveries) (Annualized) to Average Loans	0.18%	0.47%	0.01%

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

(Dollars in Thousands)	March 31, 2019	December 31, 2018	March 31, 2018
Balance Beginning of Year	\$ 39,199	\$ 35,318	\$ 35,318
Provision for Loan Losses	1,627	16,870	1,515
Charge-offs:			
Real Estate Loans	448	11,924	231
Consumer Loans	928	2,710	218
Commercial Loans	-	20	-
<b>Total Charge-offs</b>	<b>1,376</b>	<b>14,654</b>	<b>449</b>
Recoveries:			
Real Estate Loans	-	1,415	379
Consumer Loans	122	250	103
Commercial Loans	-	-	-
<b>Total Recoveries</b>	<b>122</b>	<b>1,665</b>	<b>482</b>
<b>Total Net Charge-offs</b>	<b>1,254</b>	<b>12,989</b>	<b>(33)</b>
<b>Balance End of Year</b>	<b>\$ 39,572</b>	<b>\$ 39,199</b>	<b>\$ 36,866</b>

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

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

<sup>1</sup>Pre-tax pre-provision earnings are computed as net interest income plus noninterest income minus noninterest expense before the provision for loan losses and income tax provision (benefit).

## 2 Tangible Equity

	Quarter-to-Date		
	March 31, 2019	December 31, 2018	March 31, 2018
Total Shareholders' Equity	\$ 449,769	\$ 436,214	\$ 432,877
Less: Goodwill	58,726	58,726	58,726
Tangible Equity	391,043	377,488	374,151
Shares Outstanding at End of Period	26,308,087	26,270,174	26,257,761
Tangible Book Value Per Common Share	\$ 14.86	\$ 14.37	\$ 14.25

<sup>3</sup>Net interest income has been computed on a fully taxable equivalent basis ("FTE") using a 21% federal income tax rate for the 2019 and 2018 periods.

## Net Interest Income (FTE) (non-GAAP)

	Quarter-to-Date		
	March 31, 2019	December 31, 2018	March 31, 2018
Interest Income	\$ 39,133	\$ 39,862	\$ 35,588
Interest Expense	(11,243)	(10,773)	(8,151)
Net Interest Income	27,890	29,089	27,437
Tax Equivalent Adjustment <sup>3</sup>	909	838	1,087
NET INTEREST INCOME (FTE) (non-GAAP)	\$ 28,799	\$ 29,927	\$ 28,524
Net Interest Income (Annualized)	116,796	118,732	115,681
Average Earning Assets	3,779,594	3,756,110	3,810,881
NET INTEREST MARGIN (FTE) (non-GAAP)	3.09%	3.16%	3.04%

## 4 Core Efficiency Ratio (non-GAAP)

	Quarter-to-Date		
	March 31, 2019	December 31, 2018	March 31, 2018
NONINTEREST EXPENSE	\$ 22,110	\$ 29,700	\$ 22,559
Less: One Time Regulatory and Compliance	-	-	(500)
Less: Losses on Sales and Write-downs of Other Real Estate Owned, net	(188)	(5,797)	(342)
Less: Losses on Sales and Write-downs of Bank Premises, net	(170)	(128)	-
Less: Tax Credit Amortization	(563)	(1,015)	(1,015)
Less: Contingent Liability	-	(250)	-
Less: Conversion Expense	(2)	(393)	(263)
Less: Conversion Vacation Accrual	-	(686)	-
CORE NONINTEREST EXPENSE (non-GAAP)	\$ 21,187	\$ 21,431	\$ 20,439
NET INTEREST INCOME	\$ 27,890	\$ 29,089	\$ 27,437
Plus: Taxable Equivalent Adjustment <sup>3</sup>	909	838	1,087
NET INTEREST INCOME (FTE) (Non-GAAP)	\$ 28,799	\$ 29,927	\$ 28,524
Less: Gains on Sales of Securities, net	(31)	(76)	(868)
Less: Other Real Estate Owned Income	(290)	(448)	(549)
Less: Other Gains	(271)	-	(374)
Noninterest Income	3,810	3,832	4,731
CORE NET INTEREST INCOME (FTE) (Non-GAAP) plus NONINTEREST INCOME	\$ 32,017	\$ 33,235	\$ 31,464
CORE EFFICIENCY RATIO (Non-GAAP)	66.17%	64.48%	64.96%

View source version on [businesswire.com](https://www.businesswire.com/news/home/20190425005129/en/): <https://www.businesswire.com/news/home/20190425005129/en/>

Carter Bank & Trust

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Source: Carter Bank & Trust