



SLOW AND STEADY

With one massive exception, the N.C. banking industry focused on basic blocking and tackling in a growth year for most organizations.

The last year in North Carolina wasn't much fun for investment bankers — and journalists — who thrive on deals. Only one new institution — Morehead City-based Sound Bank — showed up on *BUSINESS NORTH CAROLINA*'s annual list of the 50 largest banks and credit unions. It replaces Charlotte's New Dominion Bank, which was acquired by Newark, Ohio-based Park National Corp. for \$28 million.

That tranquility marks a major change from a year earlier, when out-of-state companies acquired a half-dozen of the state's biggest, most promising community-banking companies. Pennsylvania-based FNB Corp., Tennessee-based Pinnacle Financial Partners, First Tennessee Bank and others are now battling to build franchises mostly in the Charlotte and Triangle markets.

Fortunately, the remaining N.C. banks and credit unions are rising to the challenge. Forty-seven of the top 50 reported increased revenue, while only eight had lower profit. One small institution beating the odds is Rocky Mount-based First Carolina Bank, which showed some of the state's best increases in revenue and profit. The bank has nearly tripled its share of deposits to more than 13% in its home area over the last four years, according to Federal Deposit Insurance Corp. reports. "We are one of the few remaining locally capitalized and growth-oriented community banks that has very experienced people serving our business and professional customers," CEO Ron Day says.

A similar approach is also paying off for Southern Pines-based First Bancorp, which was among the top gainers in profit and revenue. Under CEO Richard Moore and President Mike Mayer, First Bancorp has established itself as the largest N.C.-based community bank with \$6 billion in assets and an increasing presence in the state's biggest metro areas after buying institutions in Asheville and Greensboro.

Improved efficiency, including closing lots of bank offices, played a role in the industry's profit gains. North Carolina's six largest banks have 194 fewer offices than they had five years ago, a 13% decline, according to the FDIC. The most aggressive closer is Atlanta-based SunTrust Banks Inc., which has 26% fewer offices than five years ago.

Oops, that last sentence reminds us that there was one HUGE story in North Carolina last year: the blockbuster combination of SunTrust and BB&T Corp. The super-regional banks want to complete their merger by the end of the year, creating a new headquarters likely to be filled with about 60,000 employees and \$440 billion in assets, the sixth-largest in the nation. The big winner in the transaction appears to be Charlotte, where the banks plan a new headquarters filled with 500 to 1,000 corporate staffers, much to the chagrin of Winston-Salem and Atlanta, their current bases. CEOs Kelly King of BB&T and Bill Rogers of SunTrust concluded the Queen City affords a fresh start and offers great appeal to young, tech-savvy staffers.

Sellers' remorse?



Six North Carolina-based community banks were acquired in the space of four months in 2017-18, while a seventh was purchased four months later. Six of the seven buyers were out-of-state institutions. The selling banks mostly received stock in the transactions. Since the deals closed, the buyers' share prices have underperformed the S&P 500 Index.

SELLER	BUYER	SALE CLOSING	Buyers' share price change since merger date as of May 21
Asheville Savings Bank, Asheville	First Bancorp, Southern Pines	Oct. 2, 2017	8%
Four Oaks Bank & Trust, Four Oaks	United Community Bank, Blairsville, Ga.	Nov. 1, 2017	5%
First South Bank, Washington	Carolina Financial, Charleston, S.C.	Nov. 1, 2017	1%
Paragon Bank, Charlotte	TowneBank, Portsmouth, Va.	Feb. 2, 2018	(10)%
BNC Bancorp, High Point	Pinnacle Financial Partners, Nashville	June. 16, 2017	(12)%
Park Sterling Bank, Charlotte	South State Corp., Columbia, S.C.	Dec. 1, 2017	(18)%
Capital Bank Financial, Charlotte	First Horizon National, Memphis	Nov. 30, 2017	(23)%



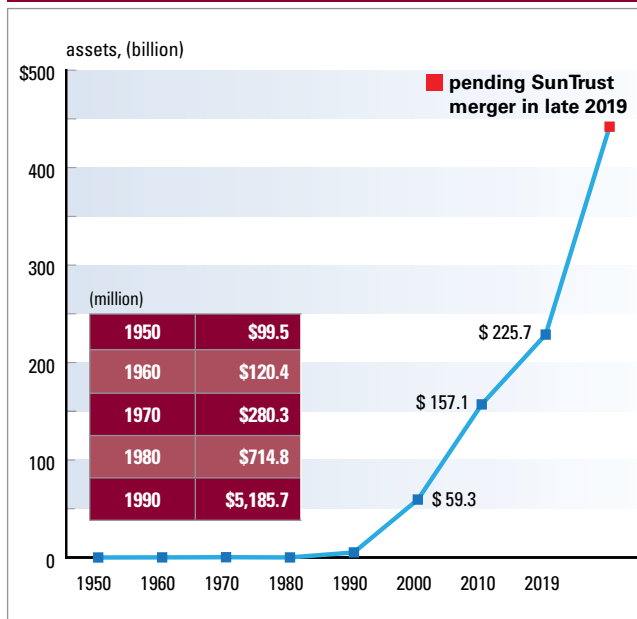
Pay day

Compensation for CEOs and rank-and-file staff at the state's publicly traded banks

Bank	CEO	(million)	Median employee pay
Bank of America	Brian Moynihan	\$22.75	\$ 92,040
BB&T	Kelly King	8.58	\$ 68,778
First Citizens BancShares	Frank Holding Jr.	2.81	\$ 61,193
HomeTrust Bancshares	Dana Stonestreet	2.49	\$ 55,362
Live Oak BancShares *	James Mahan III	0.98	\$ 86,168
Peoples Bancorp of N.C. *	Lance Sellers	0.52	\$ 45,051
Select Bancorp	William Hedgepeth II	0.46	\$ 58,789

* median doesn't include CEO's compensation

BB&T's 70 years of growth



Owner's box

Biggest shareholders of N.C.-based banks

Bank	Shareholder	Percentage
Bank of America	Berkshire Hathaway	9.5%
	Vanguard Group	6.8
	BlackRock	6.2
BB&T	Vanguard Group	7.9
	BlackRock	7
First Citizens Bancshares	Frank Holding Jr.	13
	Hope Holding Bryant	12.2
	Olivia Holding	12
Live Oak Bancshares	James Mahan III	16.2
	T. Rowe Price Associates	12.8
HomeTrust Bancshares	HomeTrust employee stock ownership plan	6.1
	Paradise Investment Management	5.9
Peoples Bancorp of N.C.	Christine Abernethy	12.1
	Jeffrey Gendell	8.9
	Tontine Financial Partners	6.5
<i>* Jeffrey Gendell controls Tontine Financial</i>		
Select Bancorp	RMB Capital Management	9.3
	Wellington Management Group	6.1
	Gregory Stallings	5.3

source: companies

* percentages refer to total voting power

2019	2018	COMPANY	HEADQUARTERS	2018 REVENUE (MILLION)	NET INCOME (MILLION)	TOTAL ASSETS (MILLION)	DEPOSITS (MILLION)	ROA	ROE	EFFICIENCY RATIO
1	1	Bank of America	Charlotte	\$91,295.00	\$28,147.00	\$2,354,980.00	\$1,381,587.00	1.2%	10.6%	57.7%
2	2	BB&T	Winston-Salem	11,549.00	3,237.00	225,697.00	161,199.00	1.5	10.9	58.1
3	3	First Citizens BancShares	Raleigh	1,741.40	400.3	35,408.60	30,672.50	1.1	11.7	67.9
4	4	State Employees'	Raleigh	1,210.80	284.9	38,812.30	35,282.80	0.7	9.5	65.7
5	6	First Bancorp	Southern Pines	269	89.3	5,865.10	4,660.30	1.6	12.3	56.3
6	5	Live Oak Bancshares	Wilmington	211.7	51.4	3,670.40	3,149.60	1.5	11	72
7	7	Coastal Federal	Raleigh	145.7	31.8	3,161.50	2,692.00	1	9.8	71.2
8	10	Local Government Federal	Raleigh	127.1	22.4	2,073.80	1,829.20	1.1	12	66.4
9	8	HomeTrust Bancshares	Asheville	124.8	29.2	3,413.10	2,264.80	0.9	7.2	66.6
10	11	Truiliant Federal	Winston-Salem	119.8	19.1	2,470.20	2,160.40	0.8	9.7	70.9
11	9	Southern BancShares	Mount Olive	116.6	29.5	2,684.20	2,344.80	1.1	10.2	62.1
12	12	Fidelity BancShares	Fuquay-Varina	85.1	24.5	1,929.40	1,717.30	1.3	12.2	61.9
13	13	Allegacy Federal	Winston-Salem	82.5	16.4	1,470.40	1,252.90	1.2	11	76.3
14	14	Peoples Bancorp of North Carolina	Newton	59.4	13.4	1,093.30	877.2	1.2	11.3	70.2
15	15	Entegra Financial*	Franklin	57.6	14.7	1,635.60	1,225.60	0.9	8.6	63
16	17	Select Bancorp	Dunn	52.1	14.8	1,257.80	1,015.40	1.2	9.4	61.6
17	16	North State Bancorp	Raleigh	48.6	11.9	895.4	812.1	1.4	15.6	73.9
18	18	Marine Federal	Jacksonville	40.2	-4.1	733.5	670.1	(0.6)	(7.3)	74.6
19	19	Self-Help	Durham	38.9	14.1	1,010.00	847.6	1.5	13	61.2
20	20	Farmers & Merchants Bank	Salisbury	32.3	9	608.9	534.8	1.5	13.3	62
21	21	Charlotte Metro Federal	Charlotte	32.2	7.2	516.3	407	1.4	14.2	69.8
22	24	Union Bank	Greenville	29.3	6.7	745.4	627.4	0.9	9	65.2
23	22	Uwharrie Bank	Albemarle	28.7	3.4	630.1	568.8	0.6	6.4	84.6
24	23	Piedmont Federal	Winston-Salem	21.8	2.3	903.4	667.6	0.3	1	86
25	27	Latino Community	Durham	21	6.9	339.7	276.9	2.2	19.2	61.4
26	26	Bank of Oak Ridge	Oak Ridge	19.4	4.5	449.8	383	1.1	10.6	71.6
27	25	Piedmont Advantage	Winston-Salem	19.2	1	355.3	305.6	0.3	2.7	79.4
28	30	Carolina Trust Bank	Lincolnton	18.5	4.3	474.9	403.7	0.9	9.4	67.5
29	28	Fort Bragg Federal	Fayetteville	17.7	2.6	398.6	348.9	0.7	5.8	75.7
30	36	Aquesta Bank	Cornelius	17.3	3.2	460	320.2	0.8	9.9	70.6
31	31	KS Bank	Smithfield	16.4	4.1	400.2	330.8	1.1	11.8	67.9
32	29	Carolinas Telco Federal	Charlotte	16.2	2	437.8	358.3	0.4	3.2	82.9
33	42	Providence Bank	Rocky Mount	15.9	5.9	452.3	349.1	1.5	12.3	48.8
34	32	Summit	Greensboro	15.9	2	260.5	225.2	0.8	6.3	75.6
35	35	Surrey Bank & Trust	Mount Airy	15.3	5.2	309.2	260.2	1.7	11.9	57.3
36	34	Members	Winston-Salem	15.3	2.7	278.2	242.2	1	8.3	73.9
37	33	Lumbee Guaranty Bank	Pembroke	14.5	3.1	336.8	289.4	1	8.4	71.9
38	38	Champion	Canton	13.9	2.7	293.3	223.9	1	8.7	77.5
39	37	First Federal Savings Bank of Lincolnton	Lincolnton	13.8	4.3	381.4	296.4	1.2	7.5	60.7
40	40	Premier Federal	Greensboro	13.1	2.8	185.2	153.3	1.5	10.2	71.6
41	41	LifeStore Bank	West Jefferson	12.1	2.7	288.1	220.8	1	9.4	69.9
42	47	First Carolina Bank	Rocky Mount	11.3	3	504.4	460.9	0.7	8	61.7
43	45	Telco Community	Asheville	11.2	3	188.7	167.1	1.6	16.1	68.9
44	43	First Flight Federal	Cary	10.9	1	193.6	159.3	0.5	3.8	83.4
45	44	Mountain	Waynesville	10.7	1.2	211.2	186.5	0.6	5.6	84.8
46	46	Mechanics and Farmers Bank	Durham	10.5	0.6	257	233.2	0.2	3.2	92.7
47	NA	Sound Bank**	Morehead City	10.4	0.8	270.5	236.7	0.4	2.7	76.7
48	50	BlueHarbor Bank	Mooresville	8.2	2.4	214.1	177.7	1.2	9.1	60.4
49	49	Nova	Charlotte	7.7	0.4	107.8	89.4	0.3	2.1	84.5
50	48	Roxboro Savings Bank	Roxboro	7.5	1.9	223.5	169	0.8	4.4	61.2

Red = Credit union. Data compiled April 9, 2019.

Includes banks, thrifts and credit unions that filed regulatory reports for the year ended Dec. 31, 2018.

Total revenue equals the sum of net interest income, noninterest income and gains on sales of securities.

* Franklin-based Entegra is being acquired by First Citizens BancShares.

** Morehead City-based Sound Bank was acquired by North Riverside, Ill.-based West Town Bank & Trust in 2017.

West Town then sold its N.C. operations to the new Dogwood State Bank of Raleigh in May.

ROA = return on average assets; ROE = return on average equity
source: S&P Global Market Intelligence

FINANCIAL50



RETURN ON EQUITY

COMPANY	2018
1 LATINO COMMUNITY	19.2%
2 TELCO COMMUNITY	16.1
3 NORTH STATE BANK	15.6
4 CHARLOTTE METRO	14.2
5 FARMERS & MERCHANTS	13.3



RETURN ON ASSETS

COMPANY	2018
1 LATINO COMMUNITY	2.2%
2 SURREY BANK & TRUST	1.7
3 FIRST BANCORP	1.6
4 TELCO COMMUNITY	1.6
5 LIVE OAK BANCSHARES	1.5



FASTEST GROWTH IN REVENUE

COMPANY	% CHANGE FROM 2017
1 FIRST CAROLINA BANK	47%
2 SELECT BANCORP	39
3 UNION BANK	35
4 PROVIDENCE BANK	34
5 FIRST BANCORP	26



FASTEST GROWTH IN NET INCOME

COMPANY	% CHANGE FROM 2017
1 ENTEGRA FINANCIAL	465%
2 SELECT BANCORP	362
3 FIRST CAROLINA BANK	331
4 CAROLINA TRUST BANK	257
5 LOCAL GOVERNMENT FEDERAL	158



TOP 10 BANKS

Ranked by deposit market share in North Carolina

COMPANY/HEADQUARTERS	N.C. OFFICES	N.C. DEPOSITS (BILLION)	MARKET SHARE
BANK OF AMERICA, CHARLOTTE	148	\$170.20	46.5%
WELLS FARGO BANK, SAN FRANCISCO	315	54.5	14.9
BB&T, WINSTON-SALEM	319	52.7	14.4
FIRST CITIZENS BANK & TRUST, RALEIGH	236	15.4	4.2
SUNTRUST BANK, ATLANTA	118	8.5	2.3
PNC BANK, PITTSBURGH	135	8.3	2.3
PACIFIC WESTERN BANK, LOS ANGELES ¹	1	6.1	1.7
FIRST NATIONAL BANK OF PENNSYLVANIA, PITTSBURGH ²	95	4.5	1.2
FIRST TENNESSEE BANK, MEMPHIS ³	83	4.5	1.2
FIRST BANCORP, SOUTHERN PINES	97	4.4	1.2
PINNACLE BANK, NASHVILLE ⁴	41	4	1.1
FIFTH THIRD BANK, CINCINNATI	56	3.9	1.1

1) Parent of Square 1 Bank of Durham; 2) Acquired Raleigh-based Yadkin Financial Corp.; 3) Acquired Charlotte-based Capital Bank Financial Corp.; 4) Acquired High-Point-based BNC Bancorp

Data as of June 30, 2018; source: FDIC



EFFICIENCY RATIO

COMPANY	2018
1 PROVIDENCE BANK	48.8%
2 FIRST BANCORP	56.3
3 SURREY BANK & TRUST	57.3
4 BANK OF AMERICA	57.7
5 BB&T	58.1

Efficiency ratio equals operating expenses divided by operating revenue.