

Bank of the Carolinas Corporation Reports Third Quarter Financial Results

Written by Australian Business

MOCKSVILLE, N.C., Oct. 25, 2013 /PRNewswire/ -- Bank of the Carolinas Corporation (OTCQB: BCAR) today reported financial results for the three- and nine-month periods ended September 30, 2013

For the three-month period ended September 30, 2013, the Company reported net income available to common shareholders of \$147,000 as compared to a net loss of \$965,000 for the second quarter of 2013 and a net loss of \$3.2 million for the third quarter of 2012. Net income per diluted common share was \$0.04 for the third quarter of 2013 compared with a net loss per share of \$0.25 for the second quarter of 2013 and a net loss per share of \$0.82 for the third quarter of 2012.

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For the nine-month period ended September 30, 2013, the Company reported a net loss available to common shareholders of \$62
7,000
or
\$0.16
per common share, compared to a net loss of
\$6.1 million
or
\$1.56
per common share for the nine-month period ended
September 30, 2012
.

The provision for loan losses recognized a recovery of \$920,000 in the third quarter of 2013 compared to an expense of \$1.
5 million
in the third quarter a year ago. For the nine-month period ended
September 30, 2013
, the provision for loan losses recognized a recovery of
\$2.1 million
compared to an expense of
\$3.0 million
for the same nine-month period of 2012. Costs related to foreclosed real estate were
\$144,000
for the third quarter of 2013 as compared to
\$1.3 million
in the third quarter of 2012. For the nine-month period ended
September 30, 2013
, costs related to foreclosed real estate were
\$676,000
as compared to
\$2.4 million
for the same nine-month period of 2012. Through
September 30, 2013
, credit-related costs totaled a recovery of
\$1.6 million
, or a 128.7% decrease over the previous year's costs of
\$5.5 million
through
September 30, 2012
.

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Although nonperforming assets increased in the third quarter of 2013 as compared to the second quarter of 2013, the Company continues its overall progress in reducing the level of nonperforming assets. As of September 30, 2013, the Company's nonperforming assets were \$8.7 million and amounted to 2.03% of total assets as compared to \$7.0 million or 1.64% of total assets as of June 30, 2013 and compared to \$13.5 million, or 3.02% of total assets as of September 30, 2012.

- . The allowance for loan losses was 2.23% of total loans as of September 30, 2013
- . Net loan recoveries amounted to \$737,000 for the third quarter of 2013, as compared to net loan chargeoffs of \$88,000 in the second quarter of 2013 and net loan chargeoffs of \$1.6 million in the third quarter of 2012.

The Company's net interest margin was 2.74% in the third quarter of 2013, which is a decrease of 7 basis points from 2.81% in the third quarter of 2012. Noninterest expenses, excluding the costs related to foreclosed real estate, for the three-month period decreased 11.9% in the third quarter of 2013 versus 2012 and decreased 14.2% for the nine-month period. Cost savings of \$1.2 million for the first nine months of 2013 have been recognized in salary and benefits, occupancy and equipment, and consultant and legal fees.

Total assets at September 30, 2013 amounted to \$427.9 million, a decrease of 4.5% when compared to \$448.3 million as of September 30, 2012. Loans totaled \$278.5 million at September 30, 2013, an increase of \$9.0 million or 3.3% compared to June 30, 2013.

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and a decline of
\$2.2 million
or 0.8% from a year earlier. Deposits decreased 4.9% over the prior year to
\$365.7 million
. The Company's deposit mix has improved by reducing
\$27.6 million
in non-core brokered deposits since
September 30, 2012
.

The Company's banking subsidiary had a Tier 1 leverage capital ratio and Tier 1 capital to risk-weighted assets ratio of 3.38% and 4.51% respectively, while its total capital to risk-weighted assets ratio was 5.77% as of September 30, 2013.

President and CEO, Stephen R. Talbert, said, "We are proud of the progress we have made for our shareholders, particularly with the loan growth this quarter. Our staff continues to work hard on further improvements to make Bank of the Carolinas better each day."

Bank of the Carolinas Corporation is the holding company for Bank of the Carolinas, a North Carolina chartered bank headquartered in Mocksville, NC with offices in Advance, Asheboro, Concord, Harrisburg, Landis, Lexington and Winston-Salem. The common stock of the Company is quoted under the symbol "BCAR" on the OTCQB marketplace operated by OTC Markets Group Inc.

For further information contact:

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Carolinan Corporation

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Bank of the

DISCLOSURES ABOUT FORWARD LOOKING STATEMENTS

Statements in this press release relating to plans, strategies, economic performance and trends, projections of results of specific activities or investments, expectations or beliefs about future events or results, and other statements that are not descriptions of historical facts, may be forward-looking statements as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking information is inherently subject to risks and uncertainties, and actual results could differ materially from those currently anticipated due to a number of factors which include, but are not limited to, factors discussed in our Annual Report on Form 10-K and in other documents we file with the Securities and Exchange Commission from time to time. Copies of those reports are available directly through the SEC's Internet website at www.sec.gov. Forward-looking statements may be identified by terms such as "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "feels," "believes," "estimates," "predicts," "forecasts," "potential" or "continue," or similar terms or the negative of these terms, or other statements concerning opinions or judgments of our management about future events. Factors that could influence the accuracy of forward-looking statements include, but are not limited to (a) pressures on our earnings, capital and liquidity resulting from current and future conditions in the credit and capital markets, (b) continued or unexpected increases in nonperforming loans and credit losses in our loan portfolio, (c) continued adverse conditions in the economy and in the real estate market in our banking markets (particularly those conditions that affect our loan portfolio, the abilities of our borrowers to repay their loans, and the values of collateral that secures our loans), (d) the financial success or changing strategies of our customers, (e) actions of government regulators, or change in laws, regulations or accounting standards, that adversely affect our business, (f) changes in the interest rate environment and the level of market interest rates that reduce our net interest margins and/or the values of loans we make and securities we hold, (g) changes in competitive pressures among depository and other financial institutions or in our ability to compete effectively against other financial institutions in our banking markets, and (h) other developments or changes in our business that we do not expect. Although we believe that the expectations reflected in the forward-looking statements included in this press release are reasonable, they represent our management's judgments only as of the date they are made, and we cannot guarantee future results, levels of activity, performance or achievements. As a result, readers are cautioned not to place undue reliance on these forward-looking statements.

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All forward-looking statements attributable to us are expressly qualified in their entirety by the cautionary statements in this paragraph. We have no obligation, and do not intend, to update these forward-looking statements.

Bank of the Carolinas Corporation

Consolidated Balance Sheets

(In Thousands Except Share Data)

(Unaudited)

September 30,

2013

2012

Assets:

Cash and due from banks, noninterest-bearing

\$ 4,941

\$ 3,987

Temporary investments

28,696

17,553

Investment securities

92,891

121,387

Loans

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278,503

280,671

Less, allowance for loan losses

(6,215)

(7,450)

Total loans, net

272,288

273,221

Premises and equipment, net

11,429

11,911

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Other real estate owned

1,386

5,424

Bank owned life insurance

10,799

10,447

Other assets

5,498

4,343

Total Assets

\$ 427,928

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\$ 448,273

Liabilities:

Noninterest bearing demand deposits

\$ 35,323

\$ 34,756

Interest-checking deposits

39,790

39,138

Savings and money market deposits

111,913

106,541

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Time deposits

178,668

204,095

Total deposits

365,694

384,530

Securities sold under repurchase agreements

45,544

45,379

Subordinated debt

7,855

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7,855

Other liabilities

2,613

1,919

□□□□ **Total Liabilities**

421,706

439,683

Shareholders' Equity:

Preferred stock, no par value

13,179

13,179

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Discount on preferred stock

(183)

(496)

Common stock, \$5 par value per share

19,479

19,479

Additional paid-in capital

12,991

12,991

Retained losses

(36,880)

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(37,463)

Accumulated other comprehensive income (loss)

(2,364)

900

□□□□ **Total Shareholders' Equity**

6,222

8,590

□□□□ **Total Liabilities and Shareholders' Equity**

\$ □ □ 427,928

\$ 448,273

Preferred shares authorized

3,000,000

3,000,000

Preferred shares issued and outstanding

13,179

13,179

Unaccrued preferred stock dividend

1,730

1,071

Common shares authorized

15,000,000

15,000,000

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Common shares issued and outstanding

3,895,840

3,895,840

Book value per common share

\$ (2.23)

\$ (1.45)

Bank of the Carolinas Corporation

Consolidated Statements of Income

(In Thousands Except Share Data)

(Unaudited)

Three months ended

Nine months ended

September 30

September 30

2013

2012

2013

2012

Interest income

Interest and fees on loans

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\$ □ □ 3,264

\$ 3,571

\$ □ □ 9,704

\$ 10,905

Interest on securities

520

723

1,606

2,043

Other interest income

17

13

56

59

Total interest income

3,801

4,307

11,366

13,007

Interest expense

Interest on deposits

561

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779

1,761

2,530

Interest on borrowed funds

569

570

1,689

1,698

Total interest expense

1,130

1,349

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3,450

4,228

Net interest income

2,671

2,958

7,916

8,779

Provision for loan losses

(920)

1,471

(2,078)

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2,996

Net interest income after provision for

loan losses

3,591

1,487

9,994

5,783

Noninterest income

Customer service fees

285

297

857

867

Increase in value of bank owned life insurance

89

89

263

685

Gains on investment securities

-

-

-

2,147

Other income

6

5

9

20

Total noninterest income

380

391

1,129

3,719

Noninterest expense

Salaries and benefits

1,611

1,723

4,804

5,266

Occupancy and equipment

459

468

1,337

1,451

FDIC insurance assessments

360

405

1,096

1,225

Data processing expense

257

257

809

737

Valuation provisions and net operating costs

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associated with foreclosed real estate

144

1,324

676

2,415

Other

748

1,048

2,297

3,371

Total noninterest expenses

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3,579

5,225

11,019

14,465

Income (Loss) before income taxes

392

(3,347)

104

(4,963)

Provision for income taxes

-

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(383)

-

409

Net income (loss)

\$ 392

\$ (2,964)

\$ 104

\$ (5,372)

Dividends and accretion on preferred stock

(245)

(239)

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(731)

(714)

Net loss available to common shareholders

\$ 147

\$ (3,203)

\$ (627)

\$ (6,086)

Loss per common share:

Basic

\$ 0.04

\$ (0.82)

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\$ □ □ (0.16)

\$ (1.56)

Diluted

\$ □ □ □ 0.04

\$ (0.82)

\$ □ □ (0.16)

\$ (1.56)

Weighted Average Common Shares Outstanding:

Basic

3,895,840

3,895,840

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3,895,840

3,895,840

Diluted

3,895,840

3,895,840

3,895,840

3,895,840

Bank of the Carolinas Corporation

Other Financial Data

(Dollars in thousands except per share amounts)

As of or for the

nine months ended September 30

2013

2012

Change*

Average balance sheet data

Average loans

\$ □ 270,352

\$ 291,858

(7.37)

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%

Average earning assets

389,543

432,317

(9.89)

Average total assets

427,136

472,327

(9.57)

Average common shareholders' equity

(5,375)

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(2,034)

164.30

Average total shareholders' equity

7,804

11,145

(29.98)

Period-end balance sheet data:

Total loans

\$ □ 278,503

\$ 280,671

(0.77)

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%

Allowance for loan losses

(6,215)

(7,450)

(16.58)

Total assets

427,928

448,273

(4.54)

Total deposits

365,694

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384,530

(4.90)

Total common shareholders' equity

(6,957)

(4,589)

51.60

Total shareholders' equity

6,222

8,590

(27.57)

Asset quality indicators

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Net loan charge-offs (recoveries)

\$ □ (1,403)

\$ 3,647

(138.47)

%

Total nonperforming loans

7,305

8,124

(10.09)

Total nonperforming assets

8,692

13,549

(35.85)

Asset quality ratios

Net-chargeoffs (recoveries) to average loans **

(0.69)

%

1.67

%

(236)

BP

Nonperforming loans to total loans

2.62

2.89

(27)

Nonperforming assets to total assets

2.03

3.02

(99)

Nonperforming assets to loan-related assets

3.11

4.74

(163)

Allowance for loan losses to total loans

2.23

2.65

(42)

Financial ratios

Return on average assets **

0.03

%

(1.52)

%

155

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BP

Return on average common shareholders' equity **

□ **N/M** □

N/M

N/M

Net interest margin **

2.72

2.71

1

Per share amounts available to common shareholders

Basic loss per common share

\$ □ □ □ (0.16)

\$ (1.56)

89.74

%

Diluted loss per common share

(0.16)

(1.56)

89.74

Book value per common share

(2.23)

(1.45)

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53.48

* BP denotes basis points. N/M denotes not meaningful.

** ratio annualized.

Bank of the Carolinas Corporation

Other Financial Data (continued)

(Dollars in thousands except per share amounts)

As of or for the

three months ended September 30

2013

2012

Change*

Average balance sheet data

Average loans

\$ 273,510

\$ 282,639

(3.23)

%

Average earning assets

386,592

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418,426

(7.61)

Average total assets

422,096

456,774

(7.59)

Average common shareholders' equity

(7,152)

(4,462)

60.27

Average total shareholders' equity

6,027

8,717

(30.85)

Asset quality indicators

Net loan charge-offs

\$ (737)

\$ 1,562

(147.18)

%

Asset quality ratios

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Net-chargeoffs to average loans **

(1.07)

%

2.20

%

(327)

BP

Financial ratios

Return on average assets **

0.37

%

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(2.58)

%

295

BP

Return on average common shareholders' equity **

□ **N/M** □

N/M

N/M

Net interest margin **

2.74

2.81

(7)

Per share amounts available to common shareholders

Basic loss per common share

\$ 0.04

\$ (0.82)

104.88

%

Diluted loss per common share

0.04

(0.82)

104.88

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Book value per common share

(2.23)

(1.45)

53.48

* BP denotes basis points. N/M denotes not meaningful.

** ratio annualized.

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