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NEWS

Bank of the Carolinas turns corner on troubled loans

By MATT EVANS

THE BUSINESS JOURNAL

MOCKSVILLE — The struggling Bank of the Carolinas turned a corner on its troubled loan portfolio that has been eluding it since the dawn of the financial crisis in 2007, according to its most recent quarterly report.

In the fourth quarter of 2012, the Mocksville-based bank was in the black on loan recoveries for the first time in five years, netting \$77,000. That means the bank actually collected more on troubled loans than it had been expecting to, rather than less as had been the case for quarter after quarter. Those negative loan recoveries have slashed millions of dollars off the bank's income since 2007.

The improving results from the bank's loan portfolio helped it flirt with profitability for the quarter as well. The bank had a net loss for common shareholders of \$56,000 in the fourth quarter, but before it paid out the dividends on its TARP preferred shares held by the federal government, the bank was in the black by \$186,000. For all of 2012, Bank of the Carolinas lost \$6.1 million, compared to a loss of \$29.2 million in 2011.

CEO Stephen Talbert did not return calls seeking comment, but Timothy Moore, a banking attorney with Spilman Thomas & Battle in Winston-Salem who has performed some loan recovery and compliance work for the bank, said he sees the loan numbers as a significant positive sign.

He said the bank's staff and executives including Special Assets Manager Ginny Carter have shown skill in determining which of the weak loans on the bank's books can still yield some return, and which aren't worth the expense to go after.

"They aren't spending \$1.50 to get \$1 back," he said. "They're good at sizing up the borrower, looking at the collateral, making the right decision and moving on."

Turning around

Bank of the Carolinas is in the black on loan recoveries for the first time since 2007.

Numbers represent dollars in thousands

3/30/2011	-894
6/30/2011	9,095
9/30/2011	12,739
12/30/2011	3,588
3/30/2012	1,345
6/30/2012	2,085
9/30/2012	3,647
12/30/2012	77

SOURCE: Bank of the Carolinas

BANK OF THE CAROLINAS

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Ticker: BCAR

Bank of the Carolinas hasn't yet filed the report with the SEC that details loan quality trends for the fourth quarter, but the report for the third quarter indicates the bank remains cautious about the stability of its commercial and construction loan portfolio. It gives such loans one of five internal risk ratings based on how likely it is to default, ranging from "pass" to "loss."

At the end of September it rated \$98.4 million of loans as passing, compared to \$43.9 million as "special mention" and \$27.3 million as "substandard", the two next-lower ratings. No loans were listed as "doubtful" or "loss."

Compared to December of 2011, the value of the passing loans was down and those warranting a "special mention" was up, suggesting bank officials were keeping a close eye on more loans with potential, but not current, problems. But substandard loans were down and all doubtful loans resolved, meaning future loan losses were less likely.

Bank of the Carolinas still has plenty of challenges ahead, though. Regulators put it under a consent agreement in 2011 based on its then-deteriorating financial condition. That agreement required it to maintain certain capital ratios to prove it has the strength to withstand loan losses, and the bank is still well beneath those required levels.

Reach **MATT EVANS** at (336) 542-5865 or m.evans@bizjournals.com.

CORRECTIONS

The Largest Triad Outpatient Surgery Providers List included the Surgical Center of Greensboro, but the Orthopaedic Surgical Center, which is located across the street, is also licensed as part of the same business. Thirteen operating rooms are included in the two buildings, where 13,486 surgeries and procedures — ranking No. 5 on the list — were performed in 2012. Jennifer Graham is the administrator, and John Byers is the medical director.

An article in last week's 40 Leaders Under 40 special publication should have indicated that Peter Rives is 36, rather than 26.

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