

**FEDERAL DEPOSIT INSURANCE CORPORATION**  
**Washington, D.C. 20429**

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**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 15, 2018

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**CARTER BANK & TRUST**

(Exact name of registrant as specified in its charter)

<b>Virginia</b> (State or other jurisdiction of incorporation)	<b>N/A</b> (Commission File Number)	<b>20-5539935</b> (IRS Employer Identification No.)
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<b>1300 KINGS MOUNTAIN ROAD</b> <b>MARTINSVILLE, VIRGINIA</b> (Address of principal executive offices)	<b>24112</b> (Zip Code)
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Registrant's telephone number, including area code: **(276) 656-1776**

**NOT APPLICABLE**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange of 1934 (§240.12b-2 of this chapter).

Emerging growth 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.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On November 15, 2018, with assistance from its independent compensation consultant, the Governance & Compensation Committee (the Committee) of the Board of Directors of Carter Bank & Trust (the Bank) adopted an incentive plan for the purpose of awarding annual bonuses to certain employees of the Bank based upon the achievement of annual performance objectives established each year under the plan. The plan covers the Bank’s executive officers and certain executive vice presidents (each, a Participant), which includes all of the Bank’s named executive officers. The goal of the plan is to motivate Participants to maximize shareholder value by achieving performance while limiting risk appropriately and maintaining the safety and soundness of the Bank.

The plan is an annual incentive plan that is approved each year with a performance year running from January 1 through December 31. The Committee will oversee the administration of the plan, as well as plan design, determination of performance measures, goals and weightings and award payouts, partly based on input from the Bank’s CEO.

At the beginning of each year (except for 2018), the Committee will develop a bonus template for each Participant. The primary elements of each template are:

- Percentage of base salary opportunity,
- Performance measures and goals selected from the Bank’s approved budget numbers for the year or other objective measure, and
- Weightings assigned to the selected performance measures.

Under the plan, a Participant can earn a bonus of up to a specific percentage of the Participant’s base salary. For 2018, these percentages are as follows:

<b>Participant</b>	<b>% of Base Salary</b>
CEO, CFO, CBO, CSO	50%
All Other Participants	35%

Performance measures under the plan are determined each year, in the categories of profitability, capital effectiveness and safety and soundness. The performance measures, goals and weightings assigned to them may change from year to year, and will probably be the same for all Participants in any given year, although that is subject to change. For 2018, the performance measures and weightings selected by the Committee are: core return on average assets (profitability; weighting 35%); core return on average tangible common equity (capital effectiveness; weighting 35%); and regulatory rating from the FDIC (safety and soundness; weighting 30%). The core return measures will be calculated excluding all extraordinary items, whether positive or negative.

The amount of bonus earned by a Participant each year will depend on the Bank’s achievement with respect to the performance measure goals selected for that year, multiplied by the applicable weightings, multiplied by the Participant’s base salary and percentage of base salary opportunity.

Bonus amounts earned based on the Bank's performance for a year will be reviewed and certified by the Compensation Committee and paid to the Participant between January 1 and March 15 of the following year, generally shortly after the year's results have been finalized and the Bank's earnings for the year have been announced. The plan has both short-term and long-term elements to it, as the bonus amounts will be paid 2/3 in cash and 1/3 in shares of restricted common stock of the Bank, with time-based vesting in 3 annual installments.

## 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 hereunto duly authorized.

### **Carter Bank & Trust**

Date: December 17, 2018

By: /s/ Wendy S. Bell

Wendy S. Bell  
Executive Vice President &  
Chief Financial Officer