WILSON BANK HOLDING CO
Form 10-K
March 08, 2019
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 0-20402

WILSON BANK HOLDING COMPANY
(Exact name of registrant as specified in its charter)

Tennessee	62-1497076
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
623 West Main Street Lebanon, Tennessee	37087
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(615) 444-2265
Securities registered pursuant to Section 12(b) of the Act:
None
Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $2.00 par value per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2018, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately $474,250,990.50. For purposes of this calculation, “affiliates” are considered to be the directors and executive officers of the registrant. The market value calculation was determined using $47.25 per share.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Shares of common stock, $2.00 par value per share, outstanding on March 8, 2019 were 10,720,815.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Form 10-K	Documents from which portions are incorporated by reference
Part II	Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 2018 are incorporated by reference into Items 1, 5, 6, 7, 7A and 8.
Part III	Portions of the Registrant's Proxy Statement to be filed relating to the Registrant's Annual Meeting of Shareholders to be held on April 23, 2019 are incorporated by reference into Items 10, 11, 12, 13 and 14.

PART I
Item 1. Business.

General

Wilson Bank Holding Company (the “Company”) was incorporated on March 17, 1992 under the laws of the State of Tennessee. The purpose of the Company was to acquire all of the issued and outstanding capital stock of Wilson Bank and Trust (the “Bank”) and act as a one-bank holding company. On November 17, 1992, the Company acquired 100% of the capital stock of the Bank pursuant to the terms of an agreement and plan of share exchange.

All of the Company’s banking business is conducted through the Bank, a state chartered bank organized under the laws of the State of Tennessee. The Bank, on December 31, 2018, had eleven full service banking offices located in Wilson County, Tennessee, one full service banking facility in Trousdale County, Tennessee, three full service banking offices in Davidson County, Tennessee, five full service banking offices located in Rutherford County, Tennessee, two full service banking offices in DeKalb County, Tennessee, two full service banking offices in Smith County, Tennessee, two full service banking office in Sumner County, Tennessee, one full service banking office in Putnam County, Tennessee and one full service banking office in Williamson County, Tennessee.

Management believes that Wilson County, Trousdale County, Davidson County, Rutherford County, DeKalb County, Smith County, Sumner County, Putnam County and Williamson County offer an environment for continued banking growth in the Company’s target market, which consists of local consumers, professionals and small-to-medium-sized businesses. The Bank offers a wide range of banking services, including checking, savings, and money market deposit accounts, certificates of deposit and loans for consumer, commercial and real estate purposes. The Bank also offers custodial, trust and discount brokerage services to its customers. The Bank does not have a concentration of deposits obtained from a single person or entity or a small group of persons or entities, the loss of which would have a material adverse effect on the business of the Bank.

The Bank was organized in 1987 to provide Wilson County with a locally-owned, locally-managed commercial bank. Since its opening, the Bank has experienced a steady growth in deposits and loans as a result of providing personal, service-oriented banking services to its targeted market. For the year ended December 31, 2018, the Company reported net earnings of approximately $32.59 million and at December 31, 2018 it had total assets of approximately $2.54 billion.

Financial and Statistical Information
The Company’s audited consolidated financial statements, selected financial data and Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in the Company’s Annual Report to Shareholders for the year ended December 31, 2018 filed as Exhibit 13.1 to this Form 10-K (the “2018 Annual Report”), are incorporated herein by reference.
Regulation and Supervision

The banking industry is generally subject to extensive regulatory oversight. Both the Company and the Bank are subject to extensive state and federal banking laws and regulations that impose restrictions on and provide for general regulatory oversight of the Company’s and the Bank’s operations. These laws and regulations are generally intended to protect depositors and borrowers, and may not necessarily protect shareholders. Many of these laws and regulations have undergone significant change in recent years.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law. The Dodd-Frank Act and the regulations promulgated thereunder implements far-reaching reforms of major elements of the financial landscape, particularly for larger financial institutions. Many of its most far-reaching provisions do not directly apply to community-based institutions like the Company or the Bank. For instance, provisions that regulate derivative transactions and limit derivatives trading activity of federally-insured institutions, enhance supervision of "systemically significant" institutions, impose new regulatory authority over hedge funds, limit proprietary trading by banks, and phase-out the eligibility of trust preferred securities for Tier 1 capital for institutions with greater than $15.0 billion in total assets are among the provisions that do not directly impact the Company or the Bank either because of exemptions for institutions below a certain asset size or because of the nature their operations. Those provisions that have been adopted or are expected to be adopted that have impacted and, in some cases, will continue to impact the Company and the Bank include the following:

- Changing the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital, eliminating the ceiling and increasing the size of the floor of the Deposit Insurance Fund, and offsetting the impact of the increase in the minimum floor on institutions with less than $10 billion in assets.

- Making permanent the $250,000 limit for federal deposit insurance and increasing the cash limit of Securities Investor Protection Corporation protection to $250,000.

- Repealing the federal prohibition on payment of interest on demand deposits, thereby permitting depositing institutions to pay interest on business transaction and other accounts.

- Centralizing responsibility for consumer financial protection by creating a new agency, the Consumer Financial Protection Bureau, responsible for implementing federal consumer protection laws, although banks below $10 billion in assets will continue to be examined and supervised for compliance with these laws by their primary federal banking regulator.

- Imposing new requirements for mortgage lending, including new minimum underwriting standards, prohibitions on certain yield-spread compensation to mortgage originators, special consumer protections for mortgage loans that do not meet certain provision qualifications, prohibitions and limitations on certain mortgage terms and various new mandated disclosures to mortgage borrowers.

- Applying the same leverage and risk-based capital requirements that apply to insured depository institutions to their holding companies.

- Permitting national and state banks to establish de novo interstate branches at any location where a bank based in that state could establish a branch, and requiring that bank holding companies and banks be well-capitalized and well managed in order to acquire banks located outside their home state.

- Imposing new limits on affiliated transactions and causing derivative transactions to be subject to lending limits.

- Implementing certain corporate governance revisions that apply to all public companies.

Failure to comply with the requirements of the Dodd-Frank Act would negatively impact the Company’s results of operations and financial condition and could limit its growth or expansion activities. While the Company cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on it or the Bank, such changes could be materially adverse to the Company’s investors.

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the “BHC Act”) and is registered with the Board of Governors of the Federal Reserve System (the “FRB”). The Company is required to file annual reports and other information regarding its business operations and those of its bank subsidiary with, and is subject to examination by, the FRB. The Bank is chartered under the laws of the State of Tennessee and is subject to the supervision of, and is regularly examined by, the Tennessee Department of Financial Institutions (the “TDFI”). The Bank is also regularly examined by the Federal Deposit Insurance Corporation (“FDIC”), the government entity that insures the Bank’s deposits subject to applicable limitations.

Under the BHC Act, a bank holding company may not directly or indirectly acquire ownership or control of more than five percent of the voting shares or substantially all of the assets of any company, including a bank, without the prior approval of the FRB unless the bank holding company already owns a majority of such company. In addition, bank holding companies are generally prohibited under the BHC Act from engaging directly or indirectly in activities other than those of banking or managing or controlling banks, or furnishing services to its subsidiaries, subject to certain exceptions and the modernization of the financial services industry in connection with the passing of the Gramm-Leach-Bliley Act of 1999 (the “GLB Act”). The GLB Act amended the BHC Act and expanded the activities in which bank holding companies and affiliates of banks are permitted to engage. Under the BHC Act, as amended by the GLB Act, the FRB is authorized to approve the ownership by a bank holding company of shares of any company whose activities have been determined by the FRB to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto.

Subject to various exceptions, the BHC Act and the Federal Change in Bank Control Act, together with related regulations, require FRB approval prior to any person or company acquiring "control" of a bank holding company. Control is conclusively presumed to exist if an individual or company acquires 25% or more of any class of voting securities of the bank holding company. Control is rebuttably presumed to exist if a person or company acquires 10% or more, but less than 25%, of any class of voting securities and either:

- The bank holding company has registered securities under Section 12 of the Securities Exchange Act of 1934; or

- No other person owns a greater percentage of that class of voting securities immediately after the transaction.

The Company's common stock is registered under Section 12 of the Securities Exchange Act of 1934. The regulations provide a procedure for challenge of the rebuttable control presumption.
Under the GLB Act, a "financial holding company" may engage in activities the FRB determines to be financial in nature or incidental to such financial activity or complementary to a financial activity and not a substantial risk to the safety and soundness of such depository institutions or the financial system generally. Generally, such companies may engage in a wide range of securities activities and insurance underwriting and agency activities. The Company has not made application to the FRB to become a "financial holding company."

Under the BHC Act, a bank holding company, which has not qualified or elected to become a financial holding company, is generally prohibited from engaging in or acquiring direct or indirect control of more than 5% of the voting shares of any company engaged in nonbanking activities unless, prior to the enactment of the GLB Act, the FRB found those activities to be so closely related to banking as to be a proper incident to the business of banking. Activities that the FRB has found to be so closely related to banking as to be a proper incident to the business of banking include:

- Factoring accounts receivable;

- Acquiring or servicing loans;

- Leasing personal property;

- Conducting discount securities brokerage activities;

- Performing selected data processing services;

- Acting as agent or broker in selling credit life insurance and other types of insurance in connection with credit transactions; and

- Underwriting certain insurance risks of the holding company and its subsidiaries.

Despite prior approval, the FRB may order a bank holding company or its subsidiaries to terminate any of these activities or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that the bank holding company's continued ownership, activity or control constitutes a serious risk to the financial safety, soundness, or stability of any of its bank subsidiaries.

Under the Tennessee Bank Structure Act, a bank holding company which controls 30% or more of the total deposits (excluding certain deposits) in all federally insured financial institutions in Tennessee is prohibited from acquiring any bank in Tennessee. With prior regulatory approval, Tennessee law permits banks based in the state to either establish new or acquire existing branch offices throughout Tennessee. As a result of the Dodd-Frank Act, the Bank and other state-chartered or national banks generally may establish new branches in another state to the same extent as banks chartered in the other state may establish new branches in that state.

The Company and the Bank are subject to certain restrictions imposed by the Federal Reserve Act and the Federal Deposit Insurance Act, respectively, on any extensions of credit to the bank holding company or its subsidiary bank, on investments in the stock or other securities of the bank holding company or its subsidiary bank, and on taking such stock or other securities as collateral for loans of any borrower. The Bank takes Company common stock as collateral for borrowings subject to the aforementioned restrictions.

Both the Company and the Bank are subject to the provisions of Section 23A of the Federal Reserve Act. Section 23A places limits on the amount of:

- A bank's loans or extensions of credit, including purchases of assets subject to an agreement to repurchase, to or for the benefit of affiliates;

- A bank's investment in affiliates;
- Assets a bank may purchase from affiliates, except for real and personal property exempted by the FRB;
- The amount of loans or extensions of credit to third parties collateralized by the securities or obligations of affiliates;
- Transactions involving the borrowing or lending of securities and any derivative transaction that results in credit exposure to an affiliate; and
- A bank's guarantee, acceptance or letter of credit issued on behalf of an affiliate.

The total amount of the above transactions is limited in amount, as to any one affiliate, to 10% of a bank's capital and surplus and, as to all affiliates combined, to 20% of a bank's capital and surplus. In addition to the limitation on the amount of these transactions, each of the above transactions must also meet specified collateral requirements. The Bank must also comply with other provisions designed to avoid the taking of low-quality assets.

The Company and the Bank are also subject to the provisions of Section 23B of the Federal Reserve Act which, among other things, prohibits an institution from engaging in the above transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

The Bank is also subject to restrictions on extensions of credit to its executive officers, directors, principal stockholders and their related interests. These extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and (2) must not involve more than the normal risk of repayment or present other unfavorable features.

The FRB has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The FRB has issued a policy statement expressing its view that a bank holding company should pay cash dividends only to the extent that the company's net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the company's capital needs, asset quality, and overall financial condition. As noted below, FRB regulations limit dividends, stock repurchases and discretionary bonuses to executive officers if a bank holding company's capital is below the level of regulatory minimums plus the applicable capital conservation buffer.

The Company is a legal entity separate and distinct from the Bank. Over time, the principal source of the Company's cash flow, including cash flow to pay dividends to the Company's common stock shareholders, will be dividends that the Bank pays to the Company as its sole shareholder. Under Tennessee law, the Company is not permitted to pay dividends if, after giving effect to such payment, the Company would not be able to pay its debts as they become due in the normal course of business or the Company's total assets would be less than the sum of its total liabilities plus any amounts needed to satisfy any preferential rights if the Company were dissolving. In addition, in deciding whether or not to declare a dividend of any particular size, the Company's board of directors must consider the Company's current and prospective capital, liquidity, and other needs.

Statutory and regulatory limitations also apply to the Bank's payment of dividends to the Company. Under Tennessee law, the Bank in any one calendar year can only pay dividends to the Company in an amount equal to or less than the total amount of its net income for that calendar year combined with retained net income for the preceding two years. Payment of dividends in excess of this amount requires the consent of the Commissioner of the TDFI.

The payment of dividends by the Bank and the Company may also be affected by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

Under the Dodd-Frank Act, and previously under FRB policy, the Company is required to act as a source of financial strength for the Bank and to commit resources to support the Bank. This support can be required at times when it would not be in the best interest of the Company’s shareholders or creditors to provide it. Further, if the Bank’s capital levels were to fall below certain minimum regulatory guidelines, the Bank would need to develop a capital plan to increase its capital levels and the Company would be required to guarantee the Bank’s compliance with the capital plan in order for such plan to be accepted by the federal regulatory agency. In the event of bankruptcy, any commitment by the Company to a federal regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee and entitled to a priority of payment.

Both the Company and the Bank are required to comply with the capital adequacy standards established by the FRB, in the Company’s case, and the FDIC, in the case of the Bank. The FRB has established a risk-based and a leverage measure of capital adequacy for bank holding companies, like the Company. The Bank is also subject to risk-based and leverage capital requirements adopted by the FDIC, which are substantially similar to those adopted by the FRB for bank holding companies. In addition, the FDIC and TDFI may require state banks that are not members of the FRB, like the Bank, to maintain capital at levels higher than those required by general regulatory requirements. Tennessee state banks are required to have the capital structure that the TDFI deems adequate, and the Commissioner of the TDFI as well as federal regulators may require a state bank (or its holding company in the case of federal regulators) to increase its capital structure to the point deemed adequate by the Commissioner or such other federal regulator before granting approval of a branch application, merger application or charter amendment.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance-sheet items, such as letters of credit and unfunded loan commitments, are assigned to broad risk categories, each with appropriate risk weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

In July 2013, the FRB and the FDIC approved final rules that substantially amend the regulatory capital rules applicable to the Bank and the Company, effective January 1, 2015. The final rules implemented the regulatory capital reforms of the Basel Committee on Banking Supervision reflected in "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" (Basel III) and changes required by the Dodd-Frank Act.

Under these rules, the leverage and risk-based capital ratios of bank holding companies may not be lower than the leverage and risk-based capital ratios for insured depository institutions. The final capital rules implementing Basel III, among other things, included new minimum risk-based capital and leverage ratios for banks and their holding companies. Moreover, these rules refined the definition of what constitutes “capital” for purposes of calculating those ratios, including the definitions of Tier 1 capital and Tier 2 capital. Total capital consists of two components, Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common stock (plus related surplus) and retained earnings, limited amounts of minority interest in the form of additional Tier 1 capital instruments, and non-cumulative preferred stock and related surplus, subject to certain eligibility standards, less goodwill and other specified intangible assets and other regulatory deductions. Cumulative preferred stock and trust preferred securities issued after May 19, 2010 will no longer qualify as Tier 1 capital, but such securities issued prior to May 19, 2010, including in the case of bank holding companies with less than $15.0 billion in total assets as of December 31, 2009, trust preferred securities issued prior to that date, will continue to count as Tier 1 capital subject to certain limitations. Tier 2 capital generally consists of perpetual preferred stock and related surplus not meeting the Tier 1 capital definition, qualifying subordinated debt, qualifying mandatorily convertible debt securities, and a limited amount of loan loss reserves.

The minimum capital level requirements applicable to bank holding companies and banks subject to the rules are: (i) a Tier 1 common equity (“CET1”) capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4% for all institutions. The rules also established a "capital conservation buffer" of 2.5% (to consist of CET1 capital and that was phased in over four years) above the regulatory minimum capital ratios, and have resulted in the following minimum ratios: (i) a CET1 capital ratio of 7%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. The phase-in of the capital conservation buffer requirement was fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if capital levels fall below minimum levels plus the buffer amounts. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Under the Basel III capital rules, CET1 capital consists of common stock and paid in capital and retained earnings. CET1 capital is reduced by goodwill, certain intangible assets, net of associated deferred tax liabilities, deferred tax assets that arise from tax credit and net operating loss carryforwards, net of any valuation allowance, and certain other items specified in the Basel III capital rules. The Basel III capital rules also provide for a number of deductions from and adjustments to CET1 capital. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 capital to the extent that any one such category exceeds 10% of CET1 capital or all such categories in the aggregate exceed 15% of CET1 capital.

The final rules implementing Basel III allow banks and their holding companies with less than $250 billion in assets a one-time opportunity to opt-out of a requirement to include unrealized gains and losses in accumulated other comprehensive income in their capital calculation. The Company and the Bank each opted out of this requirement.

Additionally, the FDICIA establishes a system of prompt corrective action to resolve the problems of undercapitalized financial institutions. Under this system, the federal banking regulators have established five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) into one of which all institutions are categorized. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category (excluding the Basel III capital conservation buffer amounts), as set forth in the following table:

	CET1 capital ratio	Total risk-based capital ratio	Tier 1 risk-based capital ratio	Tier 1 leverage ratio
Well capitalized	6.5%	10%	8%	5%
Adequately capitalized	4.5%	8%	6%	4%
Undercapitalized	< 4.5%	< 8%	< 6%	< 4%
Significantly undercapitalized	< 3%	< 6%	< 4%	< 3%
Critically undercapitalized	Tangible Equity/Total Assets ≤ 2%			

Failure to meet statutorily mandated capital guidelines or more restrictive ratios separately established for a financial institution or its holding company by its regulators could subject a bank or bank holding company to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting or renewing brokered deposits, limitations on the rates of interest that the institution may pay on its deposits, limitations on the ability to hire senior executive officers or add directors without prior approval and other restrictions on its business. As described above, significant additional restrictions can be imposed on FDIC-insured depository institutions that fail to meet applicable capital requirements.

A state regulated bank which is not a member of the Federal Reserve, like the Bank, is required to be “well-capitalized" in order to take advantage of expedited procedures on certain applications, such as branches and mergers, and to accept and renew brokered deposits without further regulatory approval.

The Basel III capital rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Specific changes to the rules impacting the Company’s and the Bank’s determination of risk-weighted assets include, among other things:

- applying a 150% risk weight instead of a 100% risk weight for certain high volatility commercial real estate acquisition, development and construction loans;
- assigning a 150% risk weight to the unsecured portion of non-residential mortgage loans that are 90 days past due or otherwise on nonaccrual status;
- providing for a 20% credit conversion factor for the unused portion of a commitment with an original maturity of one year or less that is not unconditionally cancellable (previously set at 0%);
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providing for a risk weight, generally not less than 20% with certain exceptions, for securities lending transactions based on the risk weight category of the underlying collateral securing the transaction; and
- eliminating the 50% cap on the risk weight for OTC derivatives.

In December 2017, the Basel Committee on Banking Supervision published the last version of the Basel III accord, generally referred to as "Basel IV." The Basel Committee stated that a key objective of the revisions incorporated into the framework is to reduce excessive variability of risk-weighted assets ("RWA"), which will be accomplished by enhancing the robustness and risk sensitivity of the standardized approaches for credit risk and operational risk, which will facilitate the comparability of banks' capital ratios; constraining the use of internally modeled approaches; and complementing the risk-weighted capital ratio with a finalized leverage ratio and a revised and robust capital floor. Leadership of the federal banking agencies who are tasked with implementing Basel IV has indicated that it is considering how to appropriately apply these revisions in the

United States. Although it is uncertain at this time, the Company anticipates some, if not all, of the Basel IV accord may be incorporated into the capital requirements framework applicable to the Company and the Bank.

Banking organizations must have appropriate capital planning processes, with proper oversight from the board of directors. Accordingly, pursuant to a separate, general supervisory letter from the FRB, bank holding companies are expected to conduct and document comprehensive capital adequacy analyses prior to the declaration of any dividends (on common stock, preferred stock, trust preferred securities or other Tier 1 capital instruments), capital redemptions or capital repurchases. Moreover, the federal banking agencies have adopted a joint agency policy statement, noting that the adequacy and effectiveness of a bank's interest rate risk management process and the level of its interest rate exposures are critical factors in the evaluation of the bank's capital adequacy. A bank with material weaknesses in its interest rate risk management process or high levels of interest rate exposure relative to its capital will be directed by the relevant federal banking agencies to take corrective actions.

The FDIC has adopted a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. Under the Dodd-Frank Act, the FDIC adopted regulations that base deposit insurance assessments on total assets less capital rather than deposit liabilities and include off-balance sheet liabilities of institutions and their affiliates in risk-based assessments.

The Dodd-Frank Act increased the basic limit on federal deposit insurance coverage to $250,000 per depositor. The Dodd-Frank Act also repealed the prohibition on paying interest on demand transaction accounts, but did not extend unlimited insurance protection for these accounts.

The FDIC may terminate its insurance of deposits if it finds that a depository institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

The Financial Reform, Recovery and Enforcement Act of 1989 provides that a holding company's controlled insured depository institutions are liable for any loss incurred by the FDIC in connection with the default of, or any FDIC-assisted transaction involving, an affiliated insured bank or savings association.

The maximum permissible rates of interest on most commercial and consumer loans made by the Bank are governed by Tennessee's general usury law and the Tennessee Industrial Loan and Thrift Companies Act ("Industrial Loan Act"). Certain other usury laws affect limited classes of loans, but the Company believes that the laws referenced above are the most significant. Tennessee's general usury law authorizes a floating rate of 4% per annum over the average prime or base commercial loan rate, as published by the FRB from time to time, subject to an absolute 24% per annum limit. The Industrial Loan Act, which is generally applicable to most of the loans made by the Bank in Tennessee, authorizes an interest rate of up to 24% per annum and also allows certain loan charges, generally on a more liberal basis than does the general usury law.

The Bank's loan operations are also subject to federal laws applicable to credit transactions, such as the:

- Federal Truth-In-Lending Act, governing disclosures of credit terms and costs to consumer borrowers giving consumers the right to cancel certain credit transactions, and defining requirements for servicing consumer loans secured by a dwelling;
- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
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- Fair Debt Collection Practices Act, governing the manner in which consumer debts may be collected by collection agencies;
- Service Members' Civil Relief Act, governing the repayment terms of, and property rights underlying, secured obligations of persons in active military service;
- Rules and regulations of the various federal agencies charged with the responsibility of implementing the federal laws;
- Electronic Funds Transfer Act, which regulates fees and other terms of electronic funds transactions;
- Fair and Accurate Credit Transactions Act of 2003, which permanently extended the national credit reporting standards of the Fair Credit Reporting Act, and permits consumers, including the Bank’s customers, to opt out of information sharing among affiliated companies for marketing purposes and requires financial institutions, including banks, to notify a customer if the institution provides negative information about the customer to a national credit reporting agency or if the credit that is granted to the customer is on less favorable terms than those generally available; and
- the Real Estate Settlement and Procedures Act of 1974, which affords consumers greater protection pertaining to federally related mortgage loans by requiring, among other things, improved and streamlined good faith estimate forms including clear summary information and improved disclosure of yield spread premiums.

The Bank's deposit operations are subject to the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act and Regulation E issued by the Federal Reserve to implement that act, which govern automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities (including with respect to the permissibility of overdraft charges) arising from the use of automated teller machines and other electronic banking services;
- the Truth in Savings Act, which requires depository institutions to disclose the terms of deposit accounts to consumers;
- the Expedited Funds Availability Act, which requires financial institutions to make deposited funds available according to specified time schedules and to disclose funds availability policies to consumers; and
- the Check Clearing for the 21st Century Act ("Check 21"), which is designed to foster innovation in the payments system and to enhance its efficiency by reducing some of the legal impediments to check truncation. Check 21 created a new negotiable instrument called a substitute check and permits, but does not require, banks to truncate original checks, process check information electronically, and deliver substitute checks to banks that wish to continue receiving paper checks.

The Office of Foreign Assets Control ("OFAC"), which is an office in the U.S. Department of the Treasury, is responsible for helping to ensure that U.S. entities do not engage in transactions with "enemies" of the United States, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts; owned or controlled by, or acting on behalf of target countries, and narcotics traffickers. If a bank finds a name on any transaction, account or wire transfer that is on an OFAC list, it must freeze or block the transactions on the account. The Bank has appointed a compliance officer to oversee the inspection of its accounts and the filing of any notifications. The Bank actively checks high-risk OFAC areas such as new accounts, wire transfers and customer files. These checks are performed using software that is updated each time a modification is made to the lists provided by OFAC and other agencies of Specially Designated Nationals and Blocked Persons.

The President of the United States signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "Patriot Act"), into law on October 26, 2001. The Patriot Act established a wide variety of new and enhanced ways of combating international terrorism. The provisions that affect banks (and other financial institutions) most directly are contained in Title III of the act. In general, Title III amended existing law - primarily the Bank Secrecy Act ("BSA") - to provide the Secretary of the U.S. Department of the Treasury (the "Treasury") and other departments and agencies of the federal government with enhanced authority to identify, deter, and punish international money laundering and other crimes.

Among other things, the Patriot Act prohibits financial institutions from doing business with foreign "shell" banks and requires increased due diligence for private banking transactions and correspondent accounts for foreign banks. A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The BSA and its implementing regulations and parallel requirements of the federal banking regulators require the Bank to maintain a risk-based anti-money laundering ("AML") program reasonably designed to prevent and detect money laundering and terrorist financing and to comply with the recordkeeping and reporting requirements of the BSA, including the requirement to report suspicious activity. The Patriot Act substantially broadened the scope of AML laws and regulations by imposing significant new compliance and due diligence obligations on financial institutions, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Financial institutions, including banks, are required under final rules implementing Section 326 of the Patriot Act to establish procedures for collecting standard information from customers opening new accounts and verifying the identity of these new account holders within a reasonable period of time. Financial institutions are also prohibited from entering into specified financial transactions and account relationships and must take certain steps to assist government agencies in detecting and preventing money laundering and to report certain types of suspicious transactions. In May 2016, Treasury's Financial Crimes Enforcement Network issued rules under the BSA requiring financial institutions to identify the beneficial owners who own or control certain legal entity customers at the time an account is opened and to update their AML compliance programs no later than May 11, 2018, to include risk-based procedures for conducting ongoing customer due diligence.

The Community Reinvestment Act of 1977 (the "Community Reinvestment Act") requires that, in connection with examinations of financial institutions within their respective jurisdictions, the FRB and the FDIC shall evaluate the record of each financial institution in meeting the credit needs of its local communities, including low- and moderate-income neighborhoods consistent with safe and sound operations of the institutions. These facts are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on the Bank. Additionally, banks are required to publicly disclose the terms of various Community Reinvestment

Act-related agreements. The Bank received an "outstanding" Community Reinvestment Act rating from its primary federal regulator on its most recent regulatory examination.

The Bank is also subject to certain fair lending requirements and reporting obligations involving its home mortgage lending operations. Fair lending laws prohibit discrimination in the provision of banking services, and bank regulators have increasingly focused on the enforcement of these laws. Fair lending laws include the Equal Credit Opportunity Act of 1974 and the Fair Housing Act of 1968, which prohibit discrimination in credit and residential real estate transactions on the basis of prohibited factors including, among others, race, color, national origin, gender and religion. The Bank may be liable, either through administrative enforcement or private civil actions, for policies that result in a disparate treatment of or have a disparate impact on a protected class of applicants or borrowers. If a pattern or practice of lending discrimination is alleged by a regulator, then that agency may refer the matter to the U.S. Department of Justice ("DOJ") for investigation. Pursuant to a Memorandum of Understanding, the DOJ and Consumer Financial Protection Bureau ("CFPB") have agreed to share information, coordinate investigations and generally commit to strengthen their coordination efforts. The Bank is required to have a fair lending program that is of sufficient scope to monitor the inherent fair lending risk of the institution and that appropriately remediates issues which are identified.

State and federal banking regulators have issued various policy statements and, in some cases, regulations, emphasizing the importance of technology risk management and supervision. Such policy statements and regulations indicate that financial institutions should design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures to reliably authenticate customers accessing internet-based services of the financial institution. A financial institution's management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution's operations after a cyber-attack involving destructive malware. A financial institution is expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack.

Federal statutes and regulations, including the GLB Act and the Right to Financial Privacy Act of 1978, limit the Company's and the Bank's ability to disclose non-public information about consumers, customers and employees to nonaffiliated third parties. Specifically, the GLB Act requires disclosure of the Company's privacy policies and practices relating to sharing non-public information and enables retail customers to opt out of the institution's ability to share information with unaffiliated third parties under certain circumstances. The GLB Act also requires the Company and the Bank to implement a comprehensive information security program that includes administrative, technical and physical safeguards to ensure the security and confidentiality of customer records and information and, if applicable state law is more protective of customer privacy than the GLB Act, financial institutions, including the Bank, will be required to comply with such state law. Other laws and regulations impact the Company's and the Bank's ability to share certain information with affiliates and non-affiliates for marketing and/or non-marketing purposes. These regulations affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors. In connection with the regulations governing the privacy of consumer financial information, the federal banking agencies, including the FDIC, have adopted guidelines for establishing information security standards and programs to protect such information. In addition, the Bank has established a privacy policy that it believes promotes compliance with the federal requirements.

Examination and enforcement by the state and federal banking agencies, and other such enforcement authorities, for non-compliance with consumer protection laws and their implementing regulations have increased and become more intense. The advent of the CFPB further heightens oversight and review of compliance with consumer protection laws and regulations. Due to these heightened regulatory concerns, including increased enforcement of the Community Reinvestment Act by the federal banking agencies, and new powers and authority of the CFPB, the Bank may incur additional compliance costs or be required to expend additional funds for investments in its local community.

The Company’s securities are registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As such, the Company is subject to the information, proxy solicitation, insider trading, corporate governance, and other requirements and restrictions of the Exchange Act. As a public company, the Company is also subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including, among other things, required executive certification of financial presentations, increased requirements for board audit committees and their members, and enhanced requirements relating to disclosure controls and procedures and internal control over financial reporting.

In 2018, the U.S. Congress passed, and the President signed into law, the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (the “Growth Act”). The Growth Act, among other things, requires the federal banking agencies to issue regulations allowing community bank organizations with total assets of less than $10.0 billion in assets and limited amounts of certain assets and off-balance sheet exposures to access a simpler capital regime focused on a bank’s Tier 1 leverage capital levels rather than risk-based capital levels that are the focus of the capital rules issued under the Dodd-Frank Act implementing Basel III.

In November 2018, the federal banking agencies proposed regulations that would exempt a qualifying community bank and its holding company that have Tier 1 leverage ratios of greater than 9 percent from the risk-based capital requirements of the capital rules issued under the Dodd-Frank Act. A qualifying community banking organization and its holding company that have chosen the proposed framework would not be required to calculate the existing risk-based and leverage capital requirements. Such a bank would also be considered to have met the capital ratio requirements to be well capitalized for the agencies' prompt corrective action rules provided it has a community bank leverage ratio greater than 9 percent.

The Growth Act also raised the eligibility for the small bank holding company policy statement to $3 billion of assets from $1 billion.

The rules implementing these provisions of the Growth Act are not yet finalized and the Company has not yet made a determination regarding whether it will seek to take advantage of these new capital rules under the Growth Act.

New regulations and statutes are regularly proposed that contain wide-ranging provisions for altering the structures, regulations and competitive relationships of the nation’s financial institutions. Throughout 2017 and 2018, the U.S. Congress has debated and proposed changes to the financial institution regulatory landscape, including proposed amendments to the Dodd-Frank Act, including raising the asset threshold levels at which financial institutions and their holding companies become subject to enhanced regulatory oversight and compliance requirements. The Company cannot predict whether or in what form any proposed regulation or statute will be adopted or the extent to which the Company’s business may be affected by any new regulation or statute. Even if modifications are enacted to existing or proposed regulations, including raising certain assets thresholds above those currently in place, the Company may continue to face enhanced scrutiny from its regulators who may expect it to continue to comply with the current, more stringent requirements as part of their safety and soundness and compliance examinations and general oversight of the Company’s operations.

Competition

The banking business is highly competitive. The Company’s primary market areas consist of Wilson, Trousdale, Davidson, Rutherford, DeKalb, Smith, Sumner, Putnam and Williamson Counties in Tennessee. The Company competes with numerous commercial banks and savings institutions with offices in these market areas. In addition to these competitors, the Company competes for loans with insurance companies, regulated small loan companies, credit unions, and certain government agencies. The Company also competes with numerous companies and financial institutions engaged in similar lines of business, such as mortgage banking companies, brokerage companies and lending companies. Also, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of our non-bank competitors have fewer regulatory constraints and may have lower cost structures. Some of the Company’s competitors have significantly greater financial resources and offer a greater number of branch locations. To offset this advantage of its competitors, the Company believes it can attract customers by providing loan and management decisions at the local level with exceptional and personal service. The Company does not experience significant seasonal trends in its operations.

Monetary Policies

The results of operations of the Bank and the Company are affected by the policies of the regulatory authorities, particularly the FRB. An important function of the FRB is to regulate the national supply of bank credit in order to combat recession and curb inflation. Among the instruments used to attain these objectives are open market operations in U.S. government securities, changes in the discount rate on bank borrowings and changes in reserve requirements relating to member bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates charged on loans and paid for deposits. Policies of the regulatory agencies have had a significant effect on the operating results of commercial banks in the past and are expected to do so in the future. The effect of such policies upon the future business and results of operations of the Company and the Bank cannot be predicted with accuracy.

Employment

As of March 8, 2019, the Company and its subsidiary collectively employed 487 full-time equivalent employees.

Available Information

The Company's Internet website is http://www.wilsonbank.com. Please note that the Company's website address is provided as an inactive textual reference only. The Company makes available free of charge on its website the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after it files or furnishes such materials to the Securities and Exchange Commission (the "SEC"). The information provided on the Company's website is not part of this report, and is therefore not incorporated by reference herein unless such information is otherwise specifically referenced elsewhere in this report.

Statistical Information Required by Guide 3

The statistical information required to be displayed under Item 1 pursuant to Guide 3, "Statistical Disclosure by Bank Holding Companies," of the Exchange Act Industry Guides is incorporated herein by reference to the Consolidated Financial Statements and the notes thereto and the Management's Discussion and Analysis sections in the Company's 2018 Annual Report. Certain information not contained in the Company's 2018 Annual Report, but required by Guide 3, is contained in the tables immediately following:
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WILSON BANK HOLDING COMPANY
Form 10-K
December 31, 2018

I. Distribution of Assets, Liabilities and Stockholders' Equity;
Interest Rates and Interest Differential

The schedule which follows indicates the average balances for each major balance sheet item, an analysis of net interest income and net interest expense and the change in interest income and interest expense attributable to changes in volume and changes in rates.

The difference between interest income on interest-earning assets and interest expense on interest-bearing liabilities is net interest income, which is the Company's gross margin. Analysis of net interest income is more meaningful when income from tax-exempt earning assets is adjusted to a tax equivalent basis. Accordingly, the following schedule includes a tax equivalent adjustment of tax-exempt earning assets, assuming a weighted average Federal income tax rate of 34% for 2017 and 2016, and 21% for 2018.

In this schedule, "change due to volume" is the change in volume multiplied by the interest rate for the prior year. "Change due to rate" is the change in interest rate multiplied by the volume for the prior year. Changes in interest income and expense not due solely to volume or rate changes have been allocated to the “change due to volume” and “change due to rate” in proportion to the relationship of the absolute dollar amounts of the change in each category.

Non-accrual loans have been included in the loan category. Loan fees of $7,400,000, $6,773,000 and $5,935,000 for 2018, 2017 and 2016, respectively, are included in loan income and represent an adjustment of the yield on these loans.

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December 31, 2018

	Dollars In Thousands								
	2018			2017			2018/2017 Change		
	Average Balance	Rates/Yields	Income/ Expense	Average Balance	Rates/Yields	Income/ Expense	Due to Volume	Due to Rate	Total
Loans, net of unearned interest	$1,898,772	5.11 %	94,917	$1,727,499	4.84 %	83,120	$7,623	4,174	11,797
Investment securities—taxable	281,154	2.19	6,158	277,511	1.94	5,397	72	689	761
Investment securities—tax exempt	40,675	2.51	1,020	61,868	1.95	1,208	(478)	290	(188)
Taxable equivalent adjustment	—	.66	271	—	1.01	622	(187)	(164)	(351)
Total tax-exempt investment securities	40,675	3.17	1,291	61,868	2.96	1,830	(665)	126	(539)
Total investment securities	321,829	2.31	7,449	339,379	2.13	7,227	(593)	815	222
Loans held for sale	5,343	3.44	184	8,657	3.74	324	(116)	(24)	(140)
Federal funds sold	4,801	1.73	83	10,475	.93	97	(70)	56	(14)
Interest bearing deposits	55,911	1.75	979	77,606	.93	723	(245)	501	256
Restricted equity securities	3,012	6.11	184	3,012	5.01	151	—	33	33
Total earning assets	2,289,668	4.62	103,796	2,166,628	4.25	91,642	6,599	5,555	12,154
Cash and due from banks	17,820			10,581					
Allowance for loan losses	(25,365)			(23,174)					
Bank premises and equipment	57,712			48,888					
Other assets	70,071			68,125					
Total assets	$2,409,906			$2,271,048					

Notes:
1. The tax equivalent adjustment for 2018 has been computed using a 21% Federal tax rate; whereas, 2017 and 2016 have been computed using a 34% Federal tax rate.

2. Yields on loans and total earning assets include the impact of State income tax credits related incentive loans at below market rates and tax exempt loans to municipalities.

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WILSON BANK HOLDING COMPANY
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	Dollars In Thousands								
	2018			2017			2018/2017 Change		
	Average Balance	Rates/Yields	Income/ Expense	Average Balance	Rates/Yields	Income/ Expense	Due to Volume	Due to Rate	Total
Deposits:									
Negotiable order of withdrawal accounts	$503,312	.36 %	1,823	$478,691	.27 %	1,308	$70	445	515
Money market demand accounts	668,007	.52	3,487	635,072	.26	1,681	91	1,715	1,806
Time deposits	556,054	1.43	7,944	519,732	1.03	5,353	396	2,195	2,591
Other savings deposits	139,664	.53	744	132,557	.40	530	29	185	214
Total interest-bearing deposits	1,867,037	.75	13,998	1,766,052	.50	8,872	586	4,540	5,126
Securities sold under repurchase agreements	1,090	1.47	16	1,382	.65	9	(2)	9	7
Federal funds purchased	588	.68	4	1,176	.68	8	(4)	—	(4)
Total interest-bearing liabilities	1,868,715	.75	14,018	1,768,610	.50	8,889	580	4,549	5,129
Demand deposits	250,328			231,409					
Other liabilities	12,342			11,352					
Stockholders' equity	278,521			259,677					
Total liabilities and stockholders' equity	$2,409,906			$2,271,048					
Net interest income			89,778			82,753			
Net yield on earning assets (1)		4.01 %			3.84 %				
Net interest spread (2)		3.87 %			3.75 %				

(1) Net interest income on a tax equivalent basis divided by average interest-earning assets.
(2) Average interest rate on interest-earning assets less average interest rate on interest-bearing liabilities.

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WILSON BANK HOLDING COMPANY
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	Dollars In Thousands								
	2017			2016			2017/2016 Change		
	Average Balance	Rates/Yields	Income/ Expense	Average Balance	Rates/Yields	Income/ Expense	Due to Volume	Due to Rate	Total
Loans, net of unearned interest	$1,727,499	4.84 %	83,120	$1,571,528	4.94 %	77,024	$7,583	(1,487)	6,096
Investment securities—taxable	277,511	1.94	5,397	308,251	1.85	5,714	(589)	272	(317)
Investment securities—tax exempt	61,868	1.95	1,208	60,464	1.97	1,191	27	(10)	17
Taxable equivalent adjustment	—	1.01	622	—	1.02	614	15	(7)	8
Total tax-exempt investment securities	61,868	2.96	1,830	60,464	2.99	1,805	42	(17)	25
Total investment securities	339,379	2.13	7,227	368,715	2.04	7,519	(547)	255	(292)
Loans held for sale	8,657	3.74	324	12,228	3.20	391	(127)	60	(67)
Federal funds sold	10,475	.93	97	23,742	.11	26	(23)	94	71
Interest bearing deposits	77,606	.93	723	53,810	.52	278	158	287	445
Restricted equity securities	3,012	5.01	151	3,012	4.05	122	—	29	29
Total earning assets	2,166,628	4.25	91,642	2,033,035	4.23	85,360	7,044	(762)	6,282
Cash and due from banks	10,581			9,687					
Allowance for loan losses	(23,174)			(23,013)					
Bank premises and equipment	48,888			42,418					
Other assets	68,125			61,102					
Total assets	$2,271,048			$2,123,229					

Notes:
1. The tax equivalent adjustment for 2017 and 2016 has been computed using a 34% Federal tax rate.

2. Yields on loans and total earning assets include the impact of State income tax credits related incentive loans at below market rates and tax exempt loans to municipalities.

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	Dollars In Thousands								
	2017			2016			2017/2016 Change		
	Average Balance	Rates/Yields	Income/ Expense	Average Balance	Rates/Yields	Income/ Expense	Due to Volume	Due to Rate	Total
Deposits:									
Negotiable order of withdrawal accounts	$478,691	.27 %	1,308	$449,053	.31 %	1,371	$87	(150)	(63)
Money market demand accounts	635,072	.26	1,681	582,408	.25	1,471	137	73	210
Time deposits	519,732	1.03	5,353	511,590	.97	4,978	80	295	375
Other savings deposits	132,557	.40	530	117,802	.38	444	58	28	86
Total interest-bearing deposits	1,766,052	.50	8,872	1,660,853	.50	8,264	362	246	608
Securities sold under repurchase agreements	1,382	.65	9	1,214	.25	3	—	6	6
Federal funds purchased	1,176	.68	8	2,348	.72	17	(8)	(1)	(9)
Total interest-bearing liabilities	1,768,610	.50	8,889	1,664,415	.50	8,284	354	251	605
Demand deposits	231,409			210,655					
Other liabilities	11,352			10,831					
Stockholders' equity	259,677			237,328					
Total liabilities and stockholders' equity	$2,271,048			$2,123,229					
Net interest income			82,753			77,076			
Net yield on earning assets (1)		3.84 %			3.82 %				
Net interest spread (2)		3.75 %			3.73 %				

(1) Net interest income on a tax equivalent basis divided by average interest-earning assets.
(2) Average interest rate on interest-earning assets less average interest rate on interest-bearing liabilities.

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II. Investment Portfolio:

A. Investment securities at December 31, 2018 consist of the following:

	Securities Available-For-Sale (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)	$71,446	—	2,979	68,467
Mortgage-backed securities	152,375	9	4,874	147,510
Asset-backed securities	22,534	10	844	21,700
Obligations of states and political subdivisions	49,328	22	1,775	47,575
	$295,683	41	10,472	285,252

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II. Investment Portfolio, Continued:

A. Investment securities at December 31, 2017 consist of the following, continued:

	Securities Held-To-Maturity (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed securities	$9,886	31	156	9,761
Obligations of states and political subdivisions	22,594	66	310	22,350
	$32,480	97	466	32,111

	Securities Available-For-Sale (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)	$74,690	4	1,714	72,980
Mortgage-backed securities	200,175	302	2,551	197,926
Asset-backed securities	26,387	—	789	25,598
Obligations of states and political subdivisions	37,197	7	992	36,212
	$338,449	313	6,046	332,716

WILSON BANK HOLDING COMPANY
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II. Investment Portfolio, Continued:

A. Investment securities at December 31, 2016 consist of the following, continued:

	Securities Held-To-Maturity (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed securities	$11,856	48	230	11,674
Obligations of states and political subdivisions	24,768	142	439	24,471
	$36,624	190	669	36,145

	Securities Available-For-Sale (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)	$61,879	—	2,391	59,488
Mortgage-backed securities	166,316	496	2,447	164,365
Asset-backed securities	37,577	9	729	36,857
Obligations of states and political subdivisions	53,429	52	1,606	51,875
	$319,201	557	7,173	312,585

WILSON BANK HOLDING COMPANY
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II. Investment Portfolio, Continued:

B. The following schedule details the contractual maturities and weighted average yields of investment securities of the Company. Actual maturities may differ from contractual maturities of mortgage and asset-backed securities because the mortgages or other assets underlying such securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories noted below as of December 31, 2018:

Available-For-Sale Securities	Amortized Cost	Estimated Market Value	Weighted Average Yields	
	(In Thousands, Except Yields)			
Mortgage and asset-backed securities	$174,909	169,210	2.47	%
U.S. Government-sponsored enterprises (GSEs):				
Less than one year	—	—	—	
One to three years	5,025	4,913	1.68	
Three to five years	12,000	11,655	1.86	
Five to ten years	52,421	50,082	2.44	
More than ten years	2,000	1,817	2.52	
Total U.S. Government-sponsored enterprises (GSEs)	71,446	68,467	2.29	
Obligations of states and political subdivisions*:				
Less than one year	2,230	2,234	2.77	
One to three years	2,976	2,950	2.52	
Three to five years	2,970	2,892	2.31	
Five to ten years	24,183	23,101	2.36	
More than ten years	16,969	16,398	3.06	
Total obligations of states and political subdivisions	49,328	47,575	2.62	
Total available-for-sale securities	$295,683	285,252	2.46	%

* Weighted average yield is stated on a tax-equivalent basis, assuming a weighted average Federal income tax rate of 21%.

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III. Loan Portfolio:
A. Loan Types
The following schedule details the loans of the Company at December 31, 2018, 2017, 2016, 2015 and 2014:

	In Thousands				
	2018	2017	2016	2015	2014
Commercial, financial and agricultural	$89,554	59,266	50,437	41,036	41,827
Real estate—construction	518,245	392,039	297,315	275,319	245,830
Real estate—mortgage	1,393,641	1,263,696	1,303,918	1,110,989	1,027,723
Installment	48,759	43,540	44,755	43,770	41,398
Total loans	2,050,199	1,758,541	1,696,425	1,471,114	1,356,778
Deferred loan fees	(7,020)	(7,379)	(6,606)	(5,035)	(4,341)
Total loans, net of deferred fees	2,043,179	1,751,162	1,689,819	1,466,079	1,352,437
Less allowance for loan losses	(27,174)	(23,909)	(22,731)	(22,900)	(22,572)
Net loans	$2,016,005	1,727,253	1,667,088	1,443,179	1,329,865

WILSON BANK HOLDING COMPANY
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December 31, 2018
III. Loan Portfolio, Continued:
B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the Company's fixed and variable rate loans at December 31, 2018 according to contractual maturities of: (1) one year or less, (2) after one year through five years, and (3) after five years. The table also classifies the Company's variable rate loans pursuant to the contractual repricing dates of the underlying loans (dollars in thousands):

	Amounts at December 31, 2018				
	Fixed Rates	Variable Rates	Totals	At December 31, 2017	
Based on contractual maturity:					
Due within one year	$251,028	72,175	323,203	15.8	%
Due in one year to five years	187,650	104,641	292,291	14.2	
Due after five years	115,603	1,319,102	1,434,705	70.0	
Totals	$554,281	1,495,918	2,050,199	100.0	%
Based on contractual repricing dates:					
Daily floating rate	$—	36,581	36,581	1.8	%
Due within one year	251,028	393,013	644,041	31.4	
Due in one year to five years	187,650	1,005,736	1,193,386	58.2	
Due after five years	115,603	60,588	176,191	8.6	
Totals	$554,281	1,495,918	2,050,199	100.0	%

The following table represents the contractual maturities of the loan portfolio as of December 31, 2018 (dollars in thousands):

	Due Within One Year	Due in One to Five Years	Due After Five Years	Total
Commercial, financial and agricultural	$11,451	37,886	40,217	89,554
Real estate—construction	216,591	125,430	176,224	518,245
Real estate—mortgage	78,337	98,800	1,216,504	1,393,641
Installment	16,824	30,174	1,761	48,759
	$323,203	292,290	1,434,706	2,050,199

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III. Loan Portfolio, Continued:
C. Risk Elements

The following schedule details selected information as to non-performing loans of the Company at December 31, 2018, 2017, 2016, 2015 and 2014:

	In Thousands, Except Percentages				
	2018	2017	2016	2015	2014
Non-accrual loans:					
Commercial, financial and agricultural	$—	—	—	—	—
Real estate—construction	—	—	—	—	—
Real estate—mortgage	2,050	2,039	3,565	4,909	616
Installment	—	1	—	—	—
Total non-accrual	$2,050	2,040	3,565	4,909	616
Loans 90 days past due still accruing:					
Commercial, financial and agricultural	$24	—	14	41	6
Real estate—construction	32	113	22	—	73
Real estate—mortgage	1,058	716	1,642	1,883	1,424
Installment	95	148	129	54	38
Total loans 90 days past due still accruing	$1,209	977	1,807	1,978	1,541
Troubled debt restructurings	$2,492	4,084	4,596	4,104	8,040
Total non-performing loans	$5,751	7,101	9,968	10,991	10,197
Total loans, net of deferred fees	$2,043,179	1,751,162	1,689,819	1,466,079	1,352,437
Percentage of total non-performing loans to total loans outstanding, net of deferred fees	.28 %	.41	.59	.75	.75
Other real estate owned	$1,357	1,635	4,527	5,410	7,298

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III. Loan Portfolio, Continued:
C. Risk Elements, Continued:

The accrual of interest income is discontinued when it is determined that collection of interest is less than probable or the collection of any amount of principal is doubtful. The decision to place a loan on a non-accrual status is based on an evaluation of the borrower's financial condition, collateral liquidation value, economic and business conditions and other factors that affect the borrower's ability to pay. At the time a loan is placed on a non-accrual status, the accrued but unpaid interest is also evaluated as to collectability. If collectability is doubtful, the unpaid interest is charged off. Thereafter, interest on non-accrual loans is recognized only as received. Non-accrual loans totaled $2,050,000 at December 31, 2018, $2,040,000 at December 31, 2017, $3,565,000 at December 31, 2016, $4,909,000 at December 31, 2015 and $616,000 at December 31, 2014. Gross interest income on non-accrual loans that would have been recorded for the year ended December 31, 2018 if the loans had been current totaled $210,000 compared to $117,000 in 2017, $202,000 in 2016, $291,000 in 2015 and $39,000 in 2014. The amount of interest and fee income recognized on total loans during 2018 totaled $94,917,000 as compared to $83,120,000 in 2017, $77,024,000 in 2016, $71,543,000 in 2015 and $66,685,000 in 2014.

At December 31, 2018, loans, which include the above, totaling $12,039,000 were included in the Company's internal classified loan list. Of these loans $11,855,000 are real estate secured and $184,000 are secured by various other types of collateral. The value collateralizing these loans is estimated by management to be approximately $22,356,000 ($22,291,000 related to real property securing real estate loans and $65,000 related to the various other types of loans). Such loans are listed as classified when information obtained about possible credit problems of the borrowers has prompted management to question the ability of the borrower to comply with the repayment terms of the loan agreement. The loan classifications do not represent or result from trends or uncertainties which management expects will materially impact future operating results, liquidity or capital resources.

At December 31, 2018, real estate construction and mortgage loans made up 25.3% and 68.0%, respectively, of the Company's loan portfolio.

At December 31, 2018 and 2017, other real estate owned totaled $1,357,000 and $1,635,000, respectively.

There were no material amounts of other interest-bearing assets (interest-bearing deposits with other banks, municipal bonds, etc.) at December 31, 2018 which would be required to be disclosed as past due, non-accrual, restructured or potential problem loans, if such interest-bearing assets were loans.

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IV. Summary of Loan Loss Experience:
The following schedule details selected information related to the allowance for loan loss account of the Company at December 31, 2018, 2017, 2016, 2015 and 2014 and for the years then ended:

	In Thousands, Except Percentages				
	2018	2017	2016	2015	2014
Allowance for loan losses at beginning of period	$23,909	22,731	22,900	22,572	22,935
Charge-offs:					
Commercial, financial and agricultural	—	(16)	(11)	—	(37)
Real estate – construction	(19)	—	(66)	(26)	(7)
Real estate – mortgage	(492)	(132)	(209)	(414)	(1,436)
Installment	(1,152)	(1,074)	(674)	(664)	(387)
	(1,663)	(1,222)	(960)	(1,104)	(1,867)
Recoveries:					
Commercial, financial and agricultural	3	6	15	7	464
Real estate – construction	88	121	34	39	324
Real estate – mortgage	116	174	131	767	84
Installment	423	418	232	231	134
	630	719	412	1,044	1,006
Net loan charge-offs	(1,033)	(503)	(548)	(60)	(861)
Provision for loan losses charged to expense	4,298	1,681	379	388	498
Allowance for loan losses at end of period	$27,174	23,909	22,731	22,900	22,572
Total loans, net of deferred fees, at end of year	$2,043,179	1,751,162	1,689,819	1,466,079	1,352,437
Average total loans outstanding, net of deferred fees, during year	$1,898,772	1,727,499	1,571,528	1,418,561	1,261,131
Net charge-offs as a percentage of average total loans outstanding, net of deferred fees, during year	0.05 %	0.03	0.04	0.01	0.07
Ending allowance for loan losses as a percentage of total loans outstanding net of deferred fees, at end of year	1.33 %	1.37	1.35	1.56	1.67

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IV. Summary of Loan Loss Experience, Continued:

The allowance for loan losses is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The provision for loan losses charged to operating expense is based on past loan loss experience and other factors which, in management's judgment, deserve current recognition in estimating possible loan losses. Such other factors considered by management include growth and composition of the loan portfolio, review of specific problem loans, the relationship of the allowance for loan losses to outstanding loans, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and current economic conditions that may affect the borrower's ability to pay.

Management conducts a continuous review of all loans that are delinquent, previously charged down or which are determined to be potentially uncollectible. Loan classifications are reviewed periodically by a person independent of the lending function. The Board of Directors of the Company periodically reviews the adequacy of the allowance for loan losses.

The following detail provides a breakdown of the allocation of the allowance for loan losses:

	December 31, 2018			December 31, 2017		
	In Thousands	Percent of Loans In Each Category To Total Loans		In Thousands	Percent of Loans In Each Category To Total Loans	
Commercial, financial and agricultural	$682	4.3	%	$411	3.4	%
Real estate—construction	7,084	25.3		6,094	22.3	
Real estate—mortgage	18,601	68.0		16,738	71.9	
Installment	807	2.4		666	2.4	
	$27,174	100.0	%	$23,909	100.0	%

	December 31, 2016			December 31, 2015		
	In Thousands	Percent of Loans In Each Category To Total Loans		In Thousands	Percent of Loans In Each Category To Total Loans	
Commercial, financial and agricultural	$386	3.0	%	$339	2.8	%
Real estate—construction	5,387	17.5		5,136	18.7	
Real estate—mortgage	16,396	76.9		16,983	75.5	
Installment	562	2.6		442	3.0	
	$22,731	100.0	%	$22,900	100.0	%

	December 31, 2014		
	In Thousands	Percent of Loans In Each Category To Total Loans	
Commercial, financial and agricultural	$178	3.1	%
Real estate—construction	5,578	18.1	
Real estate—mortgage	16,492	75.8	
Installment	324	3.0	
	$22,572	100.0	%

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V. Deposits:
The average amounts and average interest rates for deposits for 2018, 2017 and 2016 are detailed in the following schedule:

	2018 Average Balance In Thousands	Average Rate		2017 Average Balance In Thousands	Average Rate		2016 Average Balance In Thousands	Average Rate	
Non-interest bearing deposits	$250,328	—	%	$231,409	—	%	$210,655	—	%
Negotiable order of withdrawal accounts	503,312	.36		478,691	.27		449,053	.31	
Money market demand accounts	668,007	.52		635,072	.26		582,408	.25	
Time deposits	556,054	1.43		519,732	1.03		511,590	.97	
Other savings	139,664	.53		132,557	.40		117,802	.38	
	$2,117,365	.66	%	$1,997,461	.44	%	$1,871,508	.44	%

The following schedule details the maturities of certificates of deposit and individual retirement accounts of $100,000 and more at December 31, 2018:

	In Thousands		
	Certificates of Deposit	Individual Retirement Accounts	Total
Less than three months	$30,409	3,745	34,154
Three to six months	31,876	3,269	35,145
Six to twelve months	79,975	6,273	86,248
More than twelve months	179,420	20,014	199,434
	$321,680	33,301	354,981

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VI. Return on Equity and Assets:
The following schedule details selected key ratios of the Company at December 31, 2018, 2017 and 2016:

	2018	2017	2016
Return on assets (Net income divided by average total assets)	1.35 %	1.04 %	1.21 %
Return on equity (Net income divided by average equity)	11.70%	9.06 %	10.80%
Dividend payout ratio (Dividends declared per share divided by net income per share)	29.13%	28.76%	22.49%
Equity to asset ratio (Average equity divided by average total assets)	11.56%	11.43%	11.18%
Leverage capital ratio (Equity excluding the net unrealized gain (loss) on available-for-sale securities and intangible assets divided by average total assets)	12.31%	11.86%	11.17%

The minimum leverage capital ratio required by the regulatory agencies is 4%.

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VI. Return on Equity and Assets, Continued:

The following schedule details the Company's risk-based capital at December 31, 2018 excluding the net unrealized loss on available-for-sale securities which is shown as a deduction in stockholders' equity in the consolidated financial statements:

	In Thousands	
Tier I capital:		
Stockholders' equity, excluding the net unrealized loss on available-for-sale securities, intangible assets and goodwill	$298,566	
Total capital:		
Allowable allowance for loan losses	27,533	
Total capital	$326,099	
Risk-weighted assets	$2,308,593	
Risk-based capital ratios:		
Tier I capital ratio	12.9	%
Common equity Tier 1 capital ratio	12.9	%
Total capital ratio	14.1	%

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VI. Return on Equity and Assets, Continued:

At December 31, 2018, the Company and the Bank were each required to maintain a total capital to risk-weighted asset ratio of 9.875% and a Tier I capital to risk-weighted asset ratio of 7.875% in each case pursuant to the regulations implementing the Basel III guidelines, including the capital conservation buffer. At December 31, 2018, the Company and the Bank were in compliance with these requirements.

The following schedule details the Company's interest rate sensitivity at December 31, 2018:

	Repricing Within					
(In Thousands)	Total	0-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Earning assets:						
Loans, net of deferred fees	$2,043,179	260,753	83,359	111,624	217,866	1,369,577
Securities	285,252	15,563	860	2,403	7,269	259,157
Loans held for sale	7,484	—	—	—	—	7,484
Interest bearing deposits	80,215	80,215	—	—	—	—
Federal funds sold	9,000	9,000	—	—	—	—
Restricted equity securities	3,012	3,012	—	—	—	—
Total earning assets	2,428,142	368,543	84,219	114,027	225,135	1,636,218
Interest-bearing liabilities:						
Negotiable order of withdrawal accounts	503,435	503,435	—	—	—	—
Money market demand accounts	727,654	727,654	—	—	—	—
Individual retirement accounts	76,568	4,692	6,615	9,114	14,452	41,695
Other savings	136,645	136,645	—	—	—	—
Certificates of deposit	537,196	20,077	37,316	58,266	139,853	281,684
	1,981,498	1,392,503	43,931	67,380	154,305	323,379
Interest-sensitivity gap	$446,644	(1,023,960)	40,288	46,647	70,830	1,312,839
Cumulative gap		(1,023,960)	(983,672)	(937,025)	(866,195)	446,644
Interest-sensitivity gap as % of total assets		(40.3)%	1.6%	1.8%	2.8%	51.6%
Cumulative gap as % of total assets		(40.3)%	(38.7)%	(36.8)%	(34.1)%	17.6%

The Company presently maintains a liability sensitive position over the next twelve months. However, management expects that liabilities of a demand nature will renew and that it will not be necessary to replace them with significantly higher cost funds.

Item 1A. Risk Factors.

Investing in the Company's common stock involves various risks which are particular to the Company, its industry and its market areas. Several risk factors regarding investing in the Company's common stock are discussed below. If any of the following risks were to occur, the Company may not be able to conduct its business as currently planned and its financial condition or operating results could be materially and negatively impacted. These matters could cause the trading price of the Company's common stock to decline in future periods.

The Company's loan portfolio includes a significant amount of real estate loans, including construction and development loans, which loans have a greater credit risk than residential mortgage loans.

As of December 31, 2018, approximately 93% of the Company's loans held for investment were secured by real estate. Of this amount, approximately 37% were commercial real estate loans, 28% were residential real estate loans, 27% were construction and development loans and 8% were other real estate loans. In total these loans make up approximately 96% of the Company's non-performing loans at December 31, 2018. Construction and development lending is generally considered to have relatively high credit risks because the principal is concentrated in a limited number of loans with repayment dependent on the successful completion and operation of the related real estate project. Real estate industry pricing dynamics in the geographical markets in which the Company operates can vary from year to year, and with respect to construction, can vary between project funding and project completion. Asset values to which the Company underwrites loans can fluctuate from year to year and impact collateral values and the ability of its borrowers to repay their loans.

Weakness in residential real estate market prices as well as demand could result in price reductions in home and land values adversely affecting the value of collateral securing some of the construction and development loans that the Company holds. Should the Company experience the return of adverse economic and real estate market conditions similar to those it experienced from 2008 through 2010, the Company may again experience increases in non-performing loans and other real estate owned, increased losses and expenses from the management and disposition of non-performing assets, increased charge-offs from the disposition of non-performing assets, increases in provision for loan losses, and increases in operating expenses as a result of the allocation of management time and resources to the collection and work out of these loans, all of which would negatively impact the Company's financial condition and results of operations.

The Company has significant credit exposure to borrowers that are homebuilders and land developers and the Company also targets small to medium-sized businesses.

At December 31, 2018, the Company had significant credit exposures to borrowers in certain businesses, including new home builders and land subdividers. If the economic environments in the Company's markets weaken in 2019 or beyond, these industry or other concentrations could result in higher than normal deterioration in credit quality, past dues, loan charge-offs and collateral value declines, all of which would negatively impact the Company's financial condition and results of operations. Furthermore, any of the Company's large credit exposures that deteriorate unexpectedly could cause the Company to have to make significant additional loan loss provisions, negatively impacting the Company's financial condition and results of operations.

A substantial focus of the Company's marketing and business strategy is to serve small to medium-sized businesses in its market areas. As a result, a relatively high percentage of the Company's loan portfolio consists of commercial loans primarily to small to medium-sized businesses. During periods of lower economic growth or recessionary environments, small to medium-sized businesses may be impacted more severely and more quickly than larger businesses. Consequently, the ability of such businesses to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact the Company's results of operations and financial condition.

The Company's net interest margin, and consequently its net earnings, are significantly affected by interest rate levels.

The Company’s profitability is dependent to a large extent on net interest income, which is the difference between interest income earned on loans and investment securities and interest expense paid on deposits and other borrowings. The absolute level of interest rates as well as changes in interest rates or that affect the yield curve may affect the Company’s level of interest income, the primary component of its gross revenue, as well as the level of its interest expense. Interest rate fluctuations are caused by many factors which, for the most part, are not under the Company’s direct control. For example, national monetary policy plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with the Company’s customers also impact the rates the Company collects on loans and the rates it pays on deposits. In addition, changes in the method of determining the London Interbank Offered Rate (LIBOR) or other reference rates, or uncertainty related to such potential changes, may adversely affect the value of reference rate-linked debt securities that the Company holds or issues or its variable pricing loans, which could further impact the Company's interest rate spread.

Changes in the level of interest rates also may negatively affect the Company's ability to originate real estate loans, the value of its assets and its ability to realize gains from the sale of its assets, all of which could ultimately affect the Company's results of operations and financial condition. A decline in the market value of the Company's assets may limit the Company's ability to borrow additional funds. As a result, the Company could be required to sell some of its loans and investments under adverse market conditions, upon terms that are not favorable to the Company, in order to maintain its liquidity. If those sales are made at prices lower than the amortized costs of the investments, the Company will incur losses. Following an increase in the general level of interest rates, the Company's ability to maintain a positive net interest spread is dependent on its ability to increase its loan offering rates, replace loan maturities with new originations, minimize increases on its deposit rates, and maintain an acceptable level and mix of funding. Although the Company has implemented procedures it believes will reduce the potential effects of changes in interest rates on its net interest income, these procedures may not always be successful. Accordingly, changes in levels of market interest rates could materially and adversely affect the Company's net interest income and net interest margin, asset quality, loan origination volume, liquidity, and overall profitability. The Company cannot assure you that it can minimize its interest rate risk.

Over the last few years, interest rates have increased. Since December 2015, the Federal Reserve has raised short-term interest rates nine times and may institute further changes in the future. Because of significant competitive pressures in the Company's markets and the negative impact of these pressures on the Company's deposit and loan pricing, coupled with the fact that a significant portion of the Company's loan portfolio has variable rate pricing that moves in concert with changes to the FRB's federal funds rate or LIBOR, the Company's net interest margin may be negatively impacted if these short-term rates decline or do not continue to rise. However, further increases may also negatively impact the Company's results of operations if it is unable to increase the rates it charges on loans or earns on its investment securities in excess of the increases it must pay on deposits and its other funding sources.

As interest rates change, the Company expects that it will periodically experience "gaps" in the interest rate sensitivities of its assets and liabilities, meaning that either its interest-bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than its interest-earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to the Company's position, this "gap" may work against the Company, and its results of operations and financial condition may be negatively affected. The Company attempts to manage its risk from changes in market interest rates by adjusting the rates, maturity, repricing characteristics, and balances of the different types of interest-earning assets and interest-bearing liabilities. Interest rate risk management techniques are not exact. The Company employs the use of models and modeling techniques to quantify the levels of risk to net interest income, which inherently involve the use of assumptions, judgments, and estimates. While the Company strives to ensure the accuracy of its modeled interest rate risk profile, there are inherent limitations and imprecisions in this determination and actual results may differ.

Negative developments in the U.S. and local economy may adversely impact the Company's results in the future.

The Company's financial performance is highly dependent on the business environment in the markets where it operates and in the U.S. as a whole. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, investor or business confidence, consumer sentiment, limitations on the availability or increases in the cost of credit and capital, increases in inflation or interest rates, natural disasters, terrorist attacks, acts of war, or a combination of these or other factors. Economic conditions in the markets in which the Company operates deteriorated significantly between early 2008 and the middle of 2010. These challenges manifested themselves primarily in the form of increased levels of provisions for loan losses and other real estate expense related to declining collateral values in the Company's real estate loan portfolio and increased costs associated with its portfolio of other real estate owned. A worsening of business and economic conditions generally or specifically in the principal markets in which the Company conducts business could have adverse effects, including the following:

- a decrease in deposit balances or the demand for loans and other products and services the Company offers;
- an increase in the number of borrowers who become delinquent, file for protection under bankruptcy laws or default on their loans or other obligations to the Company, which could lead to higher levels of nonperforming assets, net charge-offs and provisions for credit losses;
- a decrease in the value of loans and other assets secured by real estate;
- a decrease in net interest income from the Company's lending and deposit gathering activities; and
- an increase in competition resulting from financial services companies.

Although economic conditions have strengthened in most of the Company's markets in recent periods, the Company believes that it is possible it will continue to experience an uncertain and volatile economic environment during 2019. There can be no assurance that these conditions will improve in the near term or that conditions will not worsen. Such conditions could adversely affect the Company's business, financial condition, and results of operations.

In addition, over the last several years, including from December 22, 2018 until January 25, 2019, the federal government has shut down several times, in some cases for prolonged periods. It is possible that the federal government may shut down again in the future. If a prolonged government shutdown occurs, it could significantly impact business and economic conditions generally or specifically in the Company's markets, which could have a material adverse effect on the Company's results of operations and financial condition.

The Company is geographically concentrated in Wilson County, Tennessee and its surrounding counties and changes in local economic conditions could impact its profitability.

The Company operates primarily in Wilson, DeKalb, Smith, Rutherford, Putnam, Davidson, Williamson and Sumner counties and certain of the surrounding counties and substantially all of its loan customers and most of its deposit and other customers live or have operations in this same geographic area. Accordingly, the Company's success significantly depends upon the growth in population, income levels, and deposits in these areas, along with the continued attraction of business ventures to the area and the area's economic stability and strength of the housing market, and its profitability is impacted by the changes in general economic conditions in these markets. The Company cannot assure investors that economic conditions in its markets will continue to remain healthy during 2019 or thereafter, and weakened economic conditions in the Company's markets could cause the Company to constrict its growth rate, affect the ability of its customers to repay their loans and negatively impact the Company's financial condition and results of operations.

The Company is less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of diversified economies. Moreover, the Company cannot give any assurance that it will benefit from any market growth or return of more favorable economic conditions in its primary market areas if they do occur.

The Company could sustain losses if its asset quality declines.

The Company's earnings are significantly affected by its ability to properly originate, underwrite and service loans. The Company could sustain losses if it incorrectly assesses the creditworthiness of its borrowers or fails to detect or respond to deterioration in asset quality in a timely manner. Problems with asset quality, particularly within the commercial real estate segment of the Company's loan portfolio, could cause the Company's interest income and net interest margin to decrease and its provisions for loan losses and non-interest expenses to increase, which could adversely affect its results of operations and financial condition.

An inadequate allowance for loan losses would negatively impact the Company's results of operations and financial condition.

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. Management maintains an allowance for loan losses based upon, among other things, historical experience, an evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. Based upon such factors, management makes various assumptions and judgments about the ultimate collectibility of the loan portfolio, provides an allowance for loan losses based upon a percentage of the outstanding balances and takes a charge against earnings with respect to specific loans when their ultimate collectibility is considered questionable. Actual losses are difficult to forecast especially if those losses stem from factors beyond the Company’s historical experience or are otherwise inconsistent with the Company’s credit quality assessments. If management’s assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb losses, the Company’s results of operations and financial condition could be negatively impacted.

In addition, federal and state regulators periodically review the Company’s loan portfolio and may require it to increase its allowance for loan losses or recognize loan charge-offs. Their conclusions about the quality of the Company’s loan portfolio may be different than the Company’s. Any increase in the Company’s allowance for loan losses or loan charge-offs as required by these regulatory agencies could have a negative effect on the Company’s results of operations or financial condition. Moreover, additions to the allowance may be necessary based on changes in economic and real estate market conditions, new information regarding existing loans or borrowers, identification of additional problem loans and other factors, both within and outside of the Company’s management’s control. These additions may require increased provision expense which would negatively impact the Company’s results of operations.

A new accounting standard may require the Company to increase its allowance for loan losses and could have a material adverse effect on its financial condition and results of operations.

The Financial Accounting Standards Board has adopted a new accounting standard that will be effective for the Company beginning January 1, 2020. This standard, referred to as current expected credit loss, or CECL, will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses through provision for loan losses. This will change the current method of provisioning for loan losses that are probable, which may require the Company to increase its allowance for loan losses, and is likely to increase the types of data the Company would need to collect and review to determine the appropriate level of its allowance for loan losses. In addition, this change may result in more volatility in the level of the Company’s allowance for loan losses. An increase, to the extent material, in the Company’s allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses could have a material adverse effect on the Company’s financial condition and results of operations, and could result in a reduction in the Company’s CET1 capital ratio. As discussed above, a reduction in the Company’s or the Bank’s capital levels could subject it to a variety of enforcement remedies available to the federal regulatory authorities and would negatively impact the Company’s ability to pursue expansion opportunities if it is unable to satisfactorily raise additional capital.

The Company has sought to expand its franchise by developing new markets or expanding its operations in existing markets and may continue to do so in future years.

Since 2014, the Company has opened branch locations in Putnam County, Rutherford County, Davidson County and Williamson County as it sought to expand its footprint beyond its historical markets. Expansion, whether by opening new branches or acquiring existing branches or whole banks, involves various risks, including:

Management of Growth. The Company may be unable to successfully:

- maintain loan quality in the context of significant loan growth;
- identify and expand into suitable markets;
- obtain regulatory and other approvals;
- identify and acquire suitable sites for new banking offices;
- attract sufficient deposits and capital to fund anticipated loan growth;
- avoid diversion or disruption of its existing operations or management as well as those of an acquired institution;
- maintain adequate management personnel and systems to oversee and support such growth;
- maintain adequate internal audit, loan review and compliance functions; and
- implement additional policies, procedures and operating systems required to support such growth.

Results of Operations. There is no assurance that existing offices or future offices will maintain or achieve deposit levels, loan balances or other operating results necessary to avoid losses or produce profits. Execution on a growth strategy could lead to increases in overhead expenses if the Company were to add new offices and staff. The Company’s historical results may not be indicative of future results or results that may be achieved if it were to increase the number and concentration of its branch offices in its existing or new markets.

Development of Offices. There are considerable costs involved in opening branches, and new branches generally do not generate sufficient revenues to offset their costs until they have been in operation for at least a year or more. Accordingly, any new branches the Company establishes can be expected to negatively impact the Company’s earnings for some period of time until they reach certain economies of scale. The same is true for the Company’s efforts to expand in these markets with the hiring of additional seasoned professionals with significant experience in that market. The Company’s expenses could be further increased if it encounters delays in opening any of its new branches. The Company may be unable to accomplish future branch expansion plans due to a lack of available satisfactory sites, difficulties in acquiring such sites, failure to receive any required regulatory approvals, on a timely basis or at all, increased expenses or loss of potential sites due to complexities associated with zoning and permitting processes, higher than anticipated merger and acquisition costs or other factors. Finally, any branch may not meet the Company’s long-term profitability expectations or otherwise be successful even after it has been established or acquired, as the case may be.

Regulatory and Economic Factors. Growth of banks like the Bank may be adversely affected by a number of regulatory and economic developments or other events. Failure to obtain required regulatory approvals, changes in laws and regulations or other regulatory developments and changes in prevailing economic conditions or other unanticipated events may prevent or adversely affect the Company’s growth and expansion. Such factors may cause the Company to alter its growth and expansion plans or slow or halt the growth and expansion process, which may prevent the Company from entering into or expanding in its targeted markets or allow competitors to gain or retain market share in the Company’s existing markets.

Failure to successfully address these and other issues related to the Company's expansion could have a material adverse effect on its financial condition and results of operations, and could adversely affect its ability to successfully implement its business strategy.

The Company is dependent on its information technology and telecommunications systems and third-party servicers, and systems failures, interruptions or breaches of security could have an adverse effect on its financial condition and results of operations.

The Company is dependent upon information technologies, computer systems and networks, including those maintained by it and those maintained and provided to the Company by third parties, to conduct operations and is reliant on technology to help increase efficiency in its business. These systems could become unavailable or impaired from a variety of causes, including storms and other natural disasters, terrorist attacks, fires, utility outages, internal or external theft or fraud, design defects, human error or complications encountered as existing systems are maintained, replaced or upgraded. The Company maintains a system of internal controls and security to mitigate the risks of many of these occurrences and maintains insurance coverage for certain risks; however, should an event occur that is not prevented or detected by the Company's internal controls, causes an interruption in service, or is uninsured against or in excess of applicable insurance limits, such occurrence could have an adverse effect on the Company's business and its reputation, which, in turn, could have a material adverse effect on its financial condition, results of operations and liquidity.

The Company's operations rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Although the Company takes protective measures and endeavors to modify these systems as circumstances warrant, the security of its computer systems, software and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. The Company provides its customers the ability to bank remotely, including over the Internet or through their mobile device. The secure transmission of confidential information is a critical element of remote and mobile banking. The Company's network, and the systems of parties with whom it contracts or on which it relies, as well as those of its customers and regulators, could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches. Sources of attacks vary and may include hackers, disgruntled employees or vendors, organized crime, terrorists, foreign governments, corporate espionage and activists. In recent periods, there continues to be a rise in electronic fraudulent activity, security breaches and cyber-attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the Internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as the Company continues to increase its mobile-payment and other internet-based product offerings and expand its internal usage of web-based products and applications. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks are becoming more sophisticated and are extremely difficult to prevent. The techniques used by bad actors change frequently, may not be recognized until launched and may not be recognized until well after a breach has occurred. Additionally, the existence of cyber-attacks or security breaches at third parties with access to the Company's data, such as vendors, may not be disclosed to the Company in a timely manner. Consistent with industry trends, the Company remains at risk for attempted electronic fraudulent activity, as well as attempts at security breaches and cybersecurity-related incidents. The Company may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that the Company's activities or the activities of its vendors, regulators or customers involve the storage and transmission of confidential information, security breaches (including breaches of security of customer, vendor or regulator systems and networks) and viruses could expose the

Company to claims, litigation and other possible liabilities, which may be significant. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in the Company's systems and could adversely affect its reputation, results of operations and ability to attract and maintain customers and businesses. In addition, a security breach could also subject the Company to additional regulatory scrutiny, expose it to civil litigation and possible financial liability and cause reputational damage.

The Company contracts with third-party vendors to provide software or services for many of its major systems, such as data processing, loan servicing and deposit processing system. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt the Company's operations. Because the Company's information technology and telecommunications systems interface with and depend on third-party systems, the Company could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of the Company's ability to process new and renewal loans, gather deposits and provide customer service, compromise its ability to operate effectively, damage its reputation, result in a loss of customer business and/or subject it to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

The Company also faces the risk of operational disruption, failure, termination, or capacity constraints of any of the third parties that facilitate its business activities, including vendors, exchanges, and other financial intermediaries. Such parties could also be the source or cause of an attack on, or breach of, the Company's operational systems, data or infrastructure, and could disclose such attack or breach to the Company in a delayed manner or not at all. In addition, the Company may be at risk of an operational failure with respect to its customers' systems. The Company's risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats and the continued uncertain global economic environment.

As cyber threats continue to evolve, the Company may be required to expend significant, additional resources to continue to modify or enhance its protective measures, investigate and remediate any information security vulnerabilities, or respond to any changes to state or federal regulations, policy statements or laws concerning information systems or security. Any failure to maintain adequate security over its information systems, its technology-driven products and services or its customers' personal and transactional information could negatively affect its business and its reputation and result in fines, penalties, or other costs, including litigation expense and/or additional compliance costs, all of which could have material adverse effect on its financial condition, results of operations and liquidity. Furthermore, the public perception that a cyber-attack on the Company's systems has been successful, whether or not this perception is correct, may damage the Company's reputation with customers and third parties with whom it does business. A successful penetration or circumvention of system security could cause the Company negative consequences, including loss of customers and business opportunities, disruption to the Company's operations and business, misappropriation or destruction of the Company's confidential information and/or that of its customers, or damage to its customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, loss of confidence in the Company's security measures, reputational damage, reimbursement or other compensatory costs, additional compliance costs, and could adversely impact the Company's results of operations, liquidity and financial condition.

The Company's risk and exposure to cyber threats and other information security breaches is heightened as it expands its use of cloud technology and internet and mobile banking delivery channels for its products and services.

Changes that became effective on January 1, 2015 to capital requirements for bank holding companies and depository institutions may negatively impact the Company's and the Bank's results of operations.

In July 2013, the FRB and the FDIC approved final rules that substantially amended the regulatory risk-based capital rules applicable to the Company and the Bank. The final rules, which became effective on January 1, 2015, implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

Various provisions of the Dodd-Frank Act increase the capital requirements of bank holding companies. The leverage and risk-based capital ratios of these entities may not be lower than the leverage and risk-based capital ratios for insured depository institutions. The final rules implementing the Basel III regulatory capital reforms include new minimum risk-based capital and leverage ratios. These rules also refine the definition of what constitutes "capital" for purposes of calculating those ratios. The minimum capital level requirements applicable to bank holding companies and banks subject to the rules are: (i) a CET1 capital ratio of 4.5%; (ii) a Tier 1 capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4% for all institutions. The rules also establish a "capital conservation buffer" of 2.5% (that is fully phased in as of January 1, 2019) above the new regulatory minimum capital ratios, and result in the following minimum ratios: (i) a CET1 capital ratio of 7.0%, (ii) a Tier 1 capital ratio of 8.5%, and (iii) a total capital ratio of 10.5%. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital levels fall below the buffer amounts. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

The application of more stringent capital requirements for the Company and the Bank, like those implementing the Basel III reforms (particularly CET1 capital ratio), could, among other things, result in lower returns on invested capital, require the raising of additional capital, and result in regulatory actions if the Company or the Bank were to be unable to comply with such requirements. Furthermore, the imposition of liquidity requirements in connection with the implementation of the final rules regarding Basel III could result in the Company or the Bank having to lengthen the term of their funding, restructure their business models and/or increase their holdings of liquid assets, which could negatively impact the Company’s financial condition or results of operations. Implementation of changes to asset risk weightings for risk-based capital calculations, items included or deducted in calculating regulatory capital and/or additional capital conservation buffers could result in management modifying its business strategy and could limit the Company’s and the Bank’s ability to make distributions, including paying dividends or buying back shares.

Liquidity risk could impair the Company’s ability to fund its operations and jeopardize its financial condition.

Liquidity represents an institution’s ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility that the Company may be unable to satisfy current or future funding requirements and needs.

The objective of managing liquidity risk is to ensure that the Company’s cash flow requirements resulting from depositor, borrower and other creditor demands are met, as well as the Company’s operating cash needs, and that the Company’s cost of funding such requirements and needs is reasonable. The Company maintains an asset/liability and interest rate risk policy and a liquidity and funds management policy, including a contingency funding plan that, among other things, include procedures for managing and monitoring liquidity risk. Generally the Company relies on deposits, repayments of loans and cash flows from its investment securities as its primary sources of funds. The Company’s principal deposit sources include consumer, commercial and public funds customers in the Company’s markets. The Company has used these funds, together with wholesale deposit sources such as federal funds purchased and other sources of short-term and long-term borrowings, to make loans, acquire investment securities and other assets and to fund continuing operations.

An inability to maintain or raise funds in amounts necessary to meet the Company’s liquidity needs could have a substantial negative effect, individually or collectively, on the Company’s and the Bank's liquidity. The Company’s access to funding sources in amounts adequate to finance its activities, or on terms attractive to it, could be impaired by factors that affect the Company specifically or the financial services industry in general. For example, factors that could detrimentally impact the Company’s access to liquidity sources include a decrease in the level of its business activity due to a market downturn or adverse regulatory action against it or the Bank, a reduction in its credit rating, any damage to its reputation or any other decrease in depositor or investor confidence in the Company’s creditworthiness and business. The Company’s access to liquidity could also be impaired by factors that are not specific to it, such as severe volatility or disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. Any such event or failure to manage the Company’s liquidity effectively could affect its competitive position, increase its borrowing costs and the interest rates it pays on deposits, limit its access to the capital markets, cause its regulators to criticize its operations and have a material adverse effect on its financial condition or results of operations.

Deposit levels may be affected by a number of factors, including demands by customers, rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, general economic and market conditions and other factors. Loan repayments are a relatively stable source of funds but are subject to the borrowers’ ability to repay loans, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters, prolonged government shutdowns and other factors. Furthermore, loans generally are not readily convertible to cash. Accordingly, the Company may be required from time to time to rely on secondary sources of liquidity to meet growth in loans, deposit withdrawal demands or otherwise fund operations. Such secondary sources include Federal Home Loan Bank advances, brokered deposits, secured and unsecured federal funds lines of credit from correspondent banks, FRB borrowings and/or accessing the equity or debt capital markets.

The Company anticipates it will continue to rely primarily on deposits, loan repayments, and cash flows from its investment securities to provide liquidity. Additionally, where necessary, the secondary sources of borrowed funds described above will be used to augment the Company’s primary funding sources. If the Company is unable to access any of these secondary funding sources when needed, it might be unable to meet its customers’ or creditors’ needs, which would adversely affect its financial condition, results of operations, and liquidity.

The performance of the Company’s investment securities portfolio is subject to fluctuation due to changes in interest rates and market conditions, including credit deterioration of the issuers of individual securities.

Changes in interest rates can negatively affect the performance of most of the Company’s investment securities. Interest rate volatility can reduce unrealized gains or increase unrealized losses in the Company’s portfolio. Interest rates are highly sensitive to many factors including monetary policies, domestic and international economic and political issues, including trade disputes, and other factors beyond the Company’s control. Fluctuations in interest rates can materially affect both the returns on and market value of the Company’s investment securities. Additionally, actual investment income and cash flows from investment securities that carry prepayment risk, such as mortgage-backed securities and callable securities, may materially differ from those anticipated at the time of investment or subsequently as a result of changes in interest rates and market conditions.

The Company’s investment securities portfolio consists of several securities whose trading markets are “not active.” As a result, the Company utilizes alternative methodologies for pricing these securities that include various estimates and assumptions. There can be no assurance that the Company can sell these investment securities at the price derived by these methodologies, or that it can sell these investment securities at all, which could have an adverse effect on the Company's financial condition, results of operations and liquidity.

The Company monitors the financial position of the various issues of investment securities in its portfolio, including each of the state and local governments and other political subdivisions where it has exposure. To the extent the Company has securities in its portfolio from issuers who have experienced a deterioration of financial condition, or who may experience future deterioration of financial condition, the value of such securities may decline and could result in an other-than-temporary impairment charge, which could have an adverse effect on the Company's financial condition, results of operations and liquidity.

In addition, from time to time the Company may restructure portions of its investment securities portfolio as part of its asset liability management strategies, and may incur loses, which may be material, in connection with any such restructuring.

Environmental liability associated with commercial lending could result in losses.

In the course of business, the Bank may acquire, through foreclosure, properties securing loans it has originated or purchased which are in default. Particularly in commercial real estate lending, there is a risk that hazardous substances could be discovered on these properties. In this event, the Company, or the Bank, might be required to remove these substances from the affected properties at the Company's sole cost and expense. The cost of this removal could substantially exceed the value of affected properties. The Company and the Bank may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company has acquired a number of retail banking facilities and other real properties, any of which may contain hazardous or toxic substances. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Company to incur substantial expenses and may materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Company's exposure to environmental liability.

Competition from financial institutions and other financial service providers may adversely affect the Company's profitability.

The banking business is highly competitive and the Company experiences competition in each of its markets from many other financial institutions. The Company competes with commercial banks, credit unions, savings and loan associations, mortgage banking firms, consumer finance companies, securities brokerage firms, insurance companies, money market funds, and other mutual funds, as well as other community banks and super-regional and national financial institutions that operate offices in the Company's primary market areas and elsewhere. Many of the Company's competitors are well-established, larger financial institutions that have greater resources and lending limits and a lower cost of funds than the Company has.

Additionally, the Company faces competition from similarly sized and smaller community banks, including those with senior management who were previously affiliated with other local or regional banks or those controlled by investor groups with strong local business and community ties. These community banks may offer higher deposit rates or lower cost loans in an effort to attract the Company's customers, and may attempt to hire the Company's management and employees.

Some of the Company's competitors, including credit unions, are not subject to certain regulatory constraints, such as the Community Reinvestment Act, which, among other things, requires the Company to implement procedures to make and monitor loans throughout the communities it serves. Credit unions also have federal tax exemptions that may allow them to offer lower rates on loans and higher rates on deposits than taxpaying financial institutions such as commercial banks. In addition, non-depository institution competitors are generally not subject to the extensive regulation applicable to institutions, like the Bank, that offer federally insured deposits. Other institutions may have other competitive advantages in particular markets or may be willing to accept lower profit margins on certain products.

The Company competes with these other financial and non-financial institutions both in attracting deposits and in making loans. In addition, the Company has to attract its customer base from other existing financial institutions and from new residents. This competition at times has made it more difficult for the Company to make new loans and at times has forced the Company to offer higher deposit rates or utilize secondary sources of liquidity. Price competition for loans and deposits might result in the Company earning less interest on its loans and paying more interest on its deposits, which reduces the Company's net interest income. The Company's profitability depends upon its continued ability to successfully compete with an array of financial and non-financial institutions in its market areas.

The Company's key management personnel may leave at any time.

The Company's future success depends to a significant extent on the continued service of its key management personnel, especially Randall Clemons, its president and chief executive officer, and John McDearman, III, the president of the Bank. While the Company does not have employment agreements with any of its personnel and can provide no assurance that it will be able to retain any of its key officers and employees or attract and retain qualified personnel in the future, it has entered into non-competition agreements with such persons which would prevent them in most circumstances, from competing with the Bank for one year following their termination. In addition, these persons are parties to certain deferred compensation, supplemental retirement and equity incentive plans, the benefits of which would cease to accrue upon the termination of the person's employment with the Company or the Bank.

The Company has previously announced that Mr. Clemons intends to retire at the end of 2019. Mr. Clemons has been a large part of the Company's success and the Company's ability to continue to grow its loan portfolio and deliver returns for its shareholders will depend on the ability of his successor to manage the transition smoothly and operate the Bank in a profitable manner.

The Company, as well as the Bank, operate in an increasingly highly regulated environment and are supervised and examined by various federal and state regulatory agencies who may adversely affect the Company's ability to conduct business.

The TDFI and the FRB supervise and examine the Bank and the Company, respectively. Because the Bank's deposits are federally insured, the FDIC also regulates its activities. These and other regulatory agencies impose certain regulations and restrictions on the Bank, including:

- explicit standards as to capital and financial condition;
- limitations on the permissible types, amounts and extensions of credit and investments;
- restrictions on permissible non-banking activities; and
- restrictions on dividend payments.

Federal and state regulatory agencies have extensive discretion and power to prevent or remedy unsafe or unsound practices or violations of law by banks and bank holding companies. As a result, the Company must expend significant time and expense to assure that it is in compliance with regulatory requirements and agency practices.

The Company, as well as the Bank, also undergoes periodic examinations by one or more regulatory agencies. Following such examinations, the Company or the Bank may be required, among other things, to make additional provisions to its allowance for loan loss, to restrict its operations or to increase its capital levels. These actions would result from the regulators' judgments based on information available to them at the time of their examination. The Bank's operations are also governed by a wide variety of state and federal consumer protection laws and regulations. These federal and state regulatory restrictions limit the manner in which the Company and the Bank may conduct business and obtain financing. These laws and regulations can and do change significantly from time to time, and any such changes could adversely affect the Company's results of operations.

Federal or state legislation or regulation may increase the Company's expenses and reduce earnings.

Federal bank regulators are increasing regulatory scrutiny, and additional restrictions (including those originating from the Dodd-Frank Act) on financial institutions have been proposed or adopted by regulators and by Congress. Changes in tax law, federal legislation, regulation or policies, such as bankruptcy laws, deposit insurance, consumer protection laws, and capital requirements, among others, can result in significant increases in the Company's expenses and/or charge-offs, which may adversely affect its results of operations and financial condition. Changes in state or federal tax laws or regulations can have a similar impact. State and municipal governments, including the State of Tennessee, could seek to increase their tax revenues through increased tax levies which could have a meaningful impact on the Company's results of operations. Furthermore, financial institution regulatory agencies may continue to be aggressive in responding to concerns and trends identified in examinations, including the continued issuance of additional formal or informal enforcement or supervisory actions. These actions, whether formal or informal, could result in the Company's or the Bank's agreeing to limitations or monetary penalties or to take actions that limit its operational flexibility, restrict its growth or increase its capital or liquidity levels, any of which could materially and adversely affect the Company's results of operations and financial condition. Failure to comply with any formal or informal regulatory restrictions, including informal supervisory actions, could lead to further regulatory enforcement actions. Negative developments in the financial services industry and the impact of recently enacted or new legislation in response to those developments could negatively impact the Company's operations by restricting its business operations, including its ability to originate or sell loans, and adversely impact its financial performance. In addition, industry, legislative or regulatory developments may cause the Company to materially change its existing strategic direction, capital strategies, compensation or operating plans. Moreover, the passage of the Tax Cuts and Jobs Act, which contains provisions limiting the mortgage interest tax deduction and eliminating the deduction for interest paid on home equity loans, may negatively affect the Company’s ability to originate residential real estate loans (including home equity lines of credit).

Implementation of the various provisions of the Dodd-Frank Act has resulted in increases in the Company’s operating costs and may continue to cause additional increases, or otherwise have a material adverse effect on the Company’s business, financial condition or results of operations.

Since the 2008 financial crisis, financial institutions generally have been subjected to increased regulation and scrutiny from federal regulatory authorities. The U.S. Congress responded to the financial crisis by enacting a variety of statutes, in particular the Dodd-Frank Act, which contained numerous far-reaching changes and reforms for the financial services industry and directs federal regulatory agencies to issue regulations to implement these reforms. The Dodd-Frank Act also restructured the regulation of depository institutions, including the creation of the CFPB to administer consumer protection and fair lending laws, a function that was formerly performed by the depository institution regulators. The provisions of the Dodd-Frank Act and the rules adopted to implement those provisions have made far-reaching changes to the regulatory framework under which the Company operates and have had, and may continue to have, a material impact on the Company’s operations, particularly through increased regulatory burdens and compliance costs. Community banks with less than $10 billion in assets (like the Bank) are exempt from certain provisions of the legislation.

Ongoing compliance with the Company’s regulatory obligations may result in further increased regulatory compliance costs, fee reductions and restrictions on activities in which the Company may have otherwise engaged, any of which could have a material adverse effect on its business, financial condition or results of operations. Moreover, the Company’s failure to comply with these or other regulations could result in regulatory enforcement actions against the Company or make it more difficult to receive any required regulatory approvals necessary to execute on the Company’s growth strategy, each of which could have a material adverse effect on the Company’s results of operations, business or financial condition.

Future changes to the laws and regulations applicable to the financial industry, if enacted or adopted, may impact the Company’s profitability or financial condition, require more oversight or change certain of the Company’s business practices, and expose it to additional costs, including increased compliance costs. The Company cannot predict whether any such legislative or regulatory changes, including those that could benefit its business and results of operations, will be enacted or adopted or, if they are, whether they will have a material effect on the Company.

An ineffective risk management framework could have a material adverse effect on the Company’s strategic planning and its ability to mitigate risks and/or losses and could have adverse regulatory consequences.

The Company has implemented a risk management framework to identify and manage its risk exposure. This framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which it is subject, including, among others, credit, market, liquidity, operational, capital, compliance, strategic and reputational risks. The Company’s framework also includes financial, analytical, forecasting, or other modeling methodologies, which involves management assumptions and judgment. However, there is no assurance that the Company’s risk management framework will be effective under all circumstances or that it will adequately identify, manage or mitigate any risk or loss to it. If the Company’s risk management framework is not effective, it could suffer unexpected losses and become subject to regulatory consequences, as a result of which its business, financial condition, results of operations or prospects could be materially adversely affected.

The Company’s accounting estimates and risk management processes rely on analytical and forecasting models and tools.

The processes the Company uses to estimate probable credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other measures of the Company's financial condition and results of operations, depend upon the use of analytical and forecasting models and tools. These models and tools reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models and tools may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. Any such failure in the Company's analytical or forecasting models and tools could have a material adverse effect on its business, financial condition and results of operations.

The Company's selection of accounting policies and methods may affect its reported financial results.

The Company's accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company's management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management's judgment of the most appropriate manner to report its financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which may be reasonable under the circumstances, yet which may result in the Company reporting materially different results than would have been reported under a different alternative.

Certain accounting policies are critical to presenting the Company's financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. Because of the uncertainty of estimates involved in these matters, the Company may be required to do one or more of the following: significantly increase the allowance for loan losses or sustain loan losses that are significantly higher than the reserve provided; reduce the carrying value of an asset measured at fair value; recognize an other-than-temporary impairment of securities; or significantly increase the Company's accrued tax liability. Any of these could have a material adverse effect on the Company's business, financial condition or results of operations. For a discussion of the Company's critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" contained in the 2018 Annual Report.

The Company currently invests in bank owned life insurance ("BOLI") and may continue to do so in the future.

The Company had approximately $30.95 million in general, hybrid and separate account BOLI contracts at December 31, 2018. BOLI is an illiquid long-term asset that provides tax savings because cash value growth and life insurance proceeds are not taxable. However, if the Company needed additional liquidity and converted the BOLI to cash, such transaction would be subject to ordinary income tax and applicable penalties. The Company is also exposed to the credit risk of the underlying securities in the investment portfolio and to the insurance carrier's credit risk (in a general account contract). If BOLI was exchanged to another carrier, additional fees would be incurred and a tax-free exchange could only be done for insureds that were still actively employed by the Company at that time. There is interest rate risk relating to the market value of the underlying investment securities associated with the BOLI in that there is no assurance that the market value of these securities will not decline. Investing in BOLI exposes the Company to liquidity, credit and interest rate risk, which could adversely affect the Company's results of operations, financial condition and liquidity.

The Company's business reputation and relationships are important and any damage to them could have a material adverse effect on its business.

The Company's reputation is very important in sustaining its business and it relies on its relationships with its current, former and potential clients and shareholders and other actors in the industries that it serves. Any damage to the Company's reputation, whether arising from regulatory, supervisory or enforcement actions, matters affecting the Company's financial reporting or compliance with SEC requirements, negative publicity, the way in which the Company conducts its business or otherwise could strain its existing relationships and make it difficult for the Company to develop new relationships. Any such damage to the Company's reputation and relationships could in turn lead to a material adverse effect on its business.

The Company is subject to certain litigation, and its expenses related to this litigation may adversely affect its results.

The Company is from time to time subject to certain litigation in the ordinary course of its business. The Company may also be subject to claims related to its loan servicing programs, particularly those involving servicing of commercial real estate loans. These and other claims and legal actions, as well as supervisory and enforcement actions by the Company's regulators, including those with oversight of its loan servicing programs, could involve large monetary claims, capital directives, agreements with federal regulators, cease and desist orders and significant defense costs. The outcome of any such cases or actions is uncertain. Substantial legal liability or significant regulatory action against the Company could have material adverse financial effects or cause significant reputational harm to the

Company, which in turn could seriously harm its business prospects.

In accordance with GAAP, for matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, the Company establishes an accrual for the loss. Once established, the accrual is adjusted periodically to reflect any relevant developments. The actual cost of any outstanding legal proceedings or threatened claims, however, may turn out to be substantially higher than the amount accrued. Further, the Company's insurance may not cover all litigation, other proceedings or claims, or the costs of defense. Future developments could result in an unfavorable outcome for any existing or new lawsuits or investigations in which the Company is, or may become, involved, which may have a material adverse effect on its business and its results of operations.

The soundness of other financial institutions could adversely affect the Company.

The Company's ability to engage in routine funding transactions could be adversely affected by the actions and financial stability of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Company has exposure to various counterparties, including brokers and dealers, commercial and correspondent banks, and others. As a result, defaults by, or rumors or questions about, one or more financial services institutions, or the financial services industry generally, may result in market-wide liquidity problems and could lead to losses or defaults by such other institutions. Such occurrences could expose the Company to credit risk in the event of default of one or more counterparties and could have a material adverse effect on the Company's financial position, results of operations and liquidity.

The Company depends on the accuracy and completeness of information about customers.

In deciding whether to extend credit or enter into certain transactions, the Company relies on information furnished by or on behalf of customers, including financial statements, credit reports, tax returns and other financial information. The Company may also rely on representations of those customers or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading personal information, financial statements, credit reports, tax returns or other financial information, including information falsely provided as a result of identity theft, could have an adverse effect on the Company's business, financial condition and results of operations.

The Company may be subject to claims and litigation asserting lender liability.

From time to time, and particularly during periods of economic stress, customers, including real estate developers and consumer borrowers, may make claims or otherwise take legal action pertaining to performance of the Company's responsibilities. These claims are often referred to as "lender liability" claims and are sometimes brought in an effort to produce or increase leverage against the Company in workout negotiations or debt collection proceedings. Lender liability claims frequently assert one or more of the following allegations: breach of fiduciary duties, fraud, economic duress, breach of contract, breach of the implied covenant of good faith and fair dealing, and similar claims. Whether customer claims and legal action related to the performance of the Company's responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a favorable manner, they may result in significant financial liability and/or adversely affect the Company's market reputation, products and services, as well as potentially affecting customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on its financial condition, results of operations and liquidity.

Natural disasters may adversely affect the Company.

The Company's operations and customer base are located in markets where natural disasters, including tornadoes, severe storms, fires, floods, hurricanes and earthquakes often occur. Such natural disasters could significantly impact the local population and economies and the Company's business, and could pose physical risks to its properties. Although the Company maintains insurance coverages for such events, a significant natural disaster in or near one or more of the Company's markets could have a material adverse effect on its financial condition, results of operations or liquidity.

The Company's asset valuation may include methodologies, estimations and assumptions which are subject to differing interpretations and could result in changes to asset valuations that may materially adversely affect its results of operations or financial condition.

The Company uses estimates, assumptions, and judgments when financial assets and liabilities are measured and reported at fair value. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Fair values and the information used to record valuation adjustments for certain assets and liabilities are based on quoted market prices and/or other observable inputs provided by independent third-party sources, when available. When such third-party information is not available, fair value is estimated primarily by using cash flow and other financial modeling techniques utilizing assumptions such as credit quality, liquidity, interest rates and other relevant inputs. Changes in underlying factors, assumptions, or estimates in any of these areas could materially impact the Company’s future financial condition and results of operations.

During periods of market disruption, including periods of significantly rising or high interest rates, rapidly widening credit spreads or illiquidity, it may be difficult to value certain assets if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, certain asset valuations may require more subjectivity and management judgment. As such, valuations may include inputs and assumptions that are less observable or require greater estimation. Further, rapidly changing and unprecedented credit and equity market conditions could materially impact the valuation of assets as reported within the Company’s consolidated financial statements and the period-to-period changes in value could vary significantly. Decreases in value may have a material adverse effect on results of operations or financial condition.

Valuation methodologies which are particularly susceptible to the conditions mentioned above include those used to value certain securities in the Company’s available for sale investment portfolio such as auction rate securities and non-agency mortgage and asset-backed securities, in addition to non-marketable private equity securities, loans held for sale and intangible assets.

The Company’s ability to declare and pay dividends is limited.

While the Company has historically paid a quarterly cash dividend on its common stock, there can be no assurance of whether or when it may pay dividends on its common stock in the future. Future dividends, if any, will be declared and paid at the discretion of the Company’s board of directors and will depend on a number of factors, including the Company’s and the Bank’s capital levels. The Company’s principal source of funds used to pay cash dividends on its common stock will be dividends that it receives from the Bank. Although the Bank’s asset quality, earnings performance, liquidity and capital requirements will be taken into account before the Company declares or pays any future dividends on its common stock, the Company’s board of directors will also consider its liquidity and capital requirements and its board of directors could determine to declare and pay dividends without relying on dividend payments from the Bank.

Federal and state banking laws and regulations and state corporate laws restrict the amount of dividends the Company may declare and pay and that the Bank may declare and pay to the Company. For example, FRB regulations implementing the capital rules required under Basel III do not permit dividends unless capital levels exceed certain higher levels applying capital conservation buffers.

If the Company fails to maintain an effective system of internal control over financial reporting, it may not be able to accurately report its financial results. As a result, current and potential holders of the Company’s common stock could lose confidence in the Company’s financial reporting, which would harm the Company’s business and the trading price of its securities.

Maintaining and adapting the Company’s internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act and related rules and regulations of the SEC, is expensive and requires significant management attention. Moreover, as the Company continues to grow, its internal controls may become more complex and require additional resources to ensure they remain effective amid dynamic regulatory and other guidance. Failure to maintain effective controls or implement required new or improved controls or difficulties encountered in the process may harm the Company’s results of operations and financial condition or cause it to fail to meet its reporting obligations. If the Company or its independent registered public accounting firm identify material weaknesses in the Company’s internal control over financial reporting or the Company is otherwise required to restate the its financial statements, the Company could be required to implement expensive and time-consuming remedial measures and could lose investor confidence in the accuracy and completeness of its financial reports. The Company may also face regulatory enforcement or other actions. This could have an adverse effect on the Company’s business, financial condition or results of operations, as well as the trading price of the Company’s securities, and could potentially subject the Company to litigation.

The Company is required to act as a source of financial and managerial strength for the Bank in times of stress.

Under federal law, the Company is required to act as a source of financial and managerial strength to the Bank, and to commit resources to support the Bank if necessary. The Company may be required to commit additional resources to the Bank, or guarantee the Bank’s compliance with a capital plan developed by the Bank to raise capital, at times when the Company may not be in a financial position to provide such resources or guarantee or when it may not be in the Company’s, or its shareholders’ or its creditors’ best interests to do so. Providing such support is more likely during times of financial stress for the Company and the Bank, which may make any capital the Company is required to raise to provide such support more expensive than it might otherwise be. In addition, any capital loans the Company makes to the Bank are subordinate in right of payment to depositors and to certain other indebtedness of the Bank. In the event of the Company’s bankruptcy, any commitment by it to a federal banking regulator to maintain the capital of the Bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Non-compliance with the Patriot Act, the BSA or other laws and regulations could result in fines or sanctions against the Company.

The BSA, as amended by the Patriot Act, requires financial institutions to design and implement programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the Treasury's Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on conducting acquisitions or establishing new branches, as well as additional operating expenses to add staff and/or technological enhancements to the Company’s systems to better comply.

The Company’s common stock is thinly traded, and recent prices may not reflect the prices at which the stock would trade in an active trading market.

The Company’s common stock is not traded through an organized exchange, but rather is traded in individually-arranged transactions between buyers and sellers. Therefore, recent prices at which the stock has traded may not necessarily reflect the actual value of the Company’s common stock. A shareholder’s ability to sell the shares of Company common stock in a timely manner may be substantially limited by the lack of a trading market for the common stock.

An investment in the Company’s common stock is not an insured deposit.

The Company’s common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in the Company’s common stock is inherently risky for the reasons described in this “Risk Factors” section and elsewhere in this report and is subject to the equity market forces like other common stock. As a result, if you acquire the Company’s stock, you could lose some or all of your investment.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

The Company’s main office is owned by the Company and consists of approximately four acres at 623 West Main Street, Lebanon, Tennessee. The building is a two story, brick building, with approximately 35,000 square feet. The lot has approximately 350 feet of road frontage on West Main Street. In spring 2018, the Bank completed construction on its new 67,000 square foot operations center located at 105 North Castle Heights Avenue, Lebanon, Tennessee, which is adjacent to the 623 West Main Street office. In addition thereto, the Bank has twenty-eight branch locations located at the following locations: 1436 West Main Street, Lebanon, Tennessee; 1444 Baddour Parkway, Lebanon, Tennessee; 200 Tennessee Boulevard, Lebanon, Tennessee; 8875 Stewart’s Ferry Pike, Gladeville, Tennessee; 402 Public Square, Watertown, Tennessee; 1476 North Mt. Juliet Road, Mt. Juliet, Tennessee; 11835 Highway 70, Mount Juliet, Tennessee; 1130 Castle Heights Avenue North, Lebanon, Tennessee; 127 McMurry Blvd., Hartsville, Tennessee; the Wal-Mart Supercenter, Lebanon, Tennessee; 440 Highway 109 North, Lebanon, Tennessee; 4736 Andrew Jackson Parkway in Hermitage, Tennessee; 3110 Memorial Blvd in Murfreesboro, Tennessee; 210 Commerce Drive in Smyrna, Tennessee; 2640 South Church Street, Murfreesboro, Tennessee; 217 Donelson Pike, Nashville, Tennessee; 2930 West End Avenue, Nashville, Tennessee; 710 NW Broad in Murfreesboro, Tennessee; 4195 Franklin Road, Murfreesboro, Tennessee; 576 West Broad Street in Smithville, Tennessee; 306 Brush Creek Road in Alexandria, Tennessee; 1300 Main Street North in Carthage, Tennessee; 7 New Middleton Highway in Gordonsville, Tennessee; 709 South Mt. Juliet Road, Mt. Juliet, Tennessee; 455 West Main Street, Gallatin, Tennessee; 175 East Main Street, Hendersonville, Tennessee; 320 South Jefferson Avenue, Cookeville, Tennessee; 9200 Carothers Parkway, Suite 108, Franklin, Tennessee; a Loan Production Office at 393 Maple Street Suite 100-A in Gallatin, Tennessee and a Loan Production Office at 161 Harold court in Franklin, Tennessee.

The Mt. Juliet office contains approximately 16,000 square feet of space; the Castle Heights Office contains 2,400 square feet of space; the Hartsville Office contains 8,000 square feet of space; the Leeville-109 branch contains approximately 4,000 square feet. The Hermitage branch opened in the fall of 1999 and contains 8,000 square feet of space. The Gladeville branch contains approximately 3,400 square feet of space. The Lebanon facility at Tennessee Boulevard was expanded in 1997 to 2,200 square feet of space. The Mt. Juliet facility on Highway 70 was completed in July 2004 and contains approximately 3,450 square feet of space and the Providence facility which was opened in 2011 contains approximately 4,450 square feet of space. The NorthWest Broad Street facility was relocated from a leased office to an office owned by the Bank in 2011 and contains approximately 6,300 square feet of space. The Smyrna office opened in September of 2006 and contains approximately 3,600 square feet of space. The Memorial Blvd office in Murfreesboro opened in October of 2006 and contains approximately 7,800 square feet of space. The Highway 96 office in Murfreesboro opened in January 2017 and contains approximately 4,700 square feet of space. The South Church Street office in Murfreesboro opened in January 2008 and contains approximately 7,800 square feet of space. The West End office in Nashville opened in August 2017 and contains approximately 3,200 square feet of space. The Cool Springs office in Franklin opened in December 2018 and contains approximately 4,180 square feet of space. Each of the branch facilities of the Bank not otherwise described above contains approximately 1,000 square feet of space.

The Bank also has a facility at 576 West Broad Street in Smithville, Tennessee which was expanded in 2001 and now contains approximately 10,300 square feet of space and a facility at 306 Brush Creek Road in Alexandria, Tennessee which occupies approximately 2,400 square feet of space. The Bank owns both facilities. The Bank also owns a building at 1300 Main Street North, Carthage, Tennessee, which was expanded in 2005 and now contains approximately 11,000 square feet and a second facility in Gordonsville, Tennessee at 7 New Middleton Highway, Gordonsville, Tennessee. The Bank owns a building at 455 West Main Street in Gallatin, Tennessee which occupies approximately 4,800 square feet of space and a building at 175 East Main Street in Hendersonville, Tennessee which occupies approximately 6,300 square feet of space. The Bank owns a building at 217 Donelson Pike, Donelson, Tennessee which occupies approximately 8,000 square feet of space and a building at 320 South Jefferson Avenue, Cookeville, Tennessee, which occupies approximately 6,300 square feet of space. The Bank owns all of its branch facilities except for the Lebanon facility at Tennessee Boulevard, its space in the Wal-Mart Supercenter, its Loan Production office in Gallatin, its West End office in Nashville and its Cool Springs office in Franklin. The Bank also leases space at seven locations within Wilson County, DeKalb County, Rutherford County, Davidson County, Smith County and Cannon County where it maintains and operates automatic teller machines.

Item 3. Legal Proceedings

As of the date hereof, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or of which any of its properties are subject; nor are there material proceedings known to the Company or its subsidiaries to be contemplated by any governmental authority; nor are there material proceedings known to the Company or its subsidiaries, pending or contemplated, in which any director, officer or affiliate or any principal security holder of the Company or any of its subsidiaries or any associate of any of the foregoing, is a party or has an interest adverse to the Company or any of its subsidiaries.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchasers of Equity Securities

Information required by this item is contained under the heading "Holding Company & Stock Information" on page 89 of the Company's 2018 Annual Report and is incorporated herein by reference.

The Company did not repurchase any shares of its common stock during the quarter ended December 31, 2018.

Item 6. Selected Financial Data

Information required by this item is contained under the heading "Wilson Bank Holding Company Financial Highlights (Unaudited)" on page 13 of the Company's 2018 Annual Report and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Information required by this item is contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set forth on pages 14 through 35 of the Company's 2018 Annual Report and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Information required by this item is contained under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Quantitative and Qualitative Disclosures About Market Risk" as set forth on page 31 of the Company's 2018 Annual Report and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and the independent auditor's report of Maggart & Associates, P.C. required by this item are contained in pages 37 through 88 of the Company's 2018 Annual Report and are incorporated herein by reference.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by it in the reports that if files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Management Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth by the Committee of Sponsoring

Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on that assessment, management concluded that, as of December 31, 2018, the Company’s internal control over financial reporting was effective based on those criteria.

The Company’s independent registered public accounting firm has issued an attestation report on the Company’s internal control over financial reporting, which report is contained on pages 37 and 38 of the Company’s 2018 Annual Report and is incorporated herein by reference.

Changes in Internal Controls

No changes were made to the Company’s internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or that are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item with respect to directors is incorporated herein by reference to the sections entitled "Item-1 Election of Directors-Information Concerning Nominees" and "Item-1 Election of Directors-Director Qualifications" in the Company's definitive proxy materials filed in connection with the Company's 2019 Annual Meeting of Shareholders (the "2019 Annual Meeting of Shareholders"). The information required by this item with respect to executive officers is set forth below:

James Randall Clemons (66) - Mr. Clemons is President and Chief Executive Officer of the Company and the Chief Executive Officer of the Bank. Mr. Clemons also serves on the Board of Directors of the Company and the Bank. He has held such positions with the Company since its formation in March 1992 and has held his Bank positions since the Bank commenced operations in May 1987. Prior to that time, Mr. Clemons served as Senior Vice President and Cashier for Peoples Bank, Lebanon, Tennessee.

John McDearman (49) - Mr. McDearman joined the Bank in November of 1998. He has held positions in branch administration and commercial lending. From November 2002 to January 2009, he held the position of Senior Vice President-Central Division of the Bank. From January 2009 to January 2018, he served as Executive Vice President of the Bank. Currently he serves as President of the Bank, a position he has held since January 2018. Prior to joining the Bank in 1998 he was Assistant Vice President, Banking Center Manager for NationsBank, Chattanooga, TN, a position he held from 1994 to 1998. Mr. McDearman also serves on the Boards of Directors of the Company and the Bank.

Gary Whitaker (61) - Mr. Whitaker joined the Bank in May 1996. Prior to that time Mr. Whitaker was employed with NationsBank of Tennessee, N.A. in Nashville (and its predecessors) from 1979. He has held positions in collections, as branch manager, in construction lending, retail marketing, automobile lending, loan administration, operations analyst, as Vice President, Senior Vice President and most recently as Executive Vice President since 2002. His principal duties include overseeing the Bank's lending function and loan operations.

Lisa Pominski (54) - Ms. Pominski is Executive Vice President and the Chief Financial Officer of the Bank and the Company and is the Company's principal financial and accounting officer. Ms. Pominski has held several positions with the Bank including Asst. Cashier, Asst. Vice President and Senior Vice President since the Bank's formation in May of 1987. Prior to 1987 Ms. Pominski was employed by People's Bank, Lebanon, TN.

Clark Oakley (49) - Mr. Oakley joined the Bank in October of 1995. He has held positions in mortgage origination and branch administration. From 2008 to 2016 he held the position of Senior Vice President- Eastern Division of the Bank, and from January 1, 2017 until December 31, 2017, he served as Executive Vice President and Chief Operating Officer of the Bank. Currently he serves as Executive Vice President and Chief Operating Officer of the Company and the Bank. Prior to 1995 Mr. Oakley was employed at Union Planters Bank in Alexandria, TN. His primary duties include overseeing the operations of the Company and the Bank, including information technology and electronic banking.

All officers serve at the pleasure of the Board of Directors. No officers are involved in any legal proceedings which are material to an evaluation of their ability and integrity.

The Company has adopted a code of conduct for its senior executive and financial officers (the "Code of Conduct"), a copy of which will be provided to any person, without charge, upon request to the Company at 623 West Main Street, Lebanon, Tennessee 37087, Attention: Corporate Secretary. The Company will make any legally required disclosures regarding amendments to, or waivers of, provisions of its Code of Conduct either in a Current Report on Form 8-K or on its website, in each case in accordance with the rules and regulations of the SEC.

The information required by this item with respect to the Company's audit committee and any "audit committee financial expert" is incorporated herein by reference to the section entitled "Item-1 Election of Directors - Description of the Board and Committees of the Board" in the Company's definitive proxy materials filed in connection with the 2019 Annual Meeting of Shareholders.

The information required by this item with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the Section entitled "Item-1 Election of Directors - Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's definitive proxy materials filed in connection with the 2019 Annual Meeting of Shareholders.

Item 11. Executive Compensation
Information required by this item is incorporated herein by reference to the sections entitled “Executive Compensation” and “Personnel Committee Interlocks and Insider Participation” in the Company’s definitive proxy materials to be filed in connection with the 2019 Annual Meeting of Shareholders.
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information required by this item is incorporated herein by reference to the section entitled “Stock Ownership” in the Company’s definitive proxy materials to be filed in connection with the 2018 Annual Meeting of Shareholders.
The following table summarizes information concerning the Company’s equity compensation plans at December 31, 2018 and has been adjusted to reflect the Company’s two-for-one stock split in the form of a 100% stock dividend paid on October 30, 2003, a four-for-three stock split in the form of a stock dividend paid on May 31, 2007 and a four-for-three stock split in the form of a stock dividend paid on March 31, 2016:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by shareholders	277,820	40.11	537,892
Equity compensation plans not approved by shareholders	—	—	—
Total	277,820	40.11	537,892

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this item with respect to certain relationships and related transactions is incorporated herein by reference to the section entitled “Certain Relationships and Related Transactions” in the Company’s definitive proxy materials to be filed in connection with the 2019 Annual Meeting of Shareholders.

Information required by this item with respect to director independence is incorporated herein by reference to the section entitled “Item-1 Election of Directors - Director Independence” in the Company’s definitive proxy materials to be filed in connection with the 2019 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services
Information required by this item is incorporated herein by reference to the section entitled “Item-2 Ratification of the Appointment of the Independent Registered Public Accounting Firm” in the Company’s definitive proxy materials to be filed in connection with the 2019 Annual Meeting of Shareholders.
Item 15. Exhibits, Financial Statement Schedules
(a)(1) Financial Statements. See Item 8.
(a)(2) Financial Statement Schedules. Not Applicable.
(a)(3) Exhibits. See Index to Exhibits.

Item 16. Form 10K Summary

None.

INDEX TO EXHIBITS

2.1	Agreement and Plan of Merger dated November 16, 2004, among Wilson Bank Holding Company, Wilson Bank and Trust and DeKalb Community Bank. (Pursuant to Item 601(b)(2) of Regulation S-K, the Schedules to this agreement are omitted, but will be provided supplementally to the Securities and Exchange Commission upon request.) (incorporated herein by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-4 (Registration No. 333-121943)).
2.2	Agreement and Plan of Merger dated November 16, 2004, among Wilson Bank Holding Company, Wilson Bank and Trust and Community Bank of Smith County. (Pursuant to Item 601(b)(2) of Regulation S-K, the schedules to this agreement are omitted, but will be provided supplementally to the Securities and Exchange Commission upon request.) (incorporated herein by reference to Exhibit 2.1 of the Company's Registration Statement on Form S-4 (Registration No. 333-122534)).
3.1	Charter of Wilson Bank Holding Company, as amended (restated for SEC electronic filling purposes only) (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 filed with the SEC on August 9, 2016).
3.2	Bylaws of Wilson Bank Holding Company, as amended (restated for SEC electronic filling purposes only) (incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on form 10-Q for the quarter ended March 31, 2016 filed with the SEC on May 10, 2016).
4.1	Specimen Common Stock Certificate. (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-4 (Registration No. 333-121943)).
10.1	Wilson Bank Holding Company 1999 Stock Option Plan (incorporated herein by reference to Exhibit 4 of the Company's Registration Statement on Form S-8 (Registration No. 333-32442)).*
10.2	Wilson Bank Holding Company 2009 Stock Option Plan (incorporated herein by reference to Exhibit 4.3 of the Company's Registration Statement on Form S-8 (Registration No. 333-158621)).*
10.3	Form of Wilson Bank Holding Company Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 (File No. 000-20402)).*
10.4	Amendment, dated December 30, 2008, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.5	Amendment, dated December 30, 2008, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.6	Amendment, dated December 30, 2008, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.3 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*

10.7	Amendment, dated December 30, 2008, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*

10.8	Amendment, dated December 30, 2008, to Executive Salary Continuation Agreement dated as of January 1, 2006, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.9	Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.10	Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.11	Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.12	Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.13	Executive Salary Continuation Agreement dated as of July 28, 2006, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009 (File No. 000-20402)).*
10.14	Amendment, dated November 23, 2012, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.15	Amendment, dated November 23, 2012, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.16	Amendment, dated November 23, 2012, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.17	Amendment, dated November 23, 2012, to Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.18	Amendment, dated November 23, 2012, to Executive Salary Continuation Agreement dated as of January 1, 2006, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*

10.19	Second Amendment, dated November 23, 2012 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002 by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*

10.20	Second Amendment, dated November 23, 2012 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002 by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.21	Second Amendment, dated November 23, 2012 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002 by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.22	Second Amendment, dated November 23, 2012 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002 by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.23	Amendment, dated November 23, 2012 to Wilson Bank and Trust Life Insurance Endorsement Method Split Dollar Plan Agreement dated as of July 28, 2006 by and between Wilson Bank and John C. McDearman III (incorporated by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.24	Supplemental Executive Retirement Plan Agreement, dated November 23, 2012, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.25	Supplemental Executive Retirement Plan Agreement, dated November 23, 2012, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.26	Supplemental Executive Retirement Plan Agreement, dated November 23, 2012, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.13 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.27	Supplemental Executive Retirement Plan Agreement, dated November 23, 2012, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.14 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.28	Supplemental Executive Retirement Plan Agreement, dated November 23, 2012, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.15 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.29	Amendment, dated August 21, 2003 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.16 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.30	Amendment, dated August 21, 2003 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.17 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*

10.31	Amendment, dated August 21, 2003 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.18 of the Company’s Current Report on Form 8-K filed with the SEC on November 29, 2012).*

10.32	Amendment, dated August 21, 2003 to Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.19 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.33	Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.20 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.34	Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.21 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.35	Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.22 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.36	Wilson Bank and Trust Amended and Restated Life Insurance Endorsement Method Split Dollar Plan Agreement dated October 7, 2002, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.23 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.37	Wilson Bank and Trust Life Insurance Endorsement Method Split Dollar Plan Agreement dated July 28, 2006, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.24 of the Company's Current Report on Form 8-K filed with the SEC on November 29, 2012).*
10.38	Executive Survivor Income Agreement, dated April 14, 2014, by and between the Bank and Lisa Pominski (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
10.39	Executive Survivor Income Agreement, dated April 14, 2014, by and between the Bank and Gary Whitaker (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
10.40	Executive Survivor Income Agreement, dated April 14, 2014, by and between the Bank and John C. McDearman, III (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
10.41	Director Survivor Income Agreement, dated April 14, 2014, by and between the Bank and J. Randall Clemons (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
10.42	Director Survivor Income Agreement, dated April 14, 2014, by and between the Bank and H. Elmer Richerson (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).

10.43	Director Survivor Income Agreement, dated April 14, 2014, by and between the Bank and Jack Bell (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
10.44	Director Survivor Income Agreement, dated April 14, 2014, by and between the Bank and James Comer (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).

10.45	Director Survivor Income Agreement, dated April 14, 2014, by and between the Bank and James Patton (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K filed with the SEC on April 18, 2014).
10.46	Director Survivor Income Agreement, dated April 6, 2015, by and between the Bank and William Jordan (incorporated by reference to Exhibit 10.46 of the Company's Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 14, 2016).
10.47	Supplemental Executive Retirement Plan Agreement, dated May 22, 2015, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on May 29, 2015).*
10.48	Supplemental Executive Retirement Plan Agreement, dated May 22, 2015, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on May 29, 2015).*
10.49	Supplemental Executive Retirement Plan Agreement, dated May 22, 2015, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on May 29, 2015).*
10.50	Supplemental Executive Retirement Plan Agreement, dated May 22, 2015, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the SEC on May 29, 2015).*
10.51	Supplemental Executive Retirement Plan Agreement, dated May 22, 2015, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the SEC on May 29, 2015).*
10.52	Second Amendment to the Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and J. Randall Clemons (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.53	Second Amendment to the Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Elmer Richerson (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.54	Second Amendment to the Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Lisa T. Pominski (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.55	Second Amendment to the Amended and Restated Executive Salary Continuation Agreement dated as of October 7, 2002, by and between Wilson Bank and Trust and Gary Whitaker (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.56	Second Amendment to the Executive Salary Continuation Agreement dated as of January 1, 2006, by and between Wilson Bank and Trust and John C. McDearman III (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.57	

Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*

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10.58	Form of Stock Appreciation Rights Agreement for employees under the Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.59	Form of Non-qualified Stock Option Agreement for employees under the Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.60	Form of Stock Appreciation Rights Agreement for employee directors under the Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.61	Form of Non-qualified Stock Option Agreement for employee directors under the Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.10 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.62	Form of Stock Appreciation Rights Agreement for directors under the Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.11 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.63	Form of Non-qualified Stock Option Agreement for directors under the Wilson Bank Holding Company Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 10.12 of the Company's Current Report on Form 8-K filed with the SEC on September 30, 2016).*
10.64	Wilson Bank and Trust Life Insurance Endorsement Method Split Dollar Plan Agreement dated November 23, 2012, by and between Wilson Bank and Trust and Clark Oakley.*
10.65	Supplemental Executive Retirement Plan Agreement, dated November 23, 2012, by and between Wilson Bank and Trust and Clark Oakley.*
10.66	First Amendment to the Wilson Bank and Trust Supplemental Executive Retirement Plan Agreement as of September 26, 2016, by and between Wilson Bank and Trust and Clark Oakley.*
10.67	Supplemental Executive Retirement Plan Agreement, dated May 22, 2015, by and between Wilson Bank and Trust and Clark Oakley.*
10.68	First Amendment to the Wilson Bank and Trust Supplemental Executive Retirement Plan Agreement Implemented May 22, 2015 by and between Wilson Bank and Trust and Clark Oakley.*
13.1	Selected Portions of the Wilson Bank Holding Company Annual Report to Shareholders for the year ended December 31, 2018 incorporated by reference into items 1, 5, 6, 7, 7A and 8.
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Interactive Data File.

* Management compensatory plan or contract

SIGNATURES
Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WILSON BANK HOLDING COMPANY
By: /s/ J. Randall Clemons
Name: J. Randall Clemons
Title: President and Chief Executive Officer
Date: March 8, 2019
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ J. Randall Clemons J. Randall Clemons	President, Chief Executive Officer and Director (Principal Executive Officer)	March 8, 2019
/s/ Lisa Pominski Lisa Pominski	Chief Financial Officer (Principal Financial and Accounting Officer)	March 8, 2019
/s/ John C. McDearman, III John C. McDearman, III	Executive Vice President & Director	March 8, 2019
/s/ Jack W. Bell Jack W. Bell	Director	March 8, 2019
/s/ James F. Comer James F. Comer	Director	March 8, 2019
/s/ Robert H. Goodall, Jr. Robert H. Goodall, Jr.	Director	March 8, 2019

/s/ William P. Jordan William P. Jordan	Director	March 8, 2019
/s/ James Anthony Patton James Anthony Patton	Director	March 8, 2019
/s/ H. Elmer Richerson H. Elmer Richerson	Director	March 8, 2019