

WILSON BANK HOLDING CO

Form 10-K

March 13, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

**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 No

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 No

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 No

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.

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. (Check one):

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$209,320,382. For purposes of this calculation, affiliates are considered to be the directors of the registrant. The market value calculation was determined using \$34.25 per share.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
Shares of common stock, \$2.00 par value per share, outstanding on March 13, 2009 were 7,074,748.

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| 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, 2008 are incorporated by reference into Items 5, 6, 7, 7A and 8. |
| Part III | Portions of the Registrant's Proxy Statement relating to the Registrant's Annual Meeting of Shareholders to be held on April 14, 2009 are incorporated by reference into Items 10, 11, 12, 13 and 14. |

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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 a plan of share exchange and agreement.

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, 2008, had eleven full service banking offices located in Wilson County, Tennessee, one full service banking facility in Trousdale County, Tennessee, two full service banking offices in eastern Davidson County, Tennessee, four full service banking offices located in Rutherford County, Tennessee, two full service banking offices in DeKalb County, Tennessee and two full service banking facilities in Smith County, Tennessee.

Prior to March 31, 2005, the Company owned a 50% interest in DeKalb Community Bank and Community Bank of Smith County. On March 31, 2005, the Company acquired the minority interest in the subsidiaries when the two subsidiaries were merged into the Bank with the shareholders of these subsidiaries, other than the Company, receiving shares of the Company's common stock in exchange for their shares of common stock in the subsidiaries. Prior to March 31, 2005, these two 50% owned subsidiaries were included in the consolidated financial statements.

The Company's principal executive office is located at 623 West Main Street, Lebanon, Tennessee, which is also the principal location of the Bank. The Bank's branch offices are located at 1444 Baddour Parkway, Lebanon, Tennessee; 200 Tennessee Boulevard, Lebanon, Tennessee; Public Square, 402 Watertown, Tennessee; 8875 Stewart's Ferry Pike, Gladeville, Tennessee; 1476 North Mt. Juliet Road, Mt. Juliet, Tennessee; 11835 Highway 70, Mount Juliet, Tennessee; 127 McMurry Boulevard, Hartsville, Tennessee; 1130 Castle Heights Avenue North, Lebanon, Tennessee; the Wal-Mart Super Center, Lebanon, Tennessee; 440 Highway 109 North, Lebanon, Tennessee; 1436 West Main Street, Lebanon, Tennessee; 4736 Andrew Jackson Parkway in Hermitage, Tennessee; 151 Heritage Park Drive, Suite 102, in Murfreesboro, Tennessee; 217 Donelson Pike, Nashville, Tennessee, 802 NW Broad St, Murfreesboro, Tennessee, 3110 Memorial Blvd, Murfreesboro, Tennessee, 210 Commerce Drive, Smyrna, Tennessee, 2640 South Church Street, Murfreesboro, Tennessee, 576 West Broad Street, Smithville, Tennessee, 306 Brush Creek Road, Alexandria, Tennessee, 1300 Main Street North, Carthage, Tennessee, and 7 New Middleton Highway, Gordonsville, Tennessee. Management believes that Wilson County, Trousdale County, Davidson County, Rutherford County, DeKalb County and Smith County offer an environment for continued banking growth in the Company's target market, which consists of local consumers, professionals and small 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. Furthermore, no concentration of loans exists within a single industry or group of related industries. 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, 2008, the Company reported net earnings of approximately \$11.4 million and had total assets of approximately \$1.4 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, 2008 filed as Exhibit 13.1 to this Form 10-K (the 2008 Annual Report), are incorporated herein by reference.

Regulation and Supervision

In addition to the information set forth herein, Management's Discussion and Analysis of Financial Condition and Results of Operations, incorporated by reference in Item 7 hereof, further discusses recent banking legislation and

regulation and should be reviewed in conjunction herewith.

The Company and the Bank are subject to extensive regulation under state and federal statutes and regulations. The discussion in this section, which briefly summarizes certain of such statutes, does not purport to be complete, and is qualified in its entirety by reference

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to such statutes. Other state and federal legislation and regulations directly and indirectly affecting banks are likely to be enacted or implemented in the future; however, such legislation and regulations and their effect on the business of the Company and its subsidiaries cannot be predicted.

The Company is a bank holding company within the meaning of the Bank Holding Company Act of 1956 (the Act) and is registered with the Board of Governors of the Federal Reserve System (the Board). The Company is required to file annual reports with, and is subject to examination by, the Board. 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 Bank is also regularly examined by the Federal Deposit Insurance Corporation.

Under the 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 Board. In addition, bank holding companies are generally prohibited under the Act from engaging in non-banking activities, 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). Under the Act, the Board is authorized to approve the ownership by a bank holding company of shares of any company whose activities have been determined by the Board to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto.

In November 1999, the GLB Act became law. Under the GLB Act, a financial holding company may engage in activities the Board 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, 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 Board to become a financial holding company.

Under the Tennessee Bank Structure Act, a bank holding company which controls 30% or more of the total deposits in all federally insured financial institutions in Tennessee is prohibited from acquiring any bank in Tennessee.

Furthermore, no bank holding company may acquire any bank in Tennessee that has been in operation less than three years or organize a new bank in Tennessee, except in the case of certain interim bank mergers and acquisitions of banks in financial difficulty. State banks and national banks in Tennessee, however, may establish branches anywhere in the state.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the IBBEA) authorized interstate acquisitions of banks and bank holding companies without geographic limitation beginning on June 1, 1997. In addition, on that date, the IBBEA authorized a bank to merge with a bank in another state as long as neither of the states has opted out of interstate branching between the date of enactment of the IBBEA and May 1, 1997. Tennessee enacted interstate branching laws in response to the federal law which prohibit the establishment or acquisition in Tennessee by any bank of a branch office, branch bank or other branch facility in Tennessee except (i) a Tennessee-chartered bank, (ii) a national bank which has its main office in Tennessee or (iii) a bank which merges or consolidates with a Tennessee-chartered bank or national bank with its main office in Tennessee.

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.

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. In early 2006, Congress passed the Federal Deposit Insurance Reform Act of 2005, which made certain changes to the Federal deposit insurance program. These changes included merging the Bank Insurance Fund and the Savings Association Insurance Fund, increasing retirement account coverage to \$250,000 and providing for inflationary adjustments to general coverage beginning in 2010, providing the FDIC with authority to set the fund's reserve ratio within a specified range, and requiring dividends to banks if the reserve ratio exceeds certain levels. The new statute grants banks an assessment credit based on their share of the assessment base on December 31, 1996, and the amount of the credit can be used to reduce assessments in any year subject to certain limitations. In 2008, the Bank had utilized none of its credit. All outstanding

credits were used prior to 2008.

The Emergency Economic Stabilization Act of 2008 (EESA) provides for a temporary increase in the basic limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. This legislation provides that the basic deposit insurance limit will return to \$100,000 on December 31, 2009. In addition, on October 14, 2008, the FDIC instituted a Temporary Liquidity Guarantee Program that provided for FDIC guarantees of unsecured debt of depository institutions and certain holding companies and for temporary unlimited FDIC coverage of non-interest bearing deposit transaction accounts. Institutions were automatically covered, without cost, under these programs for 30 days (later extended until December 5, 2008); however, after the specified deadline (December 5, 2008), institutions were required to opt-out of these programs if they did not wish to participate and incur fees

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thereunder. The Company has elected to participate in the transaction account guarantee program, which expires on December 31, 2009, and the temporary debt guarantee program. Under the transaction account guarantee program, an institution can provide full coverage on non-interest bearing transaction accounts for an annual assessment of 10 basis points of any deposit amounts exceeding the \$250,000 deposit insurance limit, in addition to the normal risk-based assessment. Under the terms of the temporary debt guarantee program, the Company is eligible to issue prior to June 30, 2009 up to \$25,500,000 of senior unsecured debt guaranteed by the FDIC until the earlier of the maturity of such debt or June 30, 2012. Such guaranteed debt would be subject to an annual assessment amount ranging from 50 to 100 basis points depending on its maturity date.

The Financial Reform, Recovery and Enforcement Act of 1989 (FIRREA) 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 Federal Reserve Board 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 Company s bank subsidiary 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.

Competition

The banking industry is highly competitive. The Company, through its subsidiary bank, competes with national and state banks for deposits, loans, and trust and other services.

The Bank competes with much larger commercial banks in Wilson County, the Bank s primary market area, including four banks in Wilson County owned by regional multi-bank holding companies headquartered outside of Tennessee and four banks owned by Tennessee multi-bank holding companies. These institutions enjoy existing depositor relationships and greater financial resources than the Company and can be expected to offer a wider range of banking services. In addition, the Bank competes with two credit unions located in Wilson County and two locally-owned banks which were organized in 2001.

The Bank competes with much larger commercial banks in DeKalb County, including two banks owned by Tennessee multi-bank holding companies and one regional multi-bank holding company headquartered outside Tennessee. While these institutions enjoy existing depositor relationships and greater financial resources than the Bank and can be expected to offer a wider range of banking services, the Company believes that the Bank can expect to attract customers since most loan and management decisions will be made at the local level.

The Bank competes with three commercial banks in Smith County, all of which are small community banking organizations. These institutions enjoy existing depositor relationships; however, the Company believes that the Bank can be expected to offer a wider range of banking services through its financial resources as well as broader range of product offerings.

The Bank competes with over fifteen banks, some them much larger than the Bank in Rutherford County. These competitors include several regional multi-bank holding companies. While these larger institutions enjoy existing depositor relationships and greater financial resources than the Bank and can be expected to offer a wider range of banking services, the Company believes that the Bank can expect to attract customers since most loan and management decisions will be made at the local level.

The Bank competes with two commercial banks in Trousdale County, both of which are small community banking organizations. These institutions enjoy existing depositor relationships; however, the Company believes that the Bank can be expected to offer a wider range of banking services through its financial resources as well as a broader range of product offerings.

The Bank also competes with over twenty banks, some of them much larger than the Bank, in Davidson County, including several regional multi-bank holding companies.

Given the competitive market place, the Company makes no predictions as to how its relative position will change in the future.

Monetary Policies

The results of operations of the Bank and the Company are affected by the policies of the regulatory authorities, particularly the Board. An important function of the Board 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

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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 13, 2009, the Company and its subsidiary collectively employed 375 full-time equivalent employees. Additional personnel will be hired as needed to meet future growth.

Available Information

The Company's Internet website is <http://www.wilsonbank.com>. Please note that our 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 electronically files or furnishes such materials to the Securities and Exchange Commission (the "SEC"). The information provided on our 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 2008 Annual Report. Certain information not contained in the Company's 2008 Annual Report, but required by Guide 3, is contained in the tables immediately following:

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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 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%.

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 \$2,252,000, \$2,483,000 and \$2,359,000 for 2008, 2007 and 2006, respectively, are included in loan income and represent an adjustment of the yield on these loans.

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| | <i>In Thousands, Except Interest Rates</i> | | | | | | | | | |
|----------------------------------------|--------------------------------------------|------------------|--------------------|--------------------|------------------|--------------------|---------------------|----------------|---------|--|
| | 2008 | | | 2007 | | | 2008/2007 Change | | | |
| | Average Balance | Interest Rate | Income/ Expense | Average Balance | Interest Rate | Income/ Expense | Due to Volume | Due to Rate | Total | |
| Loans, net of unearned interest | \$ 1,051,550 | 7.01% | 73,731 | 931,238 | 7.73% | 71,945 | 8,830 | (7,044) | 1,786 | |
| Investment securities taxable | 201,188 | 5.44 | 10,942 | 207,105 | 5.02 | 10,398 | (304) | 848 | 544 | |
| Investment securities tax exempt | 14,174 | 3.82 | 542 | 15,098 | 3.88 | 585 | (34) | (9) | (43) | |
| Taxable equivalent adjustment | | 1.97 | 279 | | 1.99 | 301 | (19) | (3) | (22) | |
| Total tax-exempt investment securities | 14,174 | 5.79 | 821 | 15,098 | 5.87 | 886 | (53) | (12) | (65) | |
| Total investment securities | 215,362 | 5.46 | 11,763 | 222,203 | 5.08 | 11,284 | (353) | 832 | 479 | |
| Loans held for sale | 4,127 | 4.53 | 187 | 5,124 | 4.94 | 253 | (46) | (20) | (66) | |
| Federal funds sold | 30,970 | 2.50 | 773 | 49,836 | 5.06 | 2,524 | (750) | (1,001) | (1,751) | |
| Restricted equity securities | 3,003 | 6.06 | 182 | 2,960 | 5.98 | 177 | 3 | 2 | 5 | |
| Total earning assets | 1,305,012 | 6.64 | 86,636 | 1,211,361 | 7.11 | 86,183 | 6,382 | (5,929) | 453 | |
| Cash and due from banks | 34,800 | | | 33,526 | | | | | | |
| Allowance for loan losses | (10,507) | | | (9,817) | | | | | | |
| Bank premises and equipment | 30,707 | | | 29,416 | | | | | | |
| Other assets | 25,328 | | | 24,265 | | | | | | |
| Total assets | \$ 1,385,340 | | | 1,288,751 | | | | | | |

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| | <i>In Thousands, Except Interest Rates</i> | | | | | | | | |
|---------------------------------------------|--------------------------------------------|------------------|--------------------|--------------------|------------------|--------------------|---------------------|----------------|---------|
| | 2008 | | | 2007 | | | 2008/2007 Change | | |
| | Average Balance | Interest Rate | Income/ Expense | Average Balance | Interest Rate | Income/ Expense | Due to Volume | Due to Rate | Total |
| Deposits: | | | | | | | | | |
| Negotiable order of withdrawal accounts | \$ 168,239 | 2.16% | 3,628 | 117,115 | 2.44% | 2,858 | 1,129 | (359) | 770 |
| Money market demand accounts | 195,700 | 1.73 | 3,388 | 218,387 | 2.66 | 5,815 | (556) | (1,871) | (2,427) |
| Individual retirement accounts | 70,046 | 4.35 | 3,048 | 57,872 | 5.00 | 2,895 | 560 | (407) | 153 |
| Other savings deposits | 40,851 | 2.20 | 897 | 40,190 | 3.00 | 1,204 | 20 | (327) | (307) |
| Certificates of deposit \$100,000 and over | 322,815 | 4.40 | 14,207 | 285,328 | 5.29 | 15,092 | 1,839 | (2,724) | (885) |
| Certificates of deposit under \$100,000 | 334,745 | 4.29 | 14,352 | 323,376 | 5.18 | 16,759 | 569 | (2,976) | (2,407) |
| Total interest-bearing deposits | 1,132,396 | 3.49 | 39,520 | 1,042,268 | 4.28 | 44,623 | 3,625 | (8,728) | (5,103) |
| Securities sold under repurchase agreements | | | | | | | | | |
| | 8,682 | 2.07 | 180 | 7,804 | 4.38 | 342 | 35 | (197) | (162) |
| Federal funds purchased | 166 | 2.41 | 4 | | | | | 4 | 4 |
| Advances from Federal Home Loan Bank | 14,672 | 4.69 | 688 | 16,308 | 4.64 | 756 | (76) | 8 | (68) |
| Total interest-bearing liabilities | 1,155,916 | 3.49 | 40,392 | 1,066,380 | 4.29 | 45,721 | 3,643 | (8,972) | (5,329) |
| Demand deposits | 96,798 | | | 101,905 | | | | | |
| Other liabilities | 9,563 | | | 9,607 | | | | | |
| Stockholders equity | 123,063 | | | 110,859 | | | | | |
| Total liabilities and stockholders equity | \$ 1,385,340 | | | 1,288,751 | | | | | |
| Net interest income | | | 46,244 | | | 40,462 | | | |
| Net yield on earning assets | | 3.54% | | | 3.34% | | | | |
| Net interest spread | | 3.15% | | | 2.82% | | | | |

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| | <i>In Thousands, Except Interest Rates</i> | | | | | | | | |
|----------------------------------------|--------------------------------------------|------------------|--------------------|--------------------|------------------|--------------------|------------------|-------------------|--------|
| | 2007 | | | 2006 | | | 2007/2006 Change | | |
| | Average Balance | Interest Rate | Income/ Expense | Average Balance | Interest Rate | Income/ Expense | Due to Volume | Due to Rate | Total |
| Loans, net of unearned interest | \$ 931,238 | 7.73% | 71,945 | 845,311 | 7.40% | 62,567 | 6,518 | 2,860 | 9,378 |
| Investment securities taxable | 207,105 | 5.02 | 10,398 | 138,724 | 3.83 | 5,312 | 3,119 | 1,967 | 5,086 |
| Investment securities tax exempt | 15,098 | 3.88 | 585 | 15,986 | 3.96 | 633 | (34) | (14) | (48) |
| Taxable equivalent adjustment | | 1.99 | 301 | | 2.04 | 326 | (18) | (7) | (25) |
| Total tax-exempt investment securities | 15,098 | 5.87 | 886 | 15,986 | 6.00 | 959 | (52) | (21) | (73) |
| Total investment securities | 222,203 | 5.08 | 11,284 | 154,710 | 4.05 | 6,271 | 3,166 | 1,847 | 5,013 |
| Loans held for sale | 5,124 | 4.94 | 253 | 4,554 | 4.41 | 201 | 27 | 25 | 52 |
| Federal funds sold | 49,836 | 5.06 | 2,524 | 36,973 | 4.91 | 1,814 | 653 | 57 | 710 |
| Restricted equity securities | 2,960 | 5.98 | 177 | 2,838 | 5.74 | 163 | 7 | 7 | 14 |
| Total earning assets | 1,211,361 | 7.11 | 86,183 | 1,044,386 | 6.80 | 71,016 | 10,371 | 4,796 | 15,167 |
| Cash and due from banks | 33,526 | | | 29,693 | | | | | |
| Allowance for loan losses | (9,817) | | | (9,597) | | | | | |
| Bank premises and equipment | 29,416 | | | 26,931 | | | | | |
| Other assets | 24,265 | | | 21,649 | | | | | |
| Total assets | \$ 1,288,751 | | | 1,113,062 | | | | | |

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In Thousands, Except Interest Rates

| | 2007 | | | 2006 | | | 2007/2006 Change | | Total |
|---------------------------------------------|-----------------|---------------|----------------|-----------------|---------------|----------------|------------------|-------------|--------|
| | Average Balance | Interest Rate | Income/Expense | Average Balance | Interest Rate | Income/Expense | Due to Volume | Due to Rate | |
| Deposits: | | | | | | | | | |
| Negotiable order of withdrawal accounts | \$ 117,115 | 2.44% | 2,858 | 84,484 | 1.49% | 1,262 | 602 | 994 | 1,596 |
| Money market demand accounts | 218,387 | 2.66 | 5,815 | 209,011 | 2.38 | 4,980 | 230 | 605 | 835 |
| Individual retirement accounts | 57,872 | 5.00 | 2,895 | 48,764 | 4.32 | 2,104 | 426 | 365 | 791 |
| Other savings deposits | 40,190 | 3.00 | 1,204 | 37,561 | 2.59 | 975 | 71 | 158 | 229 |
| Certificates of deposit \$100,000 and over | 285,328 | 5.29 | 15,092 | 207,155 | 4.38 | 9,071 | 3,883 | 2,138 | 6,021 |
| Certificates of deposit under \$100,000 | 323,376 | 5.18 | 16,759 | 290,021 | 4.48 | 12,980 | 1,602 | 2,177 | 3,779 |
| Total interest-bearing deposits | 1,042,268 | 4.28 | 44,623 | 876,996 | 3.58 | 31,372 | 6,814 | 6,437 | 13,251 |
| Securities sold under repurchase agreements | 7,804 | 4.38 | 342 | 8,460 | 4.18 | 354 | (28) | 16 | (12) |
| Federal funds purchased | | | | | | | | | |
| Advances from Federal Home Loan Bank | 16,308 | 4.64 | 756 | 14,718 | 4.43 | 652 | 72 | 32 | 104 |
| Total interest-bearing liabilities | 1,066,380 | 4.29 | 45,721 | 900,174 | 3.60 | 32,378 | 6,858 | 6,485 | 13,343 |
| Demand deposits | 101,905 | | | 105,176 | | | | | |
| Other liabilities | 9,607 | | | 7,048 | | | | | |
| Stockholders equity | 110,859 | | | 100,664 | | | | | |
| Total liabilities and stockholders equity | \$ 1,288,751 | | | 1,113,062 | | | | | |
| Net interest income | | | 40,462 | | | 38,638 | | | |

| | | |
|-----------------------------|-------|-------|
| Net yield on earning assets | 3.34% | 3.70% |
| Net interest spread | 2.82% | 3.20% |

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December 31, 2008

II. Investment Portfolio:

A. Continued:

Investment securities at December 31, 2008 consist of the following:

| | Securities Held-To-Maturity | | | Estimated Market Value |
|--------------------------------------------------|------------------------------------|------------------------------|-------------------------------|------------------------------|
| | <i>(In Thousands)</i> | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| Obligations of states and political subdivisions | \$ 11,074 | 91 | 162 | 11,003 |
| Mortgage-backed securities | 19 | | 1 | 18 |
| | \$ 11,093 | 91 | 163 | 11,021 |

| | Securities Available-For-Sale | | | Estimated Market Value |
|--------------------------------------------------|--------------------------------------|------------------------------|-------------------------------|------------------------------|
| | <i>(In Thousands)</i> | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| U.S. Treasury and other | | | | |
| U.S. Government agencies and corporations | \$ 146,876 | 464 | 1,582 | 145,758 |
| Obligations of states and political subdivisions | 1,523 | | 76 | 1,447 |
| Mortgage-backed securities | 46,688 | 330 | 56 | 46,962 |
| | \$ 195,087 | 794 | 1,714 | 194,167 |

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December 31, 2008

II. Investment Portfolio, Continued:

A. Securities at December 31, 2007 consist of the following:

| | Securities Held-To-Maturity | | | | Estimated Market Value |
|--------------------------------------------------|------------------------------------|------------------------------|-------------------------------|----------------|------------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | (In Thousands) | |
| Obligations of states and political subdivisions | \$ 13,423 | 72 | 42 | | 13,453 |
| Mortgage-backed securities | 27 | | | | 27 |
| | \$ 13,450 | 72 | 42 | | 13,480 |

| | Securities Available-For-Sale | | | | Estimated Market Value |
|--------------------------------------------------|--------------------------------------|------------------------------|-------------------------------|----------------|------------------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | (In Thousands) | |
| U.S. Treasury and other | | | | | |
| U.S. Government agencies and corporations | \$ 206,528 | 329 | 952 | | 205,905 |
| Obligations of states and political subdivisions | 1,928 | | 17 | | 1,911 |
| Mortgage-backed securities | 2,105 | 15 | 5 | | 2,115 |
| | \$ 210,561 | 344 | 974 | | 209,931 |

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December 31, 2008

II. Investment Portfolio, Continued:

A. Continued:

Securities at December 31, 2006 consist of the following:

| | Securities Held-To-Maturity | | | Estimated Market Value |
|--------------------------------------------------|------------------------------------|------------------------------|-------------------------------|------------------------------|
| | <i>(In Thousands)</i> | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| Obligations of states and political subdivisions | \$ 14,270 | 116 | 71 | 14,315 |
| Mortgage-backed securities | 61 | | | 61 |
| | \$ 14,331 | 116 | 71 | 14,376 |

| | Securities Available-For-Sale | | | Estimated Market Value |
|-------------------------------------------------------------------|--------------------------------------|------------------------------|-------------------------------|------------------------------|
| | <i>(In Thousands)</i> | | | |
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | |
| U.S. Treasury and other U.S. Government agencies and corporations | \$ 168,236 | 12 | 2,345 | 165,903 |
| Obligations of states and political subdivisions | 1,929 | 3 | 8 | 1,924 |
| Mortgage-backed securities | 1,664 | 11 | 3 | 1,672 |
| | \$ 171,829 | 26 | 2,356 | 169,499 |

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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-backed securities because the mortgages underlying the 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, 2008:

| Held-To-Maturity Securities | Amortized Cost | Estimated Market Value | Weighted Average Yields |
|---------------------------------------------------------------------------------------|-------------------|------------------------------|-------------------------------|
| <i>(In Thousands, Except Yields)</i> | | | |
| U.S. Treasury and other U.S. Government agencies and corporations: | | | |
| Less than one year | \$ | | % |
| One to five years | | | |
| Five to ten years | | | |
| More than ten years | | | |
| Total securities of U.S. Treasury and other U.S. Government agencies and corporations | | | |
| Obligations of states and political subdivisions*: | | | |
| Less than one year | 1,505 | 1,510 | 5.67 |
| One to five years | 5,668 | 5,736 | 6.16 |
| Five to ten years | 2,240 | 2,249 | 6.27 |
| More than ten years | 1,661 | 1,508 | 6.23 |
| Total obligations of states and political subdivisions | 11,074 | 11,003 | 6.13 |
| Total held-to-maturity securities | \$ 11,074 | 11,003 | 6.13% |

* Weighted average yield is stated on a tax-equivalent basis, assuming a weighted average Federal income tax rate of 34%.

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II. Investment Portfolio, Continued:

B. Continued:

| Available-For-Sale Securities | Amortized Cost | Estimated Market Value | Weighted Average Yields |
|---------------------------------------------------------------------------------------|--------------------------------------|------------------------------|-------------------------------|
| | <i>(In Thousands, Except Yields)</i> | | |
| U.S. Treasury and other U. S. Government agencies and corporations: | | | |
| Less than one year | \$ | | % |
| One to five years | 11,000 | 10,703 | 2.07 |
| Five to ten years | 36,011 | 36,003 | 5.13 |
| More than ten years | 99,865 | 99,052 | 5.64 |
| Total securities of U.S. Treasury and other U.S. Government agencies and corporations | 146,876 | 145,758 | 5.25 |
| Obligations of states and political subdivisions*: | | | |
| Less than one year | | | |
| One to five years | | | |
| Five to ten years | | | |
| More than ten years | 1,523 | 1,447 | 5.97 |
| Total obligations of states and political subdivisions | 1,523 | 1,447 | 5.97 |
| Total available-for-sale securities | \$ 148,399 | 147,205 | 5.26% |

* Weighted average yield is stated on a tax-equivalent basis, assuming a weighted average Federal income tax rate of 34%.

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December 31, 2008

III. Loan Portfolio:A. Loan Types

The following schedule details the loans of the Company at December 31, 2008, 2007, 2006, 2005 and 2004:

| | <i>In Thousands</i> | | | | |
|----------------------------------------|---------------------|---------|----------|---------|---------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Commercial, financial and agricultural | \$ 359,752 | 337,368 | 301,589 | 251,494 | 217,372 |
| Real estate construction | 99,768 | 100,036 | 67,162 | 58,672 | 49,085 |
| Real estate mortgage | 557,796 | 486,504 | 439,164 | 414,543 | 384,062 |
| Installment | 71,869 | 73,618 | 82,964 | 86,079 | 73,482 |
| Total loans | 1,089,185 | 997,526 | 890,879 | 810,788 | 724,001 |
| Less unearned interest | | | | | |
| Total loans, net of unearned interest | 1,089,185 | 997,526 | 890,879 | 810,788 | 724,001 |
| Less allowance for loan losses | (12,138) | (9,473) | (10,209) | (9,083) | (9,370) |
| Net loans | \$ 1,077,047 | 988,053 | 880,670 | 801,705 | 714,631 |

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December 31, 2008

III. Loan Portfolio, Continued:B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following schedule details maturities and sensitivity to interest rates changes for commercial loans of the Company at December 31, 2008:

| | <i>In Thousands</i> | | | |
|-------------------------------------------------------------------------------------------|-------------------------|-----------------------------------|------------------|---------|
| | Less Than 1 Year* | 1 Year to Less Than 5 Years | After 5 Years | Total |
| Maturity Distribution: | | | | |
| Commercial, financial and agricultural | \$ 198,812 | 115,172 | 45,768 | 359,752 |
| Real estate construction | 71,425 | 28,343 | | 99,768 |
| | \$ 270,237 | 143,515 | 45,768 | 459,520 |
| Interest-Rate Sensitivity: | | | | |
| Fixed interest rates | \$ 213,201 | 80,788 | 11,148 | 305,137 |
| Floating or adjustable interest rates | 57,036 | 62,727 | 34,620 | 154,383 |
| Total commercial, financial and agricultural loans plus real estate construction loans | \$ 270,237 | 143,515 | 45,768 | 459,520 |

* Includes demand loans, bankers acceptances, commercial paper and deposit notes.

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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, 2008, 2007, 2006, 2005 and 2004:

| | | <i>In Thousands, Except Percentages</i> | | | | |
|----------------------------------------|--------------|-----------------------------------------|---------|---------|---------|--|
| | 2008 | 2007 | 2006 | 2005 | 2004 | |
| Non-accrual loans: | | | | | | |
| Commercial, financial and agricultural | \$ 228 | 534 | 817 | | 7 | |
| Real estate construction | 5,964 | | | | | |
| Real estate mortgage | 4,189 | 1,620 | 387 | 190 | 526 | |
| Installment | 27 | 13 | 156 | 35 | 91 | |
| Lease financing receivable | | | | | | |
| Total non-accrual | \$ 10,408 | 2,167 | 1,360 | 225 | 624 | |
| Loans 90 days past due: | | | | | | |
| Commercial, financial and agricultural | \$ 1,388 | 97 | 739 | 80 | 197 | |
| Real estate construction | 182 | 90 | 44 | 42 | | |
| Real estate mortgage | 1,807 | 1,502 | 2,604 | 1,585 | 1,698 | |
| Installment | 339 | 437 | 556 | 308 | 638 | |
| Lease financing receivable | | | | | | |
| Total loans 90 days past due | \$ 3,716 | 2,126 | 3,943 | 2,015 | 2,533 | |
| Renegotiated loans: | | | | | | |
| Commercial, financial and agricultural | \$ | | | | | |
| Real estate construction | | | | | | |
| Real estate mortgage | | | | | | |
| Installment | | | | | | |
| Lease financing receivable | | | | | | |
| Total renegotiated loans past due | \$ | | | | | |
| Loans current considered uncollectible | \$ | | | | | |
| Total non-performing loans | \$ 14,124 | 4,293 | 5,303 | 2,240 | 3,157 | |
| Total loans, net of unearned interest | \$ 1,089,185 | 997,526 | 890,879 | 810,788 | 724,001 | |

| | | | | | |
|--------------------------------------------------------------|----------|-------|------|------|------|
| Percent of total loans outstanding, net of unearned interest | 1.30% | 0.43 | 0.59 | 0.28 | 0.44 |
| Other real estate | \$ 4,993 | 1,268 | 555 | 277 | 580 |

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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 collectibility. If collectibility is doubtful, the unpaid interest is charged off. Thereafter, interest on non-accrual loans is recognized only as received. Non-accrual loans totaled \$10,408,000 at December 31, 2008, \$2,167,000 at December 31, 2007, \$1,360,000 at December 31, 2006, \$225,000 at December 31, 2005 and \$624,000 at December 31, 2004. Gross interest income on non-accrual loans that would have been recorded for the year ended December 31, 2008 if the loans had been current totaled \$370,000 compared to \$128,000 in 2007, \$11,000 in 2006, \$13,000 in 2005 and \$13,000 in 2004. The amount of interest and fee income recognized on total loans during 2008 totaled \$73,731,000 as compared to \$71,945,000 in 2007, \$62,567,000 in 2006, \$50,283,000 in 2005 and \$42,796,000 in 2004.

At December 31, 2008, loans, which include the above, totaling \$27,799,000 were included in the Company's internal classified loan list. Of these loans \$24,855,000 are real estate and \$2,944,000 are various other types of loans. The values collateralizing these loans is estimated by management to be approximately \$64,711,000 (\$59,684,000 related to real property securing real estate loans and \$5,027,000 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, 2008, there were no loan concentrations that exceeded ten percent of total loans other than as included in the preceding table of types of loans. Loan concentrations are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions.

At December 31, 2008 and 2007, other real estate totaled \$4,993,000 and \$1,268,000, respectively.

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III. Loan Portfolio, Continued:

C. Risk Elements, Continued:

There were no material amounts of other interest-bearing assets (interest-bearing deposits with other banks, municipal bonds, etc.) at December 31, 2008 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, 2008, 2007, 2006, 2005 and 2004 and the years then ended.

| | <i>In Thousands, Except Percentages</i> | | | | |
|-------------------------------------------------------------------------|-----------------------------------------|---------|---------|---------|---------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| Allowance for loan losses at beginning of period | \$ 9,473 | 10,209 | 9,083 | 9,370 | 8,077 |
| Less: net of loan charge-offs: | | | | | |
| Charge-offs: | | | | | |
| Commercial, financial and agricultural | (1,068) | (1,396) | (861) | (359) | (229) |
| Real estate construction | (345) | (187) | (7) | | (7) |
| Real estate mortgage | (1,464) | (1,318) | (327) | (133) | (632) |
| Installment | (1,590) | (2,284) | (1,822) | (1,124) | (1,430) |
| Lease financing | | | | | |
| | (4,467) | (5,185) | (3,017) | (1,616) | (2,298) |
| Recoveries: | | | | | |
| Commercial, financial and agricultural | 30 | 14 | 17 | 4 | 53 |
| Real estate construction | 66 | 3 | 21 | | |
| Real estate mortgage | 51 | 5 | 13 | 3 | 5 |
| Installment | 267 | 282 | 286 | 186 | 260 |
| Lease financing | | | | | |
| | 414 | 304 | 337 | 193 | 318 |
| Net loan charge-offs | (4,053) | (4,881) | (2,680) | (1,423) | (1,980) |
| Provision for loan losses charged to expense | 6,718 | 4,145 | 3,806 | 1,136 | 3,273 |
| Allowance for loan losses at end of period | \$ 12,138 | 9,473 | 10,209 | 9,083 | 9,370 |
| Total loans, net of unearned interest, at end of year | \$ 1,089,185 | 997,526 | 890,879 | 810,788 | 724,001 |
| Average total loans out-standing, net of unearned interest, during year | \$ 1,051,550 | 931,238 | 845,311 | 747,922 | 656,973 |

| | | | | | |
|----------------------------------------------------------------------------------------------------------------------|-------|------|------|------|------|
| Net charge-offs as a percentage of average total loans outstanding, net of unearned interest, during year | 0.39% | 0.52 | 0.32 | 0.19 | 0.30 |
| Ending allowance for loan losses as a percentage of total loans outstanding net of unearned interest, at end of year | 1.11% | 0.95 | 1.15 | 1.12 | 1.29 |

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December 31, 2008

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 loan problems, 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, 2008 | | December 31, 2007 | |
|----------------------------------------|-------------------|-----------------------------------------------------------------|-------------------|-----------------------------------------------------------------|
| | In | Percent of Loans In Each Category To Total Loans | In | Percent of Loans In Each Category To Total Loans |
| | Thousands | | Thousands | |
| Commercial, financial and agricultural | \$ 3,435 | 33.0% | \$ 2,941 | 33.8% |
| Real estate construction | 704 | 9.2 | 724 | 10.0 |
| Real estate mortgage | 6,407 | 51.2 | 3,897 | 48.8 |
| Installment | 1,592 | 6.6 | 1,911 | 7.4 |
| | \$ 12,138 | 100.0% | \$ 9,473 | 100.0% |

| | December 31, 2006 | | December 31, 2005 | |
|----------------------------------------|-------------------|-----------------------------------------------------------------|-------------------|-----------------------------------------------------------------|
| | In | Percent of Loans In Each Category To Total Loans | In | Percent of Loans In Each Category To Total Loans |
| | Thousands | | Thousands | |
| Commercial, financial and agricultural | \$ 2,573 | 33.9% | \$ 2,802 | 31.0% |
| Real estate construction | 392 | 7.5 | 253 | 7.2 |
| Real estate mortgage | 5,288 | 49.3 | 4,162 | 51.2 |
| Installment | 1,956 | 9.3 | 1,866 | 10.6 |
| | \$ 10,209 | 100.0% | \$ 9,083 | 100.0% |

| | December 31, 2004 | |
|----------------------------------------|-------------------|---------------|
| | In | Percent of |
| | Thousands | Loans In |
| | | Each Category |
| | | To Total |
| | | Loans |
| Commercial, financial and agricultural | \$ 4,754 | 30.0% |
| Real estate construction | 114 | 6.8 |
| Real estate mortgage | 2,800 | 53.0 |
| Installment | 1,702 | 10.2 |
| | \$ 9,370 | 100.0% |

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V. Deposits:

The average amounts and average interest rates for deposits for 2008, 2007 and 2006 are detailed in the following schedule:

| | 2008 | | 2007 | | 2006 | |
|--------------------------------------------|-------------------------|-----------|-------------------------|-----------|-------------------------|-----------|
| | Average Balance | Average | Average Balance | Average | Average Balance | Average |
| | <i>In Thousands</i> | Rate % | <i>In Thousands</i> | Rate % | <i>In Thousands</i> | Rate % |
| Non-interest bearing deposits | \$ 96,798 | | 101,905 | | 105,176 | |
| Negotiable order of withdrawal accounts | 168,239 | 2.16% | 117,115 | 2.44% | 84,484 | 1.49% |
| Money market demand accounts | 195,700 | 1.73% | 218,387 | 2.66% | 209,011 | 2.38% |
| Individual retirement accounts | 70,046 | 4.35% | 57,872 | 5.00% | 48,764 | 4.32% |
| Other savings | 40,851 | 2.20% | 40,190 | 3.00% | 37,561 | 2.59% |
| Certificates of deposit \$100,000 and over | 322,815 | 4.40% | 285,328 | 5.29% | 207,155 | 4.38% |
| Certificates of deposit under \$100,000 | 334,745 | 4.29% | 323,376 | 5.18% | 290,021 | 4.48% |
| | \$ 1,229,194 | 3.22% | 1,144,173 | 3.90% | 982,172 | 3.19% |

The following schedule details the maturities of certificates of deposit and individual retirement accounts of \$100,000 and over at December 31, 2008:

| | Certificates of Deposit | <i>In Thousands</i> Individual Retirement Accounts | Total |
|-------------------------|-------------------------------|-------------------------------------------------------------|---------|
| Less than three months | \$ 122,279 | 8,698 | 130,977 |
| Three to six months | 58,306 | 3,293 | 61,599 |
| Six to twelve months | 99,403 | 6,310 | 105,713 |
| More than twelve months | 55,002 | 9,914 | 64,916 |
| | \$ 334,990 | 28,215 | 363,205 |

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VI. Return on Equity and Assets:

The following schedule details selected key ratios of the Company at December 31, 2008, 2007 and 2006:

| | 2008 | 2007 | 2006 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|
| Return on assets (Net income divided by average total assets) | .82% | .85% | .95% |
| Return on equity (Net income divided by average equity) | 9.26% | 9.86% | 10.51% |
| Dividend payout ratio (Dividends declared per share divided by net income per share) | 36.81% | 28.48% | 43.26% |
| Equity to asset ratio (Average equity divided by average total assets) | 8.88% | 8.60% | 9.04% |
| Leverage capital ratio (Equity divided by fourth quarter average total assets, excluding the net unrealized gain (loss) on available-for-sale securities and including minority interest) | 8.96% | 8.63% | 9.32% |

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, 2008 excluding the net unrealized loss on available-for-sale securities which is shown as a deduction in stockholders' equity in the consolidated financial statements:

| | <i>In Thousands</i> |
|-------------------------------------------------------------------------------------------------------|---------------------|
| Tier I capital: | |
| Stockholders' equity, excluding the net unrealized loss on available-for-sale securities and goodwill | \$ 124,881 |
| Total capital: | |
| Allowable allowance for loan losses (limited to 1.25% of risk-weighted assets) | 12,561 |
| Total capital | \$ 137,442 |
| Risk-weighted assets | \$ 1,095,829 |
| Risk-based capital ratios: | |
| Tier I capital ratio | 11.40% |
| Total risk-based capital ratio | 12.54% |

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VI. Return on Equity and Assets. Continued:

The Company is required to maintain a total capital to risk-weighted asset ratio of 8% and a Tier I capital to risk-weighted asset ratio of 4%. At December 31, 2008, the Company and Wilson Bank & Trust were in compliance with these requirements.

The following schedule details the Company's interest rate sensitivity at December 31, 2008:

| <i>(In Thousands)</i> | Total | Repricing Within | | | | |
|------------------------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year |
| Earning assets: | | | | | | |
| Loans, net of unearned interest | \$ 1,089,185 | 36,072 | 75,589 | 82,061 | 98,224 | 797,239 |
| Securities | 205,260 | | 875 | 300 | 330 | 203,755 |
| Loans held for sale | 3,541 | 3,541 | | | | |
| Federal funds sold | 21,170 | 21,170 | | | | |
| Restricted equity securities | 3,100 | 3,100 | | | | |
| Total earning assets | 1,322,256 | 63,883 | 76,464 | 82,361 | 98,554 | 1,000,994 |
| Interest-bearing liabilities: | | | | | | |
| Negotiable order of withdrawal accounts | 168,246 | 168,246 | | | | |
| Money market demand accounts | 218,658 | 218,658 | | | | |
| Individual retirement accounts | 74,918 | 8,743 | 11,109 | 11,263 | 17,769 | 26,034 |
| Other savings | 34,658 | 34,658 | | | | |
| Certificates of deposit, \$100,000 and over | 334,990 | 47,723 | 74,556 | 58,306 | 99,403 | 55,002 |
| Certificates of deposit, under \$100,000 | 326,235 | 44,208 | 73,942 | 52,431 | 91,387 | 64,267 |
| Securities sold under repurchase agreements | 7,447 | 7,447 | | | | |
| Advances from Federal Home Loan Bank | 13,811 | | | | 13,751 | 60 |
| | 1,178,963 | 529,683 | 159,607 | 122,000 | 222,310 | 145,363 |
| Interest-sensitivity gap | \$ 143,293 | (465,800) | (83,143) | (39,639) | (123,756) | 855,631 |
| Cumulative gap | | (465,800) | (548,943) | (588,582) | (712,338) | 143,293 |
| Interest-sensitivity gap as % of total assets | | (33.11) | (5.91) | (2.82) | (8.80) | 60.82 |
| Cumulative gap as % of total assets | | (33.11) | (39.02) | (41.84) | (50.64) | 10.18 |

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.

Table of Contents**Item 1A. Risk Factors.**

Recent negative developments in the financial services industry and U.S. and global credit markets may adversely impact the Company's operations and results.

Negative developments in the latter half of 2007 and throughout 2008 in the capital markets have resulted in uncertainty in the financial markets in general with the expectation of the general economic downturn continuing into 2009. Loan portfolio performances have deteriorated at many institutions, including the Bank, resulting from, amongst other factors, a weak economy and a decline in the value of the collateral supporting their loans. The competition for the Company's deposits has increased significantly due to liquidity concerns at many of these same institutions. Stock prices of bank holding companies, like the Company, have been negatively affected by the current condition of the financial markets, as has the Company's ability, if needed, to raise capital or borrow in the debt markets compared to recent years. As a result, there is a potential for new federal or state laws and regulations regarding lending and funding practices and liquidity standards, and financial institution regulatory agencies are expected to be very aggressive in responding to concerns and trends identified in examinations, including the expected issuance of many formal enforcement actions. Negative developments in the financial services industry and the impact of 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 the Company's 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.

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 and Rutherford counties and 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 this market. In addition, unfavorable local or national economic conditions, like those currently being experienced, could reduce the Company's growth rate, affect the ability of its customers to repay their loans and generally affect its 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.

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 could cause the Company's interest income and net interest margin to decrease and its provisions for loan losses to increase, which could adversely affect its results of operations and financial condition.

Fluctuations in interest rates could reduce our profitability.

The absolute level of interest rates as well as changes in interest rates 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.

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 will be more sensitive to changes in market interest rates than its interest-earning assets, 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 earnings may be negatively affected.

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 ultimately affect the Company's earnings. 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.

Table of Contents***An inadequate allowance for loan losses would reduce the Company's earnings.***

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 and 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. If management's assumptions and judgments prove to be incorrect and the allowance for loan losses is inadequate to absorb losses, or if the bank regulatory authorities require the Bank to increase the allowance for loan losses as a part of their examination process, the Bank's earnings and capital could be significantly and adversely affected.

Liquidity needs could adversely affect the Company's results of operations and financial condition.

The Company relies on dividends from the Bank as its primary source of funds. The primary source of funds of the Bank are customer deposits and loan repayments. While scheduled loan repayments are a relatively stable source of funds, they are subject to the ability of borrowers to repay the loans. The ability of borrowers to repay loans can be adversely affected by a number of factors, including changes in economic conditions, adverse trends or events affecting business industry groups, reductions in real estate values or markets, business closings or lay-offs, inclement weather, natural disasters and international instability. Additionally, deposit levels may be affected by a number of factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments and general economic conditions. Accordingly, the Company may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations. Such sources include Federal Home Loan Bank (FHLB) advances and federal funds lines of credit from correspondent banks. While the Company believes that these sources are currently adequate, there can be no assurance they will be sufficient to meet future liquidity demands.

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 de novo 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 de novo 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.

The Company competes with these other 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 has made it more difficult for the Company to make new loans and at times has forced the Company to offer higher deposit rates. 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 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 Elmer Richerson, 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 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.

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The Company, as well as the Bank, operate in a 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 Tennessee Department of Financial Institutions and the Board of Governors of the Federal Reserve 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 or to restrict its operations. 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 change could adversely affect the Company's results of operations.

The enactment of Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009 may not be able to stabilize the U.S. financial system or the economy and may significantly affect the Company's financial condition, results of operation or liquidity.

On October 3, 2008, President Bush signed into law the EESA. The legislation was the result of a proposal by Treasury Secretary Henry Paulson to the U.S. Congress on September 20, 2008 in response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA) in an effort to stimulate the economy and provide for broad infrastructure, energy, health, and education needs. The U.S. Treasury and banking regulators are implementing a number of programs under this legislation to address capital and liquidity issues in the banking system. There can be no assurance, however, as to the actual impact that the EESA or ARRA will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of the EESA or ARRA to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially affect the registrant's business, financial condition, results of operations, access to credit or the trading price of the registrant's common stock.

There have been numerous actions undertaken in connection with or following EESA and ARRA by the Federal Reserve Board, Congress, the Treasury, the FDIC, the SEC and others in efforts to address the current liquidity and credit crisis in the financial industry that followed the sub-prime mortgage market meltdown which began in late 2007. These measures include homeowner relief that encourages loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. The purpose of these legislative and regulatory actions is to help stabilize the U.S. banking system. EESA, ARRA and

the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, the Company's business, financial condition and results of operations could be materially and adversely affected.

Stress on the Federal Home Loan Bank system may cause our results of operations and financial condition to be adversely affected.

In recent months, the financial media has disclosed that the nation's FHLB system may be under stress due to deterioration in the financial markets, particularly in relation to valuation of mortgage securities. Several FHLB institutions have announced impairment charges of these and other assets and as such their capital positions have deteriorated to the point that they may suspend

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dividend payments to their members. We are a member of the FHLB-Cincinnati which continues to pay dividends. However, should financial conditions continue to weaken, the FHLB system (including FHLB-Cincinnati) in the future may have to, not only suspend dividend payments, but also curtail advances to member institutions like us. Should the FHLB system deteriorate to the point of not being able to fund future advances to banks, including Wilson Bank and Trust, this would place increased pressure on other wholesale funding sources, which may negatively impact our net interest margin and results of operations.

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 our 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 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 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.

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 addition thereto, the Bank has twenty-one 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, 802 NW Broad in Murfreesboro, Tennessee, 576 West Broad Street in Smithville, Tennessee, 306 Brush Creek Road in Alexandria, Tennessee, 1300 Main Street North in Carthage, Tennessee, and 7 New Middleton Highway in Gordonsville, TN.

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 and the Heritage Park Drive branch contains less than 1,000 square feet. The Hermitage branch opened in the fall of 1999 and contains

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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 Mount Juliet facility on Highway 70 was completed in July 2004 and contains approximately 3,450 square feet of space. The North West Broad Street facility contains approximately 2800 square feet. 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. Also, the South Church Street office in Murfreesboro opened in January 2008 and contains approximately 7,800 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 owns all of its branch facilities except for the Lebanon facility at Tennessee Boulevard, its space in the Wal-Mart Supercenter, its North West Broad facility in Murfreesboro, which are leased. The Bank also leases space at 11 locations within Wilson County, DeKalb County, Rutherford County, Davidson County, Smith County and Cannon County where it maintains and operates automatic teller machines.

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.

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. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders in the fourth quarter of 2008.

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 2008 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, 2008.

Item 6. Selected Financial Data

Information required by this item is contained under the heading "Wilson Bank Holding Company Financial Highlights (Unaudited)" on page 18 of the Company's 2008 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 19 through 38 of the Company's 2008 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 32 of the Company's 2008 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 39 through 88 of the Company's 2008 Annual Report and are incorporated herein by reference.

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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 it 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 as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those written policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of the changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the Company's internal control over financial reporting as of December 31, 2008. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on that assessment, management concluded that, as of December 31, 2008, 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 39 through 40 of Wilson Bank Holding Company's [2008 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, 2008 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.

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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 section entitled "Election of Directors" in the Company's definitive proxy materials filed in connection with the Company's 2009 Annual Meeting of Shareholders. The information required by this item with respect to executive officers is set forth below:

James Randall Clemons (56) 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.

Ken Dill (63) Mr. Dill joined the Bank in 1997. Prior to that time he was employed by Farm Credit Services, Lebanon, TN for 20 years. Currently, Mr. Dill serves as Senior Vice President of Lending of the Bank. His primary duties include overseeing the lending function of the bank including SBA and commercial lending and supervision of the Rutherford County offices.

Elmer Richerson (56) Mr. Richerson joined the Bank in February 1989. Prior to such time, Mr. Richerson was the manager of the Lebanon branch of Heritage Federal Savings and Loan Association from March 1988 to February 1989. From September 1986 until March 1988, Mr. Richerson was a liquidation assistant for the Federal Deposit Insurance Corporation. Since May 2002, Mr. Richerson has served as President of the Bank. From 1997 to May 2002, Mr. Richerson served as an Executive Vice President and Senior Loan Officer of the Bank and oversaw the branch administration for the Bank. Mr. Richerson also serves on the Board of Directors of the Bank and in 1998 was elected to serve on the Board of Directors of the Company as well.

Larry Squires (57) Mr. Squires joined the Bank in 1989 and is currently Senior Vice President and Investment Officer. Prior to that time Mr. Squires was Vice President of Liberty State Bank in Lebanon. His principal duty is overseeing the Bank's investment and brokerage center.

Gary Whitaker (51) 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 (44) Ms. Pominski is Senior 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 including Asst. Cashier, Asst. Vice President and Vice President since the Bank's formation in May of 1987. Prior to 1987 Ms. Pominski was employed by Peoples Bank, Lebanon, TN 37087.

John Goodman (42) Mr. Goodman joined the Bank in November of 2002 as Senior Vice President-Western Division. From 1998 to 2002 he was First Vice President of Commercial Lending for NBC Bank, Nashville, TN. His primary duties include the development of commercial lending and the supervision of the branch offices in the western portion of Wilson County and the eastern portion of Davidson County.

John McDearman (40) Mr. McDearman joined the Bank in November of 1998. He has held positions in branch administration and commercial lending. Currently he serves as Executive Vice President-Central Division of the Bank, a position he has held since January 2009. 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. His primary duties include the continuing development of the commercial loan portfolio.

Christy Norton (42) Mrs. Norton joined the Bank in February of 1989. Prior to that time she was employed by First Tennessee Bank, Lebanon, TN. She has held several positions for the Bank in Retail and Branch Administration and is currently a Senior Vice President, a position she has held since November of 2002. Her primary duties include bank operations and supervision of the Bank's training department.

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Clark Oakley (39) Mr. Oakley joined the Bank in October of 1995. He has held positions in branch administration and mortgage lending. Currently he serves as Senior Vice-President-Eastern Division. Prior to joining the bank in 1995 he was a lending officer for Union Planters Bank in Alexandria, TN.

Barry Buckley (56) Mr. Buckley joined the Bank in June of 2006 and now serves as Senior Vice President-Southern Division. Prior to joining the Bank in 2006, he was a Regional Executive for Rutherford Bank & Trust, an office of Greene County Bank, Murfreesboro, Tennessee. His primary duties include the supervision of the branch offices in Trousdale, Dekalb, and Smith counties.

Ralph Mallicoat (53) Mr. Mallicoat joined the Bank in July of 2006 as Senior Vice President. Prior to joining the Bank in 2006, he was President and CEO of Liberty State Bank, Lebanon, Tennessee. His primary duties include development of the lending function and overseeing SBA loans.

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 in accordance with the rules and regulations of the Securities and Exchange Commission.

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 2009 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 2009 Annual Meeting of Shareholders.

Item 11. Executive Compensation

Information required by this item is incorporated herein by reference to the section entitled Executive Compensation in the Company's definitive proxy materials filed in connection with the 2009 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 filed in connection with the 2009 Annual Meeting of Shareholders.

The following table summarizes information concerning the Company's equity compensation plans at December 31, 2008 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 and a four for three stock split in the form of a stock dividend paid on May 31, 2007:

| Plan Category | Number of Shares to be Issued upon Exercise of Outstanding Options or Warrants | Weighted Average Exercise Price of Outstanding Options or Warrants | Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in First Column) |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by shareholders | 26,572 | \$ 18.19 | 133,414 |

Equity compensation plans not approved by
shareholders

| | | | | |
|-------|--------|----|-------|---------|
| Total | 26,572 | \$ | 18.19 | 133,414 |
|-------|--------|----|-------|---------|

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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 filed in connection with the 2009 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 filed in connection with the 2009 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 "Independent Registered Public Accounting Firm Information" in the Company's definitive proxy materials filed in connection with the 2009 Annual Meeting of Shareholders.

Item 15. Exhibits, Financial Statement Schedules

- (a)(1) Financial Statements. See Item 8.
- (a)(2) Financial Statement Schedules. Inapplicable.
- (a)(3) Exhibits. See Index to Exhibits.

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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

J. Randall Clemons
President and Chief Executive Officer

Date: March 13, 2009

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 | President, Chief Executive Officer and Director | |
| J. Randall Clemons | (Principal Executive Officer) | March 13, 2009 |
| /s/ Lisa Pominski | Chief Financial Officer (Principal Financial and Accounting Officer) | |
| Lisa Pominski | | March 13, 2009 |
| | Executive Vice President & Director | |
| Elmer Richerson | | |
| /s/ Charles Bell | Director | |
| Charles Bell | | March 13, 2009 |
| /s/ Jack W. Bell | Director | |
| Jack W. Bell | | March 13, 2009 |
| /s/ Mackey Bentley | Director | |
| Mackey Bentley | | March 13, 2009 |
| /s/ James F. Comer | Director | |
| James F. Comer | | March 13, 2009 |
| /s/ Jerry L. Franklin | Director | |
| Jerry L. Franklin | | March 13, 2009 |

/s/ John B. Freeman

Director

March 13, 2009

John B. Freeman

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| Signature | Title | Date |
|----------------------------------------------------------|----------|----------------|
| /s/ Marshall Griffith Marshall Griffith | Director | March 13, 2009 |
| /s/ Harold R. Patton Harold R. Patton | Director | March 13, 2009 |
| /s/ James Anthony Patton James Anthony Patton | Director | March 13, 2009 |
| /s/ John R. Trice John R. Trice | Director | March 13, 2009 |
| /s/ Robert T. VanHooser, Jr. Robert T. VanHooser, Jr. | Director | March 13, 2009 |

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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 filing purposes only) (incorporated herein by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-4 (Registration No. 333-121943)).
- 3.2 Bylaws of Wilson Bank Holding Company, as amended (restated for SEC electronic filing purposes only) (incorporated herein by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-4 (Registration No. 333-121943)).
- 4.1 Specimen Common Stock Certificate. (incorporated herein by reference to Exhibit 2.1 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 the Company's Registration Statement on Form S-8 (Registration No. 333-32442)).*
- 10.2 Executive Salary Continuation Agreement by and between the Company and Larry Squires dated September 16, 1996 (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001).*
- 10.3 Amendment to the Wilson Bank and Trust Executive Salary Continuation Agreement dated as of January 1, 2001 by and between Wilson Bank and Trust and Larry Squires (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001).*
- 10.4 Form of Wilson Bank Holding Company Incentive Stock Option Agreement (incorporated herein by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005).*
- 10.5 Director and Named Executive Officer Compensation Summary.*
- 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 J. Randall Clemons (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 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 Elmer Richerson (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 6,

2009).*

- 10.8 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*

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- 10.9 Amendment, dated December 30, 2008, to Executive Salary Continuation Agreement dated as of March 30, 2006, by and between Wilson Bank and Trust and Johnny D. Goodman III (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.10 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.11 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.12 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.13 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.14 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.15 Executive Salary Continuation Agreement dated as of March 30, 2006, by and between Wilson Bank and Trust and Johnny D. Goodman III (incorporated by reference to the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.16 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 10.17 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 the Company's Current Report on Form 8-K filed with the SEC on January 6, 2009).*
- 13.1 Selected Portions of the Wilson Bank Holding Company Annual Report to Shareholders for the year ended December 31, 2008 incorporated by reference into items 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.
- * Management
compensatory
plan or contract