WILSON BANK HOLDING CO
Form 10-K
March 13, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

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 x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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.

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2012, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $276,988,465. For purposes of this calculation, affiliates are considered to be the directors and executive officers of the registrant. The market value calculation was determined using $42.25 per share.

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

Shares of common stock, $2.00 par value per share, outstanding on March 13, 2013 were 7,458,877.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Form 10-K	Documents from which portions are incorporated by reference
Part II	Portions of the Registrant s Annual Report to Shareholders for the fiscal year ended December 31, 2012 are incorporated by reference into Items 1, 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 9, 2013 are incorporated by reference into Items 10, 11, 12, 13 and 14.

PART I

Item 1. Business.

General

Wilson Bank Holding Company (the Company) was incorporated on March 17, 1992 under the laws of the State of Tennessee. The purpose of the Company was to acquire all of the issued and outstanding capital stock of Wilson Bank and Trust (the Bank) and act as a one-bank holding company. On November 17, 1992, the Company acquired 100% of the capital stock of the Bank pursuant to the terms of 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, 2012, had eleven full service banking offices located in Wilson County, Tennessee, one full service banking facility in Trousdale County, Tennessee, three full service banking offices in eastern Davidson County, Tennessee, four full service banking offices located in Rutherford County, Tennessee, two full service banking offices in DeKalb County, Tennessee, two full service banking offices in Smith County, Tennessee, and two full service banking office in Sumner 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, Mt. 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; 709 South Mt. Juliet Road, Mt. Juliet, Tennessee 37122; 4736 Andrew Jackson Parkway in Hermitage, Tennessee; 4347 Lebanon Road, Hermitage, 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; 7 New Middleton Highway, Gordonsville, Tennessee; 175 East Main Street, Hendersonville, Tennessee; and 455 West Main Street, Gallatin, Tennessee. Management believes that Wilson County, Trousdale County, Davidson County Rutherford County, DeKalb County, Smith County, and Sumner 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.

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, 2012, the Company reported net earnings of approximately $12.1 million and had total assets of approximately $1.7 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, 2012 filed as Exhibit 13.1 to this Form 10-K (the 2012 Annual Report), are incorporated herein by reference.

Regulation and Supervision

Both the Company and the Bank are subject to extensive state and federal banking laws and regulations that impose restrictions on and provide for general regulatory oversight of the Company s and the Bank s operations. These laws and regulations are generally intended to protect depositors and borrowers, not shareholders.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) was signed into law, incorporating numerous financial institution regulatory reforms. Many of these reforms were implemented over the course of 2011 and 2012 through regulations adopted by various federal banking and securities regulatory agencies, while others are expected to be implemented during 2013 and beyond. The following discussion describes the material elements of the regulatory framework that currently apply. The Dodd-Frank Act implements far-reaching reforms of major elements of the financial landscape, particularly for larger financial institutions. Many of its most far-reaching provisions do not directly impact community-based institutions like the Company or the Bank. For instance, provisions that regulate derivative transactions and limit derivatives trading activity of federally-insured institutions, enhance supervision of systemically significant institutions, impose new regulatory authority over hedge funds, limit proprietary trading by banks, and phase-out the eligibility of trust preferred securities for Tier 1 capital are among the provisions that do not directly impact the Company either because of exemptions for institutions below a certain asset size or because of the nature of the Company s operations. Other provisions that have either been adopted or are expected to be adopted have impacted and, in some cases, will continue to impact the Company include:

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

Making permanent the $250,000 limit for federal deposit insurance, increasing the cash limit of Securities Investor Protection Corporation protection to $250,000 and providing unlimited federal deposit insurance until December 31, 2012 for non-interest-bearing demand transaction accounts at all insured depository institutions.

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

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

Restricting the preemption of state law by federal law and disallowing national bank subsidiaries from availing themselves of such preemption.

Limiting the debit interchange fees that certain financial institutions are permitted to charge.

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

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

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

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

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

As described above, many aspects of the Dodd-Frank Act remain to be implemented and will take effect over several years, and their impact on the Company or the financial industry is difficult to predict before such regulations are adopted.

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 FRB). The Company is required to file annual reports with, and is subject to examination by, the FRB. The Bank is chartered under the laws of the State of Tennessee and is subject to the supervision of, and is regularly examined by, the Tennessee Department of Financial Institutions (the TDFI). The Bank is also regularly examined by the Federal Deposit Insurance Corporation (FDIC).

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 FRB. 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 FRB is authorized to approve the ownership by a bank holding company of shares of any company whose activities have been determined by the FRB to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto.

In November 1999, the GLB Act became law. Under the GLB Act, a financial holding company may engage in activities the FRB determines to be financial in nature or incidental to such financial activity or complementary to a financial activity and not a substantial risk to the safety and soundness of such depository institutions or the financial system. Generally, such companies may engage in a wide range of securities activities and insurance underwriting and agency activities. The Company has not made application to the FRB to become a financial holding company.

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

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 FRB has the power to prohibit dividends by bank holding companies if their actions constitute unsafe or unsound practices. The FRB has issued a policy statement expressing its view that a bank holding company should pay cash dividends only to the extent that the company s net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the company s capital needs, asset quality, and overall financial condition.

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

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

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

Under the Dodd-Frank Act, and previously under FRB policy, the Company is expected to act as a source of financial strength to its banking subsidiary and, where required, to commit resources to support such subsidiary. This support can be required at times when it would not be in the best interest of the Company s shareholders and creditors to provide it. Further, if the Bank s capital levels were to fall below certain minimum regulatory guidelines, the Bank would need to develop a capital plan to increase its capital levels and the Company would be required to guarantee the Bank s compliance with the capital plan in order for such plan to be accepted by the federal regulatory authority.

Both the Company and the Bank are required to comply with the capital adequacy standards established by the FRB, in the Company s case, and the FDIC, in the case of the Bank. The FRB has established a risk-based and a leverage measure of capital adequacy for bank holding companies, like the Company. The Bank is also subject to risk-based and leverage capital requirements adopted by the FDIC, which are substantially similar to those adopted by the FRB for bank holding companies. In addition, the FDIC and TDFI may require state banks that are not members of the FRB, like the Bank, to maintain capital at levels higher than those required by general regulatory requirements.

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

Under FRB guidelines, the minimum ratio of total capital to risk-weighted assets is 8% to be considered adequately capitalized. Total capital consists of two components, Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common stock, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock, less goodwill and other specified intangible assets. Under FRB guidelines, Tier 1 capital must equal at least 4% of risk-weighted assets. Tier 2 capital generally consists of subordinated debt, other preferred stock, and a limited amount of loan loss reserves. The total amount of Tier 2 capital is limited to 100% of Tier 1 capital.

In addition, the FRB has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide that a minimum ratio of Tier 1 capital to average assets, less goodwill and other specified intangible assets, of at least 4% should be maintained for most bank holding companies. The guidelines also provide that bank holding companies experiencing high internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels. Furthermore, the FRB has indicated that it will consider a bank holding company s Tier 1 capital leverage ratio, after deducting all intangibles, and other indicators of capital strength in evaluating proposals for expansion or new activities.

For a holding company to be considered well-capitalized, it must maintain a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 6% and not be subject to a written agreement, order or directive to maintain a specific capital level.

In late 2010, the Basel Committee on Banking Supervision issued Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems (Basel III), a new capital framework for banks and bank holding companies. Basel III will impose a stricter definition of capital, with more focus on common equity for those banks to which it is applicable. On June 6, 2012, the federal bank regulatory agencies, including the FRB and the FDIC, issued a series of proposed rules that would revise their risk-based and leverage capital requirements and their method for calculating risk-weighted assets to make them consistent with the agreements that were reached by the Basel III Committee and certain provisions of the Dodd-Frank Act. The proposed rules would apply to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million or more, and top-tier savings and loan holding companies (banking organizations). Among other things, the proposed rules establish a new common equity tier 1 minimum capital requirement of 4.5% and a minimum tier 1 capital requirement of 6% (up from the currently required 4%) and assign higher risk weightings (150%) to exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real property. The proposed rules also required unrealized gains and losses on certain securities holdings to be included for purposes of calculating regulatory capital requirements. In addition, the proposed rules would phase out trust preferred securities as tier 1 capital over a period of ten years. The proposed rules limit a banking organization s capital distributions and certain discretionary bonus payments as well as a banking organization s ability to repurchase its own shares if the banking organization does not hold a capital conservation buffer consisting of an additional 2.5% of common equity tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. As a result, when fully phased in, the capital requirements would be a tier 1 leverage ratio of 4%, a tier 1 common risk-based equity capital ratio of 7%, a tier 1 equity risk-based capital ratio of 8.5% and a total risk-based capital ratio of 10.5%. The proposed rules indicated that the final rule would become effective on January 1, 2013, and the changes set forth in the final rules would be phased in from January 1, 2013 through January 1, 2019. However, the federal bank regulatory agencies indicated in December 2012 that, due to the substantial volume of public comments received, the final rule would not be in effect on January 1, 2013 and the agencies have not yet announced a new effective date for the rules. Accordingly, it is difficult at this time to predict when or how any new standards will ultimately be applied to the Company or the Bank.

The FRB has adopted regulations applicable to bank holding companies with assets over $50 billion that require such holding companies to develop and submit to the FRB annually capital plans demonstrating the company s ability to meet, under various stressed economic conditions and over a nine-quarter planning horizon, the above-described minimum leverage capital, Tier 1 risk based capital and total risk based capital requirements, as well as a minimum Tier 1 common capital Ratio (Tier 1 risk based capital less preferred stock and trust preferred securities) of at least 5%. While these regulations are not applicable to the Company, the Company s federal regulator may seek to impose similar stress testing on the Company through its examination authority.

Failure to meet statutorily mandated capital guidelines or more restrictive ratios separately established for a financial institution could subject a bank or bank holding company to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on accepting or renewing brokered deposits, limitations on the rates of interest that the institution may pay on its deposits and other restrictions on its business. As described above, significant additional restrictions can be imposed on FDIC-insured depository institutions that fail to meet applicable capital requirements.

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

The Dodd-Frank Act contains a number of provisions dealing with capital adequacy of insured depository institutions and their holding companies, and for the most part will result in insured depository institutions and their holding companies being subject to more stringent capital requirements. Under the so-called Collins Amendment to the Dodd-Frank Act, federal regulators have established minimum leverage and risk-based capital requirements for, among other entities, banks and bank holding companies on a consolidated basis. These minimum requirements to be considered adequately capitalized require that a bank holding company maintain a Tier 1 risk-based capital ratio of not less than 4% and a total risk-based capital ratio of not less than 8%. The Collins Amendment also excludes trust preferred securities issued after May 19, 2010 from being included in Tier 1 capital unless the issuing company is a bank holding company with less than $500 million in total assets. Trust preferred securities issued prior to that date will continue to count as Tier 1 capital for bank holding companies with less than $15 billion in total assets, and such securities will be phased out of Tier 1 capital treatment for bank holding companies with over $15 billion in total assets over a three-year period beginning in 2013. The proposed regulations that seek to implement Basel III would require that trust preferred securities no longer be allowed to count as capital for banks of all sizes, with the elimination being phased in over ten years.

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

The Dodd-Frank Act increased the basic limit on federal deposit insurance coverage to $250,000 per depositor. In addition, non-interest bearing deposit transaction accounts had unlimited FDIC insurance coverage until December 31, 2012. The Dodd-Frank Act also repealed the prohibition on paying interest on demand transaction accounts, but did not extend unlimited insurance protection for these accounts.

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

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

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

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

Among other things, the Patriot Act prohibits financial institutions from doing business with foreign shell banks and requires increased due diligence for private banking transactions and correspondent accounts for foreign banks. In addition, financial institutions will have to follow new minimum verification of identity standards for all new accounts and will be permitted to share information with law enforcement authorities under circumstances that were not previously permitted. These and other provisions of the Patriot Act became effective at varying times and the Treasury and various federal banking agencies are responsible for issuing regulations to implement the law.

The banking industry is generally subject to extensive regulatory oversight. The Company, as a publicly held bank holding company, and the Bank, as a state-chartered bank with deposits insured by the FDIC, are subject to a number of laws and regulations. Many of these laws and regulations have undergone significant change in recent years. In July 2010, the U.S. Congress passed the Dodd-Frank Act, which includes significant consumer protection provisions related to, among other things, residential mortgage loans that have increased, and are likely to further increase, our regulatory compliance costs. With the enactment of the Dodd-Frank Act and the significant amount of regulations that are to come from the passage of that legislation, the nature and extent of the future legislative and regulatory changes affecting financial institutions and the resulting impact on those institutions is very unpredictable at this time. The Dodd-Frank Act, in particular, required that a significant number of new regulations be adopted by various financial regulatory agencies over 2011 and 2012.

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 and one bank owned by a Tennessee single bank holding company. 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 three credit unions located in Wilson County and four locally-owned banks.

The Bank competes with much larger commercial banks in DeKalb County, including one bank owned by Tennessee multi-bank holding companies and one regional multi-bank holding company headquartered outside Tennessee. In addition, the Bank competes with one locally-owned bank in DeKalb County. 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 one regional multi-bank holding company headquartered outside Tennessee and two commercial banks which are small community banking organizations in Smith County. 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 of 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 one commercial bank in Trousdale County, which is a small community banking organization. This institution enjoys 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 competes with over twenty banks, some of them much larger than the Bank, in Sumner 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 also competes with over twenty banks, some of them much larger than the Bank, in Davidson County, including 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.

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

Employment

As of March 13, 2013, the Company and its subsidiary collectively employed 396 full-time equivalent employees. Additional personnel will be hired as needed to meet future growth, particularly with our expansion into Hendersonville, Tennessee in late 2012.

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 2012 Annual Report. Certain information not contained in the Company s 2012 Annual Report, but required by Guide 3, is contained in the tables immediately following:

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WILSON BANK HOLDING COMPANY

Form 10-K

December 31, 2012

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 $3,185,000, $2,580,000 and $2,460,000 for 2012, 2011 and 2010, respectively, are included in loan income and represent an adjustment of the yield on these loans.

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December 31, 2012

Dollars In Thousands

	2012			2011			2012/2011 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	$ 1,138,525	5.80%	66,080	1,108,335	5.96%	66,031	1,811	(1,762)	49
Investment securities taxable	325,457	1.61	5,253	269,438	2.02	5,437	1,025	(1,209)	(184)
Investment securities tax exempt	16,922	2.74	464	12,969	3.24	420	115	(71)	44
Taxable equivalent adjustment		1.41	239		1.99	216	59	(36)	23
Total tax-exempt investment securities	16,922	4.15	703	12,969	4.90	636	174	(107)	67
Total investment securities	342,379	1.74	5,956	282,407	2.15	6,073	1,199	(1,316)	(117)
Loans held for sale	9,938	3.09	307	7,292	3.25	237	82	(12)	70
Federal funds sold	29,236	.44	129	21,328	.45	97	34	(2)	32
Restricted equity securities	3,012	4.25	128	3,012	4.25	128			
Total earning assets	1,523,090	4.77	72,600	1,422,374	5.10%	72,566	3,126	(3,092)	34
Cash and due from banks	45,302			37,970					
Allowance for loan losses	(25,745)			(23,895)					
Bank premises and equipment	35,534			32,876					
Other assets	45,202			44,485					
Total assets	$ 1,623,383			1,513,810					

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	Dollars In Thousands								
	2012			**2011**			**2012/2011 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	$ 274,248	.71%	1,942	240,799	.90%	2,176	270	(504)	(234)
Money market demand accounts	319,920	.61	1,960	270,426	.79	2,148	350	(538)	(188)
Individual retirement accounts	99,211	1.71	1,695	97,034	2.13	2,071	45	(421)	(376)
Other savings deposits	96,806	.77	745	75,704	1.08	818	195	(268)	(73)
Certificates of deposit $100,000 and over	263,603	1.51	3,983	270,928	1.98	5,367	(142)	(1,242)	(1,384)
Certificates of deposit under $100,000	273,221	1.36	3,725	291,834	1.80	5,255	(317)	(1,213)	(1,530)
Total interest-bearing deposits	1,327,009	1.06	14,050	1,246,725	1.43	17,835	401	(4,186)	(3,785)
Securities sold under repurchase agreements	8,426	.66	56	6,166	.86	53	17	(14)	3
Federal funds purchased	104	.96	1	214	.93	2	(1)		(1)
Total interest-bearing liabilities	1,335,539	1.06	14,107	1,253,105	1.43	17,890	417	(4,200)	(3,783)
Demand deposits	118,573			105,056					
Other liabilities	6,990			7,267					
Stockholders equity	162,281			148,382					
Total liabilities and stockholders equity	$ 1,623,383			1,513,810					
Net interest income			58,493			54,767			
Net yield on earning assets (1)		3.84%			3.85%				
Net interest spread (2)		3.71%			3.67%				

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

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December 31, 2012

Dollars In Thousands

	2011			2010			2011/2010 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	$ 1,108,335	5.96%	66,031	1,093,343	6.16%	67,356	906	(2,231)	(1,325)
Investment securities taxable	269,438	2.02	5,437	282,651	2.80	7,927	(358)	(2,132)	(2,490)
Investment securities tax exempt	12,969	3.24	420	12,808	3.54	453	6	(39)	(33)
Taxable equivalent adjustment		1.99	216		1.99	233	3	(20)	(17)
Total tax-exempt investment securities	12,969	4.90	636	12,808	5.36	686	9	(59)	(50)
Total investment securities	282,407	2.15	6,073	295,459	2.92	8,613	(349)	(2,191)	(2,540)
Loans held for sale	7,292	3.25	237	7,715	3.07	237	(13)	13	
Federal funds sold	21,328	.45	97	20,188	.39	78	5	14	19
Restricted equity securities	3,012	4.25	128	3,012	4.28	129		(1)	(1)
Total earning assets	1,422,374	5.10%	72,566	1,419,717	5.38	76,413	549	(4,396)	(3,847)
Cash and due from banks	37,970			29,052					
Allowance for loan losses	(23,895)			(19,683)					
Bank premises and equipment	32,876			31,050					
Other assets	44,485			37,423					
Total assets	$ 1,513,810			1,497,559					

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December 31, 2012

	Dollars In Thousands								
	2011			**2010**			**2011/2010 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	$ 240,799	.90%	2,176	218,666	1.17%	2,554	245	(623)	(378)
Money market demand accounts	270,426	.79	2,148	240,344	1.04	2,488	295	(635)	(340)
Individual retirement accounts	97,034	2.13	2,071	94,900	2.71	2,572	56	(557)	(501)
Other savings deposits	75,704	1.08	818	48,426	1.40	679	319	(180)	139
Certificates of deposit $100,000 and over	270,928	1.98	5,367	324,535	2.49	8,074	(1,209)	(1,498)	(2,707)
Certificates of deposit under $100,000	291,834	1.80	5,255	317,948	2.39	7,610	(588)	(1,767)	(2,355)
Total interest-bearing deposits	1,246,725	1.43	17,835	1,244,819	1.93	23,977	(882)	(5,260)	(6,142)
Securities sold under repurchase agreements	6,166	.86	53	5,617	1.25	70	7	(24)	(17)
Federal funds purchased	214	.93	2	810	.62	5	(5)	2	(3)
Advances from Federal Home Loan Bank				3					
Total interest-bearing liabilities	1,253,105	1.43	17,890	1,251,249	1.92	24,052	(880)	(5,282)	(6,162)
Demand deposits	105,056			99,890					
Other liabilities	7,267			6,202					
Stockholders equity	148,382			140,218					
Total liabilities and stockholders equity	$ 1,513,810			1,497,559					
Net interest income			54,767			52,361			
Net yield on earning assets (1)		3.85%			3.69%				
Net interest spread (2)		3.67%			3.46%				

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

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December 31, 2012

II. Investment Portfolio, Continued:

A. Continued:

Investment securities at December 31, 2012 consist of the following:

	Securities Held-To-Maturity (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed:				
Government-sponsored enterprises (GSEs) residential	$ 2,918	122		3,040
Obligations of states and political subdivisions	12,590	687		13,277
	$ 15,508	809		16,317

	Securities Available-For-Sale (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)	$ 122,110	643	55	122,698
Mortgage-backed:				
GSE residential	177,787	3,373	32	181,128
Obligations of states and political subdivisions	13,214	267	29	13,452
	$ 313,111	4,283	116	317,278

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December 31, 2012

II. Investment Portfolio, Continued:

A. Continued:

Securities at December 31, 2011 consist of the following:

	Securities Held-To-Maturity (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed:				
Government-sponsored enterprises (GSEs) residential	$ 12,039	699		12,738
Obligations of states and political subdivisions	2,425	103		2,528
	$ 14,464	802		15,266

	Securities Available-For-Sale (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)	$ 114,819	268	161	114,926
Mortgage-backed:				
GSE residential	1,521	117		1,638
Obligations of states and political subdivisions	192,989	1,379	201	194,167
	$ 309,329	1,764	362	310,731

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December 31, 2012

II. Investment Portfolio:

A. Securities at December 31, 2010 consist of the following:

	Securities Held-To-Maturity (In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed:				
Government-sponsored enterprises (GSEs) residential	$ 1,637	19	6	1,650