WILSON BANK HOLDING CO
Form 10-K
March 13, 2015

**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, 2014**

**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**<br>**(State or other jurisdiction of**<br><br>**incorporation or organization)** | **62-1497076**<br>**(I.R.S. Employer**<br><br>**Identification No.)** |
|---|---|
| **623 West Main Street**<br>**Lebanon, Tennessee**<br>**(Address of principal executive offices)** | **37087**<br>**(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, 2014, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $352,282,942. 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 $46.75 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, 2015 were 7,609,435.

## 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, 2014 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 13, 2015 are incorporated by reference into Items 10, 11, 12, 13 and 14. |

## PART I

### Item 1. Business.

### General

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

All of the Company s banking business is conducted through the Bank, a state chartered bank organized under the laws of the State of Tennessee. The Bank, on December 31, 2014, 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, two full service banking office in Sumner County, Tennessee and one full service banking office in Putnam 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; 402 Public Square, 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; 455 West Main Street, Gallatin, Tennessee; 175 East Main Street, Hendersonville, Tennessee and 701 E Spring Street, Cookeville, Tennessee. Management believes that Wilson County, Trousdale County, Davidson County, Rutherford County, DeKalb County, Smith County, Sumner County, and Putnam 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, 2014, the Company reported net earnings of approximately $20.78 million and at December 31, 2014 if had total assets of approximately

$1.87 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, 2014 filed as Exhibit 13.1 to this Form 10-K (the 2014 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, and may not necessarily protect shareholders.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) was signed into law. The Dodd-Frank Act implements far-reaching reforms of major elements of the financial landscape, particularly for larger financial institutions. Many of its most far-reaching provisions do not directly apply to community-based institutions like the Company or the Bank. For instance, provisions that regulate derivative transactions and limit derivatives trading activity of federally-insured institutions, enhance supervision of systemically significant institutions, impose new regulatory authority over hedge funds, limit proprietary trading by banks, and phase-out the eligibility of trust preferred securities for Tier 1 capital 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. Those provisions that have been adopted or are expected to be adopted that have impacted and, in some cases, will continue to impact the Company include the following:

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

Making permanent the $250,000 limit for federal deposit insurance, 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 banking 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.

Many aspects of the Dodd-Frank Act, including some described above, are not yet effective and remain subject to rulemaking 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 BHC Act ) and is registered with the Board of Governors of the Federal Reserve System (the FRB ). The Company is required to file annual reports and other information regarding its business operations and those of its subsidiary with, and is subject to examination by, the FRB. The Bank is chartered under the laws of the State of Tennessee and is subject to the supervision of, and is regularly examined by, the Tennessee Department of Financial Institutions (the TDFI ). The Bank is also regularly examined by the Federal Deposit Insurance Corporation ( FDIC ), the government entity that insures the Bank s deposits subject to applicable limitations.

Under the BHC Act, a bank holding company may not directly or indirectly acquire ownership or control of more than five percent of the voting shares or substantially all of the assets of any company, including a bank, without the prior approval of the FRB. In addition, bank holding companies are generally prohibited under the BHC 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 BHC Act, the FRB is authorized to approve the ownership by a bank holding company of shares of any company whose activities have been determined by the FRB to be so closely related to banking or to managing or controlling banks as to be a proper incident thereto.

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

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

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

The Company s common stock is registered under Section 12 of the Securities Exchange Act of 1934. The regulations provide a procedure for challenge of the rebuttable control presumption.

Under the GLB Act, a financial holding company may engage in activities the FRB determines to be financial in nature or incidental to such financial activity or complementary to a financial activity and not a substantial risk to the safety and soundness of such depository institutions or the financial system. Generally, such companies may engage in

a wide range of securities activities and insurance underwriting and agency activities. The Company has not made application to the FRB to become a financial holding company.

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

Factoring accounts receivable;

Acquiring or servicing loans;

Leasing personal property;

Conducting discount securities brokerage activities;

Performing selected data processing services;

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

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

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

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

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

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

A bank s loans or extensions of credit, including purchases of assets subject to an agreement to repurchase, to affiliates;

A bank s investment in affiliates;

Assets a bank may purchase from affiliates, except for real and personal property exempted by the Federal Reserve;

The amount of loans or extensions of credit to third parties collateralized by the securities or obligations of affiliates;

Transactions involving the borrowing or lending of securities and any derivative transaction that results in credit exposure to an affiliate; and

A bank s guarantee, acceptance or letter of credit issued on behalf of an affiliate.

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

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

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

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

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

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

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

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

trustee and entitled to a priority of payment.

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

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.

The Company s and the Bank s principal regulators have established minimum risk-based capital requirements and leverage capital requirements for the Company and the Bank. These guidelines in effect prior to January 1, 2015 classified capital into two categories of Tier 1 and Total risk-based capital. Total risk-based capital consisted of Tier 1 (or core) capital (generally consisting 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) and Tier 2 capital (generally consisting of qualifying long-term debt, of which the Bank has none, and a part of the allowance for possible loan losses). The total amount of Tier 2 capital was limited to 100% of Tier 1 capital. In determining risk-based capital requirements, assets were assigned risk-weights of 0% to 100%, depending on regulatory assigned levels of credit risk associated with such assets. Under the FRB s regulations in effect prior to January 1, 2015, for a bank holding company, like the Company, to be considered well-capitalized it was required to 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 addition, the FRB had established minimum leverage ratio guidelines for bank holding companies. These guidelines provided 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 by most bank holding companies. The guidelines also provided that bank holding companies experiencing high internal growth or making acquisitions would 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.

Under FDIC regulations in effect prior to January 1, 2015, a state nonmember bank was well capitalized if it had a leverage capital ratio of 5% or better, a Tier 1 risk-based capital ratio of 6% or better, a total risk-based capital ratio of 10% or better, and was not subject to a regulatory agreement, order or directive to maintain a specific level for any capital measure. A state nonmember bank was considered adequately capitalized prior to January 1, 2015 if it had a leverage ratio of at least 4%, a Tier 1 risk-based capital ratio of at least 4%, a total risk-based capital ratio of at least 8% and did not meet the definition of a well-capitalized bank. Lower levels of capital result in a bank being considered undercapitalized, significantly undercapitalized and critically undercapitalized.

State nonmember banks are required to be well-capitalized in order to take advantage of expedited procedures on certain applications, such as branches and mergers, and to accept and renew brokered deposits without further regulatory approval.

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 imposes a stricter definition of capital, with more focus on common equity for those banks to which it is applicable. In July 2013, the federal bank regulatory authorities, including the FRB and the FDIC, approved final rules that revised their risk-based and leverage capital requirements and their method for calculating

risk-weighted assets to make them consistent with agreements that were reached by the Basel III Committee on Banking Supervision in Basel III and certain provisions of the Dodd-Frank Act. The final rules, which

became effective as to the Company and the Bank on January 1, 2015, apply to all depository institutions, top-tier bank holding companies with total consolidated assets of $500 million (or, if currently proposed regulatory changes are approved $1 billion) or more, and top-tier savings and loan holding companies ( banking organizations ). Under the rules, the leverage and risk-based capital ratios of bank holding companies may not be lower than the leverage and risk-based capital ratios for insured depository institutions. The rules, among other things, include new minimum risk-based capital and leverage ratios. Moreover, these rules refine the definition of what constitutes capital for purposes of calculating those ratios. The new minimum capital level requirements applicable to bank holding companies and banks subject to the rules are: (i) a new common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 risk-based capital ratio of 6% (increased from 4%); (iii) a total risk-based capital ratio of 8% (unchanged from current rules); and (iv) a Tier 1 leverage ratio of 4% for all institutions. The rules also establish a capital conservation buffer of 2.5% (to be phased in over three years) above the new regulatory minimum capital ratios, and result in the following minimum ratios once the capital conservation buffer is fully phased in: (i) a common equity Tier 1 risk-based capital ratio of 7.0%, (ii) a Tier 1 risk-based capital ratio of 8.5%, and (iii) a total risk-based capital ratio of 10.5%. The capital conservation buffer requirement is to be phased in beginning in January 2016 at 0.625% of risk-weighted assets and is scheduled to increase each year until fully implemented in January 2019. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital levels fall below the buffer amounts. These limitations establish a maximum percentage of eligible retained income that could be utilized for such actions.

Under the new rules implementing Basel III, Tier 1 capital generally consists of common stock (plus related surplus) and retained earnings, limited amounts of minority interest in the form of additional Tier 1 capital instruments, and non-cumulative preferred stock and related surplus, subject to certain eligibility standards, less goodwill and other specified intangible assets and other regulatory deductions. Cumulative preferred stock and trust preferred securities issued after May 19, 2010, will no longer qualify as Tier 1 capital, but such securities issued prior to May 19, 2010, including in the case of bank holding companies with less than $15.0 billion in total assets, trust preferred securities issued prior to that date, will continue to count as Tier 1 capital subject to certain limitations. The definition of Tier 2 capital is generally unchanged for most banking organizations, subject to certain new eligibility criteria.

Common equity Tier 1 capital generally consists of common stock (plus related surplus) and retained earnings plus limited amounts of minority interest in the form of common stock, less goodwill and other specified intangible assets and other regulatory deductions.

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

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 categorized. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category. Effective as of January 1, 2015, the relevant maximum compete ratios associated with each of these categories is as set forth on the following table:

| | Common Equity Tier 1 Risk-based Capital ratio | Total Risk-based Capital ratio | Tier 1 Risk-based Capital ratio | Tier 1 Leverage ratio |
|---|---|---|---|---|
| **Well capitalized** | 6.5% | 10% | 8% | 5% |
| **Adequately capitalized** | 4.5% | 8% | 6% | 4% |
| **Undercapitalized** | < 4.5% | < 8% | < 6% | < 4% |
| **Significantly undercapitalized** | < 3% | < 6% | < 4% | < 3% |
| **Critically undercapitalized** | Tangible Equity/Total Assets £ 2% | | | |

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 Bank in Tennessee, authorizes an interest rate of up to 24% per annum and also allows certain loan charges, generally on a more liberal basis than does the general usury law.

The 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, many of which have been implemented but some of which remain to be implemented.

**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, four banks owned by Tennessee multi-bank holding companies and two banks owned by Tennessee single bank holding companies. These institutions enjoy existing depositor relationships and, in some cases, 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 and three locally-owned banks located in Wilson County.

The Bank competes with much larger commercial banks in DeKalb County, including one bank owned by a Tennessee multi-bank holding company 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, in some cases, 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 and two large Tennessee single 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 three local banks and four credit unions in Rutherford County.

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 three locally-owned banks and three credit unions located in Sumner County.

The Bank 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.

The Bank also competes with much larger commercial banks in Putnam county, including two banks in Putnam County owned by regional multi-bank holding companies headquartered outside of Tennessee, six banks owned by Tennessee multi-bank holding companies and one bank owned by Tennessee single bank holding companies. These institutions enjoy existing depositor relationships and, in some cases, greater financial resources than the Company and can be expected to offer a wider range of banking services. In addition, the Bank competes with five credit unions and four locally-owned banks located in Putnam County.

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, 2015, the Company and its subsidiary collectively employed 406 full-time equivalent employees.

**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 2014 Annual Report. Certain information not contained in the Company s 2014 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, 2014

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

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

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

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 $4,338,000, $3,802,000 and $3,185,000 for 2014, 2013 and 2012, respectively, are included in loan income and represent an adjustment of the yield on these loans.

**WILSON BANK HOLDING COMPANY**

Form 10-K

December 31, 2014

| | ***Dollars In Thousands*** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2014** | | | **2013** | | | **2014/2013 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 | $ 1,261,131 | 5.29% | 66,685 | $ 1,205,296 | 5.49% | 66,177 | $ 2,983 | (2,475) | 508 |
| Investment securities taxable | 340,969 | 1.90 | 6,464 | 293,100 | 1.50 | 4,411 | 780 | 1,273 | 2,053 |
| Investment securities tax exempt | 32,814 | 2.07 | 679 | 27,970 | 2.16 | 603 | 102 | (26) | 76 |
| Taxable equivalent adjustment | | 1.07 | 350 | | 1.11 | 311 | 50 | (11) | 39 |
| Total tax-exempt investment securities | 32,814 | 3.14 | 1,029 | 27,970 | 3.27 | 914 | 152 | (37) | 115 |
| Total investment securities | 373,783 | 2.00 | 7,493 | 321,070 | 1.66 | 5,325 | 932 | 1,236 | 2,168 |
| Loans held for sale | 7,342 | 3.58 | 263 | 8,358 | 3.09 | 258 | (33) | 38 | 5 |
| Federal funds sold and interest bearing deposits | 85,987 | .19 | 167 | 100,888 | .21 | 215 | (29) | (19) | (48) |
| Restricted equity securities | 3,012 | 4.05 | 122 | 3,012 | 4.98 | 150 | | (28) | (28) |
| Total earning assets | 1,731,255 | 4.32 | 74,730 | 1,638,624 | 4.40 | 72,125 | 3,853 | (1,248) | 2,605 |
| Cash and due from banks | 10,597 | | | 10,046 | | | | | |
| Allowance for loan losses | (23,230) | | | (25,885) | | | | | |
| Bank premises and equipment | 39,293 | | | 36,330 | | | | | |
| Other assets | 50,452 | | | 44,374 | | | | | |
| Total assets | $ 1,808,367 | | | $ 1,703,489 | | | | | |

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

| | | | | *Dollars In Thousands* | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2014** | | | **2013** | | | **2014/2013 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 | $ 349,375 | .45% | 1,587 | $ 311,466 | .51% | 1,589 | $ 189 | (191) | (2) |
| Money market demand accounts | 439,867 | .42 | 1,831 | 369,769 | .50 | 1,847 | 312 | (328) | (16) |
| Individual retirement accounts | 93,687 | 1.12 | 1,047 | 98,006 | 1.28 | 1,255 | (54) | (154) | (208) |
| Other savings deposits | 99,753 | .54 | 535 | 95,226 | .59 | 560 | 26 | (51) | (25) |
| Certificates of deposit $100,000 and over | 242,838 | 1.06 | 2,574 | 254,568 | 1.16 | 2,956 | (133) | (249) | (382) |
| Certificates of deposit under $100,000 | 231,472 | .94 | 2,170 | 250,440 | 1.05 | 2,621 | (189) | (262) | (451) |
| Total interest-bearing deposits | 1,456,992 | .67 | 9,744 | 1,379,475 | .78 | 10,828 | 151 | (1,235) | (1,084) |
| Securities sold under repurchase agreements | 5,784 | .40 | 23 | 9,438 | .53 | 50 | (17) | (10) | (27) |
| Federal funds purchased | 123 | .81 | 1 | 75 | 1.33 | 1 | | | |
| Total interest-bearing liabilities | 1,462,899 | .67 | 9,768 | 1,388,988 | .78 | 10,879 | 134 | (1,245) | (1,111) |
| Demand deposits | 146,473 | | | 131,427 | | | | | |
| Other liabilities | 9,186 | | | 10,594 | | | | | |
| Stockholders equity | 189,809 | | | 172,480 | | | | | |
| Total liabilities and stockholders equity | $ 1,808,367 | | | $ 1,703,489 | | | | | |
| Net interest income | | | 64,962 | | | 61,246 | | | |
| | | 3.75% | | | 3.74% | | | | |

| | | |
|---|---|---|
| Net yield on earning assets (1) | | |
| Net interest spread (2) | 3.65% | 3.62% |

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

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

| | *Dollars In Thousands* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2013** | | | **2012** | | | **2013/2012 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 | $ 1,205,296 | 5.49% | 66,177 | $ 1,138,525 | 5.80% | 66,080 | $ 3,744 | (3,647) | 97 |
| Investment securities taxable | 293,100 | 1.50 | 4,411 | 325,457 | 1.61 | 5,253 | (499) | (343) | (842) |
| Investment securities tax exempt | 27,970 | 2.16 | 603 | 16,922 | 2.74 | 464 | 253 | (114) | 139 |
| Taxable equivalent adjustment | | 1.11 | 311 | | 1.41 | 239 | 132 | (60) | 72 |
| Total tax-exempt investment securities | 27,970 | 3.27 | 914 | 16,922 | 4.15 | 703 | 385 | (174) | 211 |
| Total investment securities | 321,070 | 1.66 | 5,325 | 342,379 | 1.74 | 5,956 | (114) | (517) | (631) |
| Loans held for sale | 8,358 | 3.09 | 258 | 9,938 | 3.09 | 307 | (49) | | (49) |
| Federal funds sold, and interest bearing deposits | 100,888 | .21 | 215 | 29,236 | .44 | 129 | 181 | (95) | 86 |
| Restricted equity securities | 3,012 | 4.98 | 150 | 3,012 | 4.25 | 128 | | 22 | 22 |
| Total earning assets | 1,638,624 | 4.40 | 72,125 | 1,523,090 | 4.77 | 72,600 | 3,762 | (4,237) | (475) |
| Cash and due from banks | 10,046 | | | 45,302 | | | | | |
| Allowance for loan losses | (25,885) | | | (25,745) | | | | | |
| Bank premises and equipment | 36,330 | | | 35,534 | | | | | |
| Other assets | 44,374 | | | 45,202 | | | | | |
| Total assets | $ 1,703,489 | | | $ 1,623,383 | | | | | |

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

| | ***Dollars In Thousands*** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2013** | | | **2012** | | | **2013/2012 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 | $ 311,466 | .51% | 1,589 | $ 274,248 | .71% | 1,942 | $ 242 | (595) | (353) |
| Money market demand accounts | 369,769 | .50 | 1,847 | 319,920 | .61 | 1,960 | 274 | (387) | (113) |
| Individual retirement accounts | 98,006 | 1.28 | 1,255 | 99,211 | 1.71 | 1,695 | (21) | (419) | (440) |
| Other savings deposits | 95,226 | .59 | 560 | 96,806 | .77 | 745 | (12) | (173) | (185) |
| Certificates of deposit $100,000 and over | 254,568 | 1.16 | 2,956 | 263,603 | 1.51 | 3,983 | (132) | (895) | (1,027) |
| Certificates of deposit under $100,000 | 250,440 | 1.05 | 2,621 | 273,221 | 1.36 | 3,725 | (296) | (808) | (1,104) |
| Total interest-bearing deposits | 1,379,475 | .78 | 10,828 | 1,327,009 | 1.06 | 14,050 | 55 | (3,277) | (3,222) |
| Securities sold under repurchase agreements | 9,438 | .53 | 50 | 8,426 | .66 | 56 | 6 | (12) | (6) |
| Federal funds purchased | 75 | 1.33 | 1 | 104 | .96 | 1 | | | |
| Total interest-bearing liabilities | 1,388,988 | .78 | 10,879 | 1,335,539 | 1.06 | 14,107 | 61 | (3,289) | (3,228) |
| Demand deposits | 131,427 | | | 118,573 | | | | | |
| Other liabilities | 10,594 | | | 6,990 | | | | | |
| Stockholders equity | 172,480 | | | 162,281 | | | | | |
| Total liabilities and stockholders equity | $ 1,703,489 | | | $ 1,623,383 | | | | | |
| Net interest income | | | 61,246 | | | 58,493 | | | |
| | | 3.74% | | | 3.84% | | | | |

| | | |
|---|---|---|
| Net yield on earning assets (1) | | |
| Net interest spread (2) | 3.62% | 3.71% |

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

**WILSON BANK HOLDING COMPANY**

Form 10-K

December 31, 2014

II. Investment Portfolio:

A. Investment securities at December 31, 2014 consist of the following:

| | **Securities Held-To-Maturity** *(In Thousands)* | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| Mortgage-backed: | | | | |
| U.S. Government-sponsored enterprises (GSEs) residential | $ 7,398 | 76 | 147 | 7,327 |
| Obligations of states and political subdivisions | 20,725 | 389 | 41 | 21,073 |
| | $ 28,123 | 465 | 188 | 28,400 |

| | **Securities Available-For-Sale** *(In Thousands)* | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| U.S. Government-sponsored enterprises (GSEs) | $ 131,767 | 129 | 1,329 | 130,567 |
| Mortgage-backed: | | | | |
| GSE residential | 170,802 | 731 | 464 | 171,069 |
| Asset-backed: | | | | |
| SBAP | 30,627 | 98 | 205 | 30,520 |
| Obligations of states and political subdivisions | 14,324 | 98 | 158 | 14,264 |
| | $ 347,520 | 1,056 | 2,156 | 346,420 |

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

II. Investment Portfolio, Continued

A. Continued:

Investment securities at December 31, 2013 consist of the following:

| | Securities Held-To-Maturity (In Thousands) | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| Mortgage-backed: | | | | |
| U.S. Government-sponsored enterprises (GSEs) residential | $ 8,649 | 73 | 520 | 8,202 |
| Obligations of states and political subdivisions | 18,174 | 424 | 239 | 18,359 |
| | $ 26,823 | 497 | 759 | 26,561 |

| | Securities Available-For-Sale (In Thousands) | | | |
|---|---|---|---|---|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| U.S. Government-sponsored enterprises (GSEs) | $ 141,968 | 10 | 5,892 | 136,086 |
| Mortgage-backed: | | | | |
| GSE residential | 175,855 | 808 | 1,481 | 175,182 |
| Asset-backed: | | | | |
| SBAP | 4,801 | | 69 | 4,732 |
| Obligations of states and political subdivisions | 13,711 | 71 | 409 | 13,373 |
| | $ 336,335 | 889 | 7,851 | 329,373 |

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

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: | | | | |
| U.S. 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 |

**WILSON BANK HOLDING COMPANY**

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II. Investment Portfolio, Continued:

B. The following schedule details the contractual maturities and weighted average yields of investment securities of the Company. Actual maturities may differ from contractual maturities of mortgage-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, 2014:

| Held-To-Maturity Securities | Amortized Cost | Estimated Market Value | Weighted Average Yields |
|---|---|---|---|
| | *(In Thousands, Except Yields)* | | |
| Mortgage-backed: | | | |
| GSEs residential | $ 7,398 | 7,327 | 2.27% |
| Obligations of states and political subdivisions*: | | | |
| Less than one year | 3,131 | 3,179 | 4.32 |
| One to three years | 2,872 | 2,978 | 4.34 |
| Three to five years | 7,216 | 7,347 | 2.31 |
| Five to ten years | 3,202 | 3,241 | 2.99 |
| More than ten years | 4,304 | 4,328 | 3.15 |
| Total obligations of states and political subdivisions | 20,725 | 21,073 | 3.17 |
| Total held-to-maturity securities | $ 28,123 | 28,400 | 2.94% |

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

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

II. Investment Portfolio, Continued:

B. Continued:

| Available-For-Sale Securities | Amortized Cost | Estimated Market Value | Weighted Average Yields |
|---|---|---|---|
| | *(In Thousands, Except Yields)* | | |
| Mortgage and asset-backed securities | $ 201,429 | 201,589 | 2.05% |
| U.S. Government-sponsored enterprises (GSEs): | | | |
| Less than one year | 2,001 | 2,002 | .32 |
| One to three years | 4,476 | 4,466 | 1.27 |
| Three to five years | 48,531 | 48,111 | 1.46 |
| Five to ten years | 76,759 | 75,988 | 1.99 |
| More than ten years | | | |
| Total U.S. Government-sponsored enterprises (GSEs) | 131,767 | 130,567 | 1.75 |
| Obligations of states and political subdivisions*: | | | |
| Less than one year | 350 | 352 | 5.95 |
| One to three years | | | |
| Three to five years | 2,654 | 2,706 | 2.66 |
| Five to ten years | 10,639 | 10,526 | 2.95 |
| More than ten years | 681 | 680 | 3.64 |
| Total obligations of states and political subdivisions | 14,324 | 14,264 | 3.00 |
| Total available-for-sale securities | $ 347,520 | 346,420 | 1.97% |

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

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

III. Loan Portfolio:

A. Loan Types

The following schedule details the loans of the Company at December 31, 2014, 2013, 2012, 2011 and 2010:

| | *In Thousands* | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Commercial, financial and agricultural | $ 42,200 | 34,834 | 35,521 | 48,080 | 66,107 |
| Real estate construction | 245,830 | 194,426 | 190,356 | 166,460 | 176,842 |
| Real estate mortgage | 1,027,723 | 940,077 | 902,930 | 866,060 | 797,932 |
| Installment | 41,025 | 41,118 | 41,713 | 44,689 | 55,734 |
| Total loans | 1,356,778 | 1,210,455 | 1,170,520 | 1,125,289 | 1,096,615 |
| Deferred loan fees | (4,341) | (3,253) | (2,912) | (2,031) | (1,347) |
| Total loans, net of deferred fees | 1,352,437 | 1,207,202 | 1,167,608 | 1,123,258 | 1,095,268 |
| Less allowance for loan losses | (22,572) | (22,935) | (25,497) | (24,525) | (22,177) |
| Net loans | $ 1,329,865 | 1,184,267 | 1,142,111 | 1,098,733 | 1,073,091 |

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

III. Loan Portfolio, Continued:

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies our fixed and variable rate loans at December 31, 2014 according to contractual maturities of: (1) one year or less, (2) after one year through five years, and (3) after five years. The table also classifies our variable rate loans pursuant to the contractual repricing dates of the underlying loans (dollars in thousands):

| | Amounts at December 31, 2014 | | | |
|---|---|---|---|---|
| | Fixed Rates | Variable Rates | Totals | At December 31, 2014 |
| Based on contractual maturity: | | | | |
| Due within one year | $ 201,791 | 42,475 | 244,266 | 18.00% |
| Due in one year to five years | 196,319 | 93,532 | 289,851 | 21.36 |
| Due after five years | 95,194 | 727,467 | 822,661 | 60.64 |
| Totals | $ 493,304 | 863,474 | 1,356,778 | 100.0% |
| Based on contractual repricing dates: | | | | |
| Daily floating rate | $ | 123,771 | 123,771 | 9.13% |
| Due within one year | 201,791 | 192,006 | 393,797 | 29.02 |
| Due in one year to five years | 196,319 | 412,487 | 608,806 | 44.87 |
| Due after five years | 95,194 | 135,210 | 230,404 | 16.98 |
| Totals | $ 493,304 | 863,474 | 1,356,778 | 100.0% |

The following table represents the contractual maturities of the loan portfolio as of December 31, 2014 (dollars in thousands):

| | Due Within One Year | Due in One to Five Years | Due After Five Years | Total |
|---|---|---|---|---|
| Commercial, financial and agricultural | $ 14,580 | 11,665 | 15,955 | 42,200 |
| Real estate construction | 117,412 | 83,378 | 45,040 | 245,830 |
| Real estate mortgage | 96,074 | 170,999 | 760,650 | 1,027,723 |

| | | | | |
|---|---|---|---|---|
| Installment | 16,200 | 23,809 | 1,016 | 41,025 |
| | $ 244,266 | 289,851 | 822,661 | 1,356,778 |

**WILSON BANK HOLDING COMPANY**

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December 31, 2014

III. Loan Portfolio, Continued:

C. Risk Elements

The following schedule details selected information as to non-performing loans of the Company at December 31, 2014, 2013, 2012, 2011 and 2010:

| | In Thousands, Except Percentages | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Non-accrual loans: | | | | | |
| Commercial, financial and agricultural | $ | | | 35 | 490 |
| Real estate construction | | 3,524 | 9,626 | 14,378 | 7,850 |
| Real estate mortgage | 616 | 2,053 | 7,229 | 10,552 | 13,821 |
| Installment | | | | | |
| Total non-accrual | $ 616 | 5,577 | 16,855 | 24,965 | 22,161 |
| Loans 90 days past due still accruing: | | | | | |
| Commercial, financial and agricultural | $ 6 | 285 | 54 | 158 | 10 |
| Real estate construction | 73 | 271 | 24 | 95 | 178 |
| Real estate mortgage | 1,424 | 1,550 | 736 | 5,339 | 2,280 |
| Installment | 38 | 27 | 105 | 78 | 100 |
| Total loans 90 days past due still accruing | $ 1,541 | 2,133 | 919 | 5,670 | 2,568 |
| Total non-performing loans | $ 2,157 | 7,710 | 17,774 | 30,635 | 24,729 |
| Total loans, net of deferred fees | $ 1,352,437 | 1,207,202 | 1,167,608 | 1,123,258 | 1,095,268 |
| Percentage of total non- performing loans to total loans outstanding, net of deferred fees | .16% | .64 | 1.52 | 2.73 | 2.26 |
| Other real estate | $ 7,298 | 12,869 | 15,307 | 19,117 | 13,741 |

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III. Loan Portfolio, Continued:

C. Risk Elements, Continued:

The accrual of interest income is discontinued when it is determined that collection of interest is less than probable or the collection of any amount of principal is doubtful. The decision to place a loan on a non-accrual status is based on an evaluation of the borrower s financial condition, collateral liquidation value, economic and business conditions and other factors that affect the borrower s ability to pay. At the time a loan is placed on a non-accrual status, the accrued but unpaid interest is also evaluated as to collectability. If collectability is doubtful, the unpaid interest is charged off. Thereafter, interest on non-accrual loans is recognized only as received. Non-accrual loans totaled $616,000 at December 31, 2014, $5,577,000 at December 31, 2013, $16,855,000 at December 31, 2012, $24,965,000 at December 31, 2011 and $22,161,000 at December 31, 2010. Gross interest income on non-accrual loans that would have been recorded for the year ended December 31, 2014 if the loans had been current totaled $39,000 compared to $296,000 in 2013, $775,000 in 2012, $875,000 in 2011 and $1,836,000 in 2010. The amount of interest and fee income recognized on total loans during 2014 totaled $66,685,000 as compared to $66,177,000 in 2013, as compared to $66,080,000 in 2012, $66,031,000 in 2011 and $67,356,000 in 2010.

At December 31, 2014, loans, which include the above, totaling $35,808,000 were included in the Company s internal classified loan list. Of these loans $35,524,000 are real estate and $284,000 are various other types of loans. The value collateralizing these loans is estimated by management to be approximately $65,300,000 ($65,006,000 related to real property securing real estate loans and $294,000 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, 2014, real estate construction and mortgage loans made up 18.18% and 75.94%, respectively, of the Company s loan portfolio.

At December 31, 2014 and 2013, other real estate totaled $7,298,000 and $12,869,000, 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, 2014 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, 2014, 2013, 2012, 2011 and 2010 and the years then ended.

| | *In Thousands, Except Percentages* | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| Allowance for loan losses at beginning of period | $ 22,935 | 25,497 | 24,525 | 22,177 | 16,647 |
| Less: net of loan charge-offs: | | | | | |
| Charge-offs: | | | | | |
| Commercial, financial and agricultural | (37) | (150) | (454) | (517) | (253) |
| Real estate construction | (7) | (1,470) | (2,226) | (1,681) | (3,791) |
| Real estate mortgage | (1,436) | (3,247) | (6,066) | (4,103) | (4,913) |
| Installment | (387) | (380) | (412) | (461) | (719) |
| | (1,867) | (5,247) | (9,158) | (6,762) | (9,676) |
| Recoveries: | | | | | |
| Commercial, financial and agricultural | 464 | 38 | 71 | 22 | 111 |
| Real estate construction | 324 | 179 | 174 | 67 | 30 |
| Real estate mortgage | 84 | 123 | 169 | 106 | 40 |
| Installment | 134 | 168 | 188 | 237 | 191 |
| | 1,006 | 508 | 602 | 432 | 372 |
| Net loan charge-offs | (861) | (4,739) | (8,556) | (6,330) | (9,304) |
| Provision for loan losses charged to expense | 498 | 2,177 | 9,528 | 8,678 | 14,834 |
| Allowance for loan losses at end of period | $ 22,572 | 22,935 | 25,497 | 24,525 | 22,177 |
| Total loans, net of deferred fees, at end of year | $ 1,352,437 | 1,207,202 | 1,167,608 | 1,123,258 | 1,095,268 |
| Average total loans out- standing, net of deferred fees, during year | $ 1,261,131 | 1,205,296 | 1,138,525 | 1,108,335 | 1,093,343 |
| Net charge-offs as a percentage of average total loans outstanding, net of deferred fees, during year | 0.07% | 0.39 | 0.75 | 0.57 | 0.85 |

| | | | | | |
|---|---|---|---|---|---|
| Ending allowance for loan losses as a percentage of total loans outstanding net of deferred fees, at end of year | 1.67% | 1.90 | 2.18 | 2.18 | 2.02 |

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IV. Summary of Loan Loss Experience, Continued:

The allowance for loan losses is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible. The provision for loan losses charged to operating expense is based on past loan loss experience and other factors which, in management s judgment, deserve current recognition in estimating possible loan losses. Such other factors considered by management include growth and composition of the loan portfolio, review of specific 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, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | In Thousands | Percent of Loans In Each Category To Total Loans | In Thousands | Percent of Loans In Each Category To Total Loans |
| Commercial, financial and agricultural | $ 178 | 3.1% | $ 402 | 2.9% |
| Real estate construction | 5,578 | 18.1 | 5,159 | 16.1 |
| Real estate mortgage | 16,492 | 75.8 | 17,053 | 77.6 |
| Installment | 324 | 3.0 | 321 | 3.4 |
| | $ 22,572 | 100.0% | $ 22,935 | 100.0% |

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | In Thousands | Percent of Loans In Each Category To Total Loans | In Thousands | Percent of Loans In Each Category To Total Loans |
| Commercial, financial and agricultural | $ 397 | 3.0% | $ 1,328 | 4.3% |
| Real estate construction | 7,191 | 16.3 | 6,223 | 14.8 |
| Real estate mortgage | 17,515 | 77.1 | 16,518 | 77.0 |
| Installment | 394 | 3.6 | 456 | 3.9 |

| | | | | |
|---|---|---|---|---|
| | $ 25,497 | 100.0% | $ 24,525 | 100.0% |

| | December 31, 2010 | |
|---|---|---|
| | In Thousands | Percent of Loans In Each Category To Total Loans |
| Commercial, financial and agricultural | $ 1,230 | 6.0% |
| Real estate construction | 5,558 | 16.1 |
| Real estate mortgage | 14,502 | 72.8 |
| Installment | 887 | 5.1 |
| | $ 22,177 | 100.0% |

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V. Deposits:

The average amounts and average interest rates for deposits for 2014, 2013 and 2012 are detailed in the following schedule:

| | 2014 | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| | Average Balance *In Thousands* | Average Rate | Average Balance *In Thousands* | Average Rate | Average Balance *In Thousands* | Average Rate |
| Non-interest bearing deposits | $ 146,473 | % | $ 131,427 | % | $ 118,573 | % |
| Negotiable order of withdrawal accounts | 349,375 | .45% | 311,466 | .51% | 274,248 | .71% |
| Money market demand accounts | 439,867 | .42% | 369,769 | .50% | 319,920 | .61% |
| Individual retirement accounts | 93,687 | 1.12% | 98,006 | 1.28% | 99,211 | 1.71% |
| Other savings | 99,753 | .54% | 95,226 | .59% | 96,806 | .77% |
| Certificates of deposit $100,000 and over | 242,838 | 1.06% | 254,568 | 1.16% | 263,603 | 1.51% |
| Certificates of deposit under $100,000 | 231,472 | .94% | 250,440 | 1.05% | 273,221 | 1.36% |
| | $ 1,603,465 | .61% | $ 1,510,902 | .72% | $ 1,445,582 | .97% |

The following schedule details the maturities of certificates of deposit and individual retirement accounts of $100,000 and over at December 31, 2014:

| | *In Thousands* | | |
|---|---|---|---|
| | Certificates of Deposit | Individual Retirement Accounts | Total |
| Less than three months | $ 44,892 | 8,445 | 53,337 |
| Three to six months | 29,091 | 6,680 | 35,771 |
| Six to twelve months | 42,646 | 7,560 | 50,206 |
| More than twelve months | 113,080 | 17,905 | 130,985 |
| | $ 229,709 | 40,590 | 270,299 |

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VI. Return on Equity and Assets:

The following schedule details selected key ratios of the Company at December 31, 2014, 2013 and 2012:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Return on assets<br>(Net income divided by average total assets) | 1.15% | .93% | .75% |
| Return on equity<br>(Net income divided by average equity) | 10.95% | 9.20% | 7.49% |
| Dividend payout ratio<br>(Dividends declared per share divided by net income per share) | 21.82% | 28.30% | 51.52% |
| Equity to asset ratio<br>(Average equity divided by average total assets) | 10.50% | 10.13% | 10.00% |
| Leverage capital ratio<br>(Equity divided by fourth quarter average total assets, excluding the net unrealized gain (loss) on available-for-sale securities and including minority interest) | 10.59% | 10.27% | 9.79% |

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, 2014 excluding the net unrealized loss on available-for-sale securities which is shown as a deduction in stockholders equity in the consolidated financial statements:

| | *In Thousands* |
|---|---|
| Tier I capital: | |
| Stockholders equity, excluding the net unrealized loss on available-for-sale securities, intangible assets and goodwill | $ 196,765 |
| Total capital: | |
| Allowable allowance for loan losses | 18,014 |
| Total capital | $ 214,779 |
| Risk-weighted assets | $ 1,436,235 |
| Risk-based capital ratios: | |
| Tier I capital ratio | 13.70% |
| Total risk-based capital ratio | 14.95% |

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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, 2014, the Company and the Bank were in compliance with these requirements.

The following schedule details the Company s interest rate sensitivity at December 31, 2014:

| | | Repricing Within | | | | |
|---|---|---|---|---|---|---|
| *(In Thousands)* | Total | 0-30 Days | 31-90 Days | 91-180 Days | 181-365 Days | Over 1 Year |
| Earning assets: | | | | | | |
| Loans, net of deferred fees | $ 1,352,437 | 164,405 | 64,700 | 81,243 | 202,879 | 839,210 |
| Securities | 374,543 | | 473 | 1,546 | 3,466 | 369,058 |
| Loans held for sale | 9,466 | 9,466 | | | | |
| Federal funds sold | 16,005 | 16,005 | | | | |
| Restricted equity securities | 3,012 | 3,012 | | | | |
| Total earning assets | 1,755,463 | 192,888 | 65,173 | 82,789 | 206,345 | 1,208,268 |
| Interest-bearing liabilities: | | | | | | |