

WILSON
BANK HOLDING CO.

Connected

to our customers, our community and to each other



2023
YEAR IN REVIEW

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AND MORE

Wilson Bank & Trust remains focused on serving our communities. We're local. We're independent. The people who make decisions and help you at the window are your neighbors and friends. As your local, independent bank, Wilson Bank & Trust takes a personal approach to business by providing customized banking solutions while staying committed to helping our communities prosper.



by the numbers

Wilson Bank Holding Company is a bank holding company whose primary business is conducted by its wholly-owned subsidiary, Wilson Bank & Trust (the "Bank"). The Bank is a commercial bank headquartered in Lebanon, Tennessee. The Bank provides a full range of banking services in its primary market areas of Wilson, Davidson, Rutherford, Trousdale, Sumner, DeKalb, Smith, Williamson, Putnam and Hamilton counties, Tennessee.

30 locations | 610 employees | 10 counties

Connected

2023 ANNUAL REPORT



On the Cover

In celebration of Lisa Pominski's retirement as CFO of Wilson Bank & Trust, a beacon for women in finance, showcasing determination and leadership for 37 years. This year's cover is dedicated to Lisa and her unwavering dedication to WBT.



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To Our Shareholders

I am delighted to present Wilson Bank & Trust's 2023 annual report, reflecting a year of notable achievements and unwavering commitment to our core values. Reliability is more important than ever and is encapsulated in the promise we've upheld since our establishment in 1987. In a world where banking experiences often lack trust and understanding, we pride ourselves on being a local fixture dedicated to offering tailored solutions for first-time businesses and homebuyers alike. Our commitment to our customers extends beyond transactions and we believe it's what continues to set us apart as an independent, community-focused bank.

2023 By the Numbers

\$4.8B

Total Assets

12.47%

Return on Average Equity

14.03%

Increase in Net Loans

\$429M

Shareholder's Equity

In 2023, we achieved significant milestones, including the opening of our 30th location in Brentwood, and the strong start to our loan production office in Chattanooga. Our bank-wide customer satisfaction consistently soared to an average of 93%, a testament to the dedication of our more than 600 employees across ten Tennessee counties.

We are honored to be recognized by Bank Director, ranking 15th among the top 25 banks nationwide and 5th in the \$1-5 billion asset category. This recognition

measures bank performance, emphasizing metrics such as return on average equity, return on average assets, tangible common equity ratio, nonperforming assets, and total shareholder return.

**RANKED #5 TOP BANK NATIONWIDE
IN THE \$1-5 BILLION ASSET CATEGORY
BY BANK DIRECTOR**

John Foster, left
and John McDearman



As CEO of our bank, I proudly affirm that the healthy foundation laid over the past 37 years serves as our unwavering strength. In times of economic uncertainty, our enduring stability stands as a testament to our resilience and commitment to being a financial institution built to last.

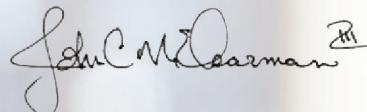
John McDearman

Our commitment extends beyond banking, as evidenced by our employee led “We Believe Together” initiative, where our employees volunteered time and resources to support more than 40 nonprofit organizations in 2023, donating a substantial amount to communities we serve. Additionally, we experienced notable growth, with more than a 10% increase in core deposits and market share expansion in nine out of ten counties. This success is not merely about banking; it’s about service, insight, dependability, and accessibility. Our employees, your neighbors and friends, understand your journey and are here to help.

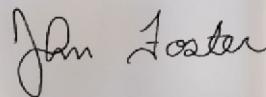
Consistent organic growth through deepening our relationships with current customers and attracting new customers across the state remains a key objective as we look to the future. In our continuous growth, we believe there is a great opportunity to grow both our deposits as well as our loans as we work to earn the full banking relationships of the small business and commercial customers in our market areas. As a company, we will continue to strive to look for new and better information to help our customers and improve our offerings. We continue to allocate resources to providing a great employee experience, including improved benefits, competitive pay and developing the knowledge and skills of our employees.

As we look ahead, our dedication to service remains unwavering. We express gratitude to our employees, whose growth and development are integral to our success. Together, we continue to navigate the financial landscape, providing a level of service that only our customers truly understand. Thank you for being part of our journey, and we look forward to another year of shared success.

Sincerely.



John C. McDearman, III
President/CEO
Wilson Bank Holding Company



John Foster
President
Wilson Bank & Trust

**RANKED #4 SMALL BUSINESSES LENDER IN GREATER NASHVILLE
WITH \$227 MILLION INVESTED (AS OF DECEMBER 2023)
PUBLISHED BY THE NASHVILLE BUSINESS JOURNAL)**



Leadership and Mentorship in Banking

Empowering the Future

In the world of finance, where the glass ceiling has often been a formidable barrier, Lisa Pominski's journey to Chief Financial Officer of Wilson Bank & Trust stands as a testament to the power of determination and leadership. Her unwavering commitment to the bank, her work ethic, and passion for her role have not only propelled her career but have also made her a guiding light for women looking to grow in their professions at Wilson Bank & Trust.

One of only a handful of original employees who started with Wilson Bank & Trust when it opened in 1987, Pominski held the Chief Financial Officer position for more than 22 years. She served in various accounting-related roles throughout her career ultimately leading to serving on the executive management team credited for growing WBT to be the fifth largest community bank headquartered in Tennessee. Her financial advisement has been a key component of the stability and value of the stock price since 1987.

Pominski's story is not just one of personal success but also a narrative of mentorship. Recognizing the importance of passing the torch, she invested time and knowledge into mentoring Kayla Hawkins, her

chosen successor. Over the twelve years they worked together, Pominski not only shared her extensive banking expertise but also the value of dedication, continuous learning and the importance of community involvement. The transition plan put in place by Wilson Bank & Trust's Board of Directors under the advisement of Pominski, naming Kayla Hawkins as her successor, is a shining example of collaborative organizational foresight.

"As I began to see her fantastic work ethic and servant heart, I knew that she would be the perfect replacement when I decided to retire. I have tried to guide her throughout the years and share all the banking knowledge I could so she would be the obvious person for the job.

I have no doubt that she and the management team will work diligently as they guide Wilson Bank Holding Company into the future."

Beyond her professional achievements, Pominski is an active contributor to her community and she is a longtime supporter of Relay for Life, the United Way, and the Empower Me Center.

As we celebrate the success of Lisa Pominski, we underscore the importance of mentorship and the impact women can make in traditionally male-dominated fields. Pominski's legacy lives on not just in the financial success of Wilson Bank & Trust but in the empowerment of future generations of women in banking.

Pominski's trajectory in banking not only exemplifies her own professional competence but also underscores the pivotal role of mentorship. Her commitment to guiding and uplifting aspiring professionals, especially women in the industry, speaks volumes about her leadership. As she aptly put it, "I wish I'd known earlier: That as a woman, I do not have to overcompensate because I am a woman."

Leadership In Finance

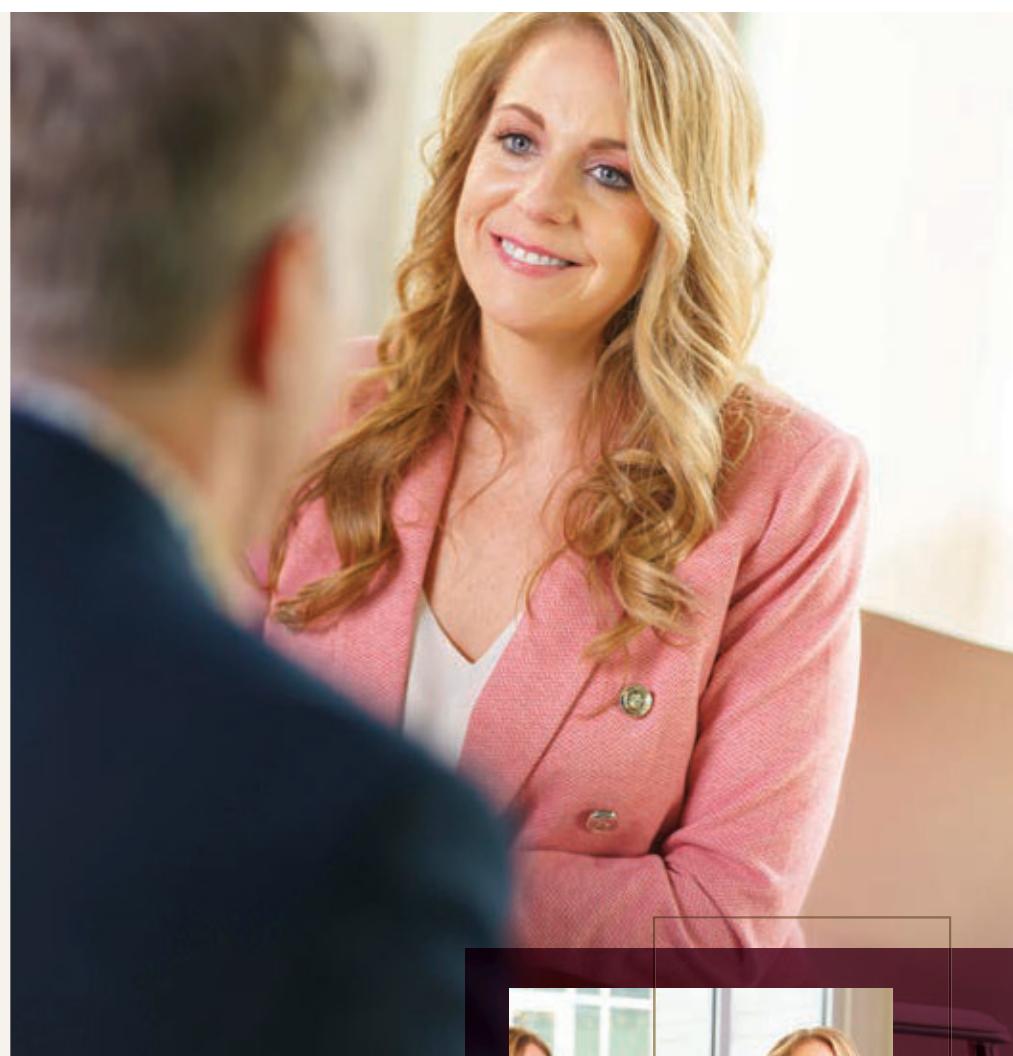
In the ever-evolving landscape of the financial sector, the appointment of Kayla Hawkins as the successor to Lisa Pominski at Wilson Bank & Trust marks not just a changing of the guard but a celebration of steadfast leadership and commitment.

With a career spanning over more than a decade at WBT, Hawkins has seamlessly ascended the ranks, demonstrating not only her acumen in financial services but also her unwavering dedication to the institution and the community it serves. As the new Executive Vice President and Chief Financial Officer, Hawkins steps into big shoes, but her journey so far indicates that she is more than prepared to carry the torch forward.

CEO John McDearman's enthusiastic endorsement of Hawkins speaks volumes about the confidence the leadership team places in her. His acknowledgment of her dedication, understanding of the banking industry, and passion for both her work and the community underlines the multifaceted leadership that Hawkins embodies.

Hawkins, a Lebanon native, brings a wealth of experience as she steps into her new role as CFO. Her tenure as Senior Vice President saw her actively involved in critical aspects of financial operations, from asset liability to managing the financial reporting and shareholder relations departments, she has continuously showcased her ability to navigate complex financial landscapes.

The educational journey that Hawkins undertook, culminating in an MBA and a Certified Public Accountant license which earned the highest score in the state of Tennessee

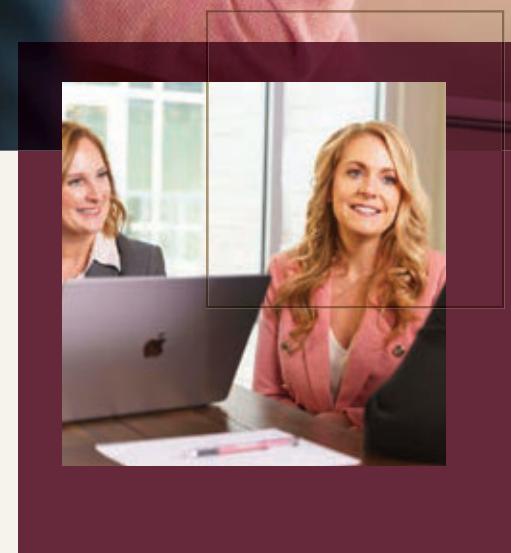


that year, her commitment to continuous learning and professional excellence provides a strong foundation for the responsibilities she now undertakes.

Hawkins' dedication to community service, particularly her involvement in supporting families impacted by cancer through the local nonprofit Sherry's Hope and Pregnancy Help Center underscores her commitment to making a positive impact beyond banking.

As she steps into the role of CFO, succeeding the accomplished Lisa Pominski, Hawkins expresses humility and excitement about the future. Her acknowledgment of Pominski's leadership, mentorship and the guidance of the board and executive team sets a tone of continuity and collaboration.

The leadership transition at Wilson Bank & Trust is not just a succession plan in action; it's a validation of the inclusive, forward-



thinking culture fostered by the institution. With Hawkins at the helm, one can anticipate a future marked by steady leadership, community engagement, and a continued legacy of excellence in banking leadership. The journey of Kayla Hawkins stands as a beacon, illuminating the path for aspiring leaders and affirming that true leadership transcends titles—it's about dedication, collaboration, and making a positive impact in every role undertaken.

Efficiency in Banking

In the dynamic world of banking, where precision and efficiency are paramount, Amelia Vance has emerged as a distinguished leader at Wilson Bank & Trust, showcasing her expertise in various key roles during her career with the bank. From her tenure as the former president of the secondary market mortgage division to her current position as Senior Vice President of Service and Support, Vance has consistently demonstrated a remarkable commitment to efficiency and excellence.

One of Vance's standout qualities is her "whatever it takes" attitude, a testament to her determination to overcome challenges. Her leadership style is solution-driven, focusing on enhancing operational processes to benefit both employees and customers. In her current role, she spearheads initiatives to streamline communications for customer account updates, and oversees the implementation of new methods

for conducting automatic payment transfers, all of which emphasize the importance of creating efficiencies to ensure customer satisfaction.

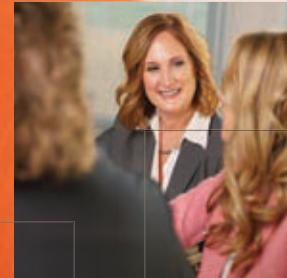
With years of experience spanning leadership roles in both retail and operations, Amelia Vance serves as a vital liaison between back-office functions and front-office interactions. Her comprehensive understanding of the complexities of banking operations makes her an invaluable asset, ensuring seamless coordination between reconciliation, transaction execution, and customer interactions.

What sets Amelia apart is her innate curiosity and commitment to understanding the "why" behind every decision. This approach positions her as a go-to resource within the organization, particularly when navigating the intricate operational landscape of the bank. Her inquisitive nature contributes to well-informed advisement and recommendations, showcasing her ability to lead with

both competence and insight.

Beyond her operational acumen, Amelia Vance is recognized for her investment in team members' professional development. She fosters a collaborative and empowering work environment, where she acts as a mentor and advocate. Vance's commitment to her staff extends beyond achieving immediate goals; she is dedicated to nurturing the growth and success of each team member.

Amelia Vance's journey at Wilson Bank & Trust is not just a narrative of incredible professional development; it's a story of a female leader who has redefined the norms, demonstrating that excellence knows no gender. As she continues to make significant contributions to the bank's success, Amelia stands as an inspiration for aspiring leaders, showcasing that a combination of resilience, curiosity, and a dedication to team growth can propel anyone to the summit of their career.



Navigating Risk

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n the dynamic landscape of finance, the role of a Chief Risk Officer (CRO) transcends mere responsibility; it embodies a commitment to transparent leadership and strategic risk management. At Wilson Bank & Trust, Rachel Fischer, the current CRO, stands as a beacon of excellence in navigating the intricacies of risk with foresight and resilience.

Looking back at the challenges of 2023, Fischer's team implemented proactive risk-management strategies that showcased the institution's ability to adapt swiftly. Confronting economic uncertainties, rising interest rates, and inflation, Wilson Bank & Trust demonstrated agility by heeding early warning indicators and implementing resourceful responses. Operational and compliance risks were met head-on, with Fischer orchestrating resource deployment and organizational restructuring.

As the institution sets its sights on 2024, Fischer and her team acknowledge potential threats such as political uncertainty, challenges in lending, and persistent cybersecurity issues. Their approach involves meticulous scenario planning, enhancing resilience capabilities, employee training, and fortified cybersecurity measures. Fischer's philosophy emphasizes prioritizing risks through careful evaluation of potential impacts and likelihoods, directing focus where mitigation is crucial while seizing opportunities.

Wilson Bank & Trust's commitment to a robust risk culture extends throughout the organization, fostering an environment built on collaboration, teamwork, and transparent communication. Fischer emphasizes that risk-informed decision-making is not limited to a select few but reaches every level of the institution.

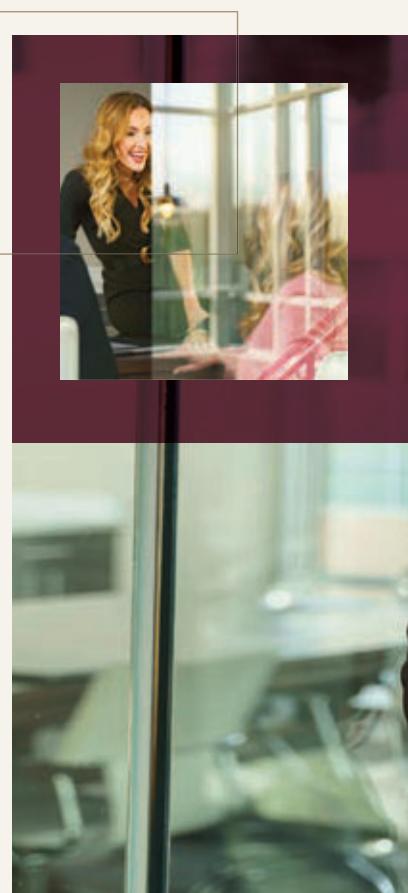
Fischer's educational background, including a Bachelor's degree in Chemistry and a Master's degree in Economics, coupled with

her Financial Risk Manager credentials from GARP, showcases her multidisciplinary approach to risk management. Fischer brings over a decade of risk management banking experience that includes reviewing statistical models to managing projects in data governance, cybersecurity, and enterprise risk management. Fischer's journey exemplifies a continuous pursuit of excellence.

Beyond her professional role, Fischer reflects on her journey, acknowledging the unique path that led her to become a CRO. Her experience of managing a household of five children under the age of six equipped her with the strength, creativity and fortitude essential for leading a risk management team.

Fischer's inquisitive nature and problem-solving skills, honed through her diverse career in banking risk management, have positioned her as a leader who questions assumptions and tackles complex issues head-on.

Rachel Fischer epitomizes the qualities essential for a Chief Risk Officer in today's fast-paced financial landscape. Her leadership at Wilson Bank & Trust reflects a dedication to transparency, collaboration, proactive problem-solving, and an unwavering focus on safeguarding the interests of all stakeholders. Fischer's journey of navigating the complexities of finance is a testament to her resilience, adaptability, and unwavering commitment to effective risk management.





Three Generations Banking With Trust

Living on the serene shores of Old Hickory Lake, the Bryson family graciously opened their home to capture the essence of their shared experiences with WBT. The featured photos, taken at their residence, reflect the warmth and genuine connection that define their relationship with the bank.

A Legacy of Commitment and Community: The Bryson Family

In the heart of Lebanon, Tennessee, the Bryson family stands as a testament to the enduring spirit of community, loyalty, and shared values. Three generations of shareholders, led by the patriarch and matriarch, Bill and Joan Bryson, have woven a rich tapestry of connection with Wilson Bank & Trust that spans over three decades.

Married for fifty-four years, Bill and Joan Bryson have nurtured a family deeply rooted in the values of community engagement and financial responsibility. Their adult children, Matt and Marti Bryson-Leftwich, carry forward this legacy, residing in Lebanon, Tennessee, and Fairhope, Alabama, respectively.

Following graduation from Middle Tennessee State University, Matt Bryson along with wife BJ Bell and their daughters Ella Jeanne age 13 and Edith Ann age 8, own and operate Absolute Kubota, a thriving local business since 2014. As their business evolved over the years, they have become cherished customers and friends of WBT. Each year, Absolute Kubota generously lends tractors and utility vehicles for the bank's two signature events, Oktoberfest and the Southern Home and Garden Expo, exemplifying Matt's family's commitment to both business and community. Marti Bryson-Leftwich, after graduating from Belmont University as a registered nurse, became a travel nurse for several years before settling in Mobile, Alabama. Eventually, marrying her childhood friend, Jim Leftwich, they have 3 children: Lena age 8, June age 6 and Lofton, age 3.

Living on the serene shores of Old Hickory Lake, the Bryson family graciously opened their home to capture the essence of their shared experiences with WBT. The featured photos, taken at their residence, reflect the warmth and genuine connection that define their relationship with the bank, further solidifying a family-like approach to customer relationships and service.

Beyond their business endeavors, the Bryson family is deeply involved in various local organizations, including the Wilson County Chamber of Commerce, the Blue Raider Athletic Association of Middle Tennessee State University, Maple Hill Church of Christ, Faith Lutheran and Fairhope United Methodist. Additionally, their longstanding support for Friendship Christian School, where both Bill and Joan taught during their careers and

Bill continues to serve as a board member for the school, underscores their commitment to education and building the future of community. The Brysons are invested in this school's legacy, as many family members attended over the years, and some of their youngest are enrolled today.

Bill Bryson, a CFP® (Certified Financial Planner), with Waypoint Financial Partners, LLC, a firm he helped start beginning in 1983, spent the initial twelve years of his career in the teaching profession. His dedication to education is evident through eight years teaching at Castle Heights Military Academy and four years at Friendship Christian School, both located in Lebanon, Tennessee. Likewise, Joan Bryson, after an extensive career of twenty-six years teaching at FCS, now works two days per week at Little Lights, a preschool program at Maple Hill.

66
Wilson Bank & Trust does community banking the way it should be done. Their focus and investment back into their communities is abundant and evident to all who are impacted.
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Bill Bryson

In praising WBT's organic growth and community-focused approach, Mr. Bryson emphasizes the importance of supporting the communities where one lives and works, being especially mindful of the concerns of the poor and needy, and those most often marginalized within any community. The best commentary on any community is how it treats its poor and those considered expendable.

As we reflect on the Bryson family's journey with WBT, it becomes clear that this story is not just one of financial transactions, but a narrative woven with threads of shared values, especially the shared commitment to making a positive difference through community impact. The Brysons and WBT have developed a relationship that transcends generations and continues to stand as a pillar of strength and inspiration in the local community.

Banking Beyond Borders:

Supporting Communities Locally and Globally with Agape to the Nations

Agape to the Nations, a remarkable organization dedicated to transforming the lives of vulnerable individuals across the globe, highlights our enduring priority to partner with this local Not-For-Profit organization. Founded by Charlie and Kinsley Smith, Agape to the Nations exemplifies the power of compassion, determination, and faith in action.

The Smiths' journey began in 2010 with mission trips to Haiti, where they witnessed firsthand the challenges faced by orphans aging out of care at 15, left to navigate life on their own. This pivotal moment spurred Kinsley and husband Charlie to action, leading to the creation of Agape to the Nations. With just \$20 and a resounding "yes" to their calling, they embarked on a journey that would change their and countless others' lives both abroad and here at home.

From humble beginnings in Haiti, Agape to the Nations has expanded its reach, establishing vital resources such as a medical clinic, school, transition homes, church and community farm. In Haiti alone, their impact is tangible, with a thriving school serving 94 students today and transition homes providing older youths with opportunities for continued education and skill development. The Smiths' commitment to serving vulnerable communities extends beyond borders.

Moreover, Agape to the Nations has embraced a holistic approach, integrating faith-based teachings with practical life and trade skills. The Stanley School of Miracles stands as a testament to their dedication, providing education to children who were previously excluded from traditional schooling.

Recognizing the need for broader outreach, Agape to the Nations has extended its mission to Uganda and the Dominican Republic, partnering with like-minded organizations to empower communities worldwide. Their



vision of equipping individuals to become godly citizens resonates deeply, inspiring hope and transformation wherever they go.

At Wilson Bank & Trust, we are proud to have been part of Agape to the Nations' journey since its inception. Through seamless banking services and unwavering support, we have witnessed their growth and impact firsthand. Our dedicated Sumner County team has forged a bond with the Smiths, embodying our commitment to personalized service and community engagement.

Furthermore, our Gallatin branch, led by Kim Starnes, shares a special connection with Agape to the Nations. As Kinsley's aunt, Kim's leadership underscores our shared values of family, compassion, and service. Together, we have rallied behind Agape to the Nations' local initiatives, from fundraising for Jonah's Journey to supporting Adopt a Widow and aiding cancer patients in the Sumner County area.

Joey's Flooring, a cherished customer of ours and a business venture of the Smith family, reaffirms our commitment to fostering lasting relationships and driving positive change. Joey's Flooring will celebrate 50 years of business in 2024, and continues to provide monetarily for the Smith family while they pour their hearts into Agape to the Nations.

As Agape to the Nations continues to empower individuals and communities worldwide, we are proud to stand alongside them as partners in progress. Together, we can create a brighter future for all.



Visit
agapetotheneations.com
to learn more.



\$499,368

total dollars deposited

64

participating schools

8,507

deposits made

3,284

school bank accounts



Committed to Local Communities

A Small Sampling of our Efforts to Serve

The communities where we live and work are the heartbeat of our business and we are committed to making a real difference in the lives of our neighbors. You will often find our name behind local sponsorships and donations, and our team members helping their neighbors through various charitable causes and local events.

We believe financial education is essential for everyone in all stages of life. That's why we support financial education in more than 60 Tennessee elementary schools through our School Bank program. Children elementary-aged through high school are able to learn important financial lessons directly from our bankers. Our local School Bankers visit elementary schools throughout middle Tennessee to accept deposits and help students open savings accounts through on-site bank windows. It's our goal to help teach financial literacy to these students so they can carry that momentum as they move through school and into adulthood.

In 2023, Wilson Bank & Trust showcased a remarkable commitment to community impact, directing a total of \$611,593 back into our various communities through combined sponsorships and donations. In addition, a significant focus on school and sport-related contributions were made amounting to \$163,815, emphasizing the bank's dedication to education and athletics within our local communities.

Beyond financial contributions, Wilson Bank & Trust actively engaged its team members in charitable causes, embodying a commitment to helping neighbors through various local events. The bank's recognition of the critical importance for financial education led to a strategic partnership with Banzai, an award-winning online education program designed for teachers, parents and financial institutions. This endeavor aims to equip individuals with the knowledge to successfully navigate the evolving financial landscape of today.

The "We Believe Together" initiative, originated as part of the bank's 35th Anniversary celebration in 2022, continued to make a meaningful impact in 2023. This annual initiative empowers employees to contribute to local nonprofits through team-led fundraising and volunteer efforts in addition to the company-led donations, illustrating the bank's collaborative and philanthropic culture. In 2023, our various departments and offices supported over 40 local nonprofit organizations with a cumulative donation of \$34,631, and more than 1,000 volunteer hours spread across our footprint. Wilson Bank & Trust continues to prioritize commitment to customers and communities reflecting a steadfast dedication to collaboration and achieving philanthropic goals as a unified team.



Scan the QR code or visit
for 24/7 access to our free
financial literacy library.

A Trusted Partner in Business Success Spanning Generations

Since 2005, the Throneberry family's journey with Wilson Bank & Trust has been one of shared vision, growth, and community impact. Based in Murfreesboro, the Throneberrys' banking relationship began with the financing of their Interstate Drive property in Nashville, and evolved into a testament to the enduring partnership between borrower and lender.

As the hotel property on Interstate Drive, formally known as the Stadium Inn, undergoes a significant transformation, slated to reopen as boutique hotel, Drift Nashville this Spring, Wilson Bank & Trust's continued involvement underscores its commitment to supporting the Throneberrys' long-term vision. Key figures at the bank like Westley James, Wes Taylor, and Andy Jakes have been instrumental in facilitating this journey, fostering a relationship built on trust and understanding.

The recent launch of our new Treasury Management solutions not only deepened the Throneberrys'

appreciation for Wilson Bank's service excellence, it created welcomed efficiencies for managing their business. With dedicated support from individuals like Kim Miller, their experience embodies the personalized attention and reliability that sets Wilson Bank & Trust apart from other financial institutions.

For the Throneberry family, banking with Wilson Bank extends beyond mere transactions; it's a multigenerational commitment rooted in shared values. With son Luke and daughters Sarah and Cathey actively involved in the family business, the ties run deep. Luke's presence on Wilson Bank & Trust's Community Council further solidifies their connection, reflecting a mutual dedication to community engagement and growth. Reminiscent of a time when more banks were integral to local events and gatherings, Tommy Throneberry made it a point to emphasize Wilson Bank & Trust's steadfast dedication to community involvement still today.

He stated that unlike many modern institutions today, Wilson Bank & Trust remains committed to upholding this tradition, actively participating in and supporting community initiatives.

Beyond banking, the Throneberrys' involvement with the bank spans various types of relationships, from real estate transactions to their investment as a shareholder. With a strategy mirroring their real estate approach – buy and hold – their investment in Wilson Bank & Trust's stock reflects a belief in its enduring value. As Tommy Throneberry aptly puts it, "You put your money where your heart is," encapsulating their unwavering trust in Wilson Bank & Trust's mission and impact.

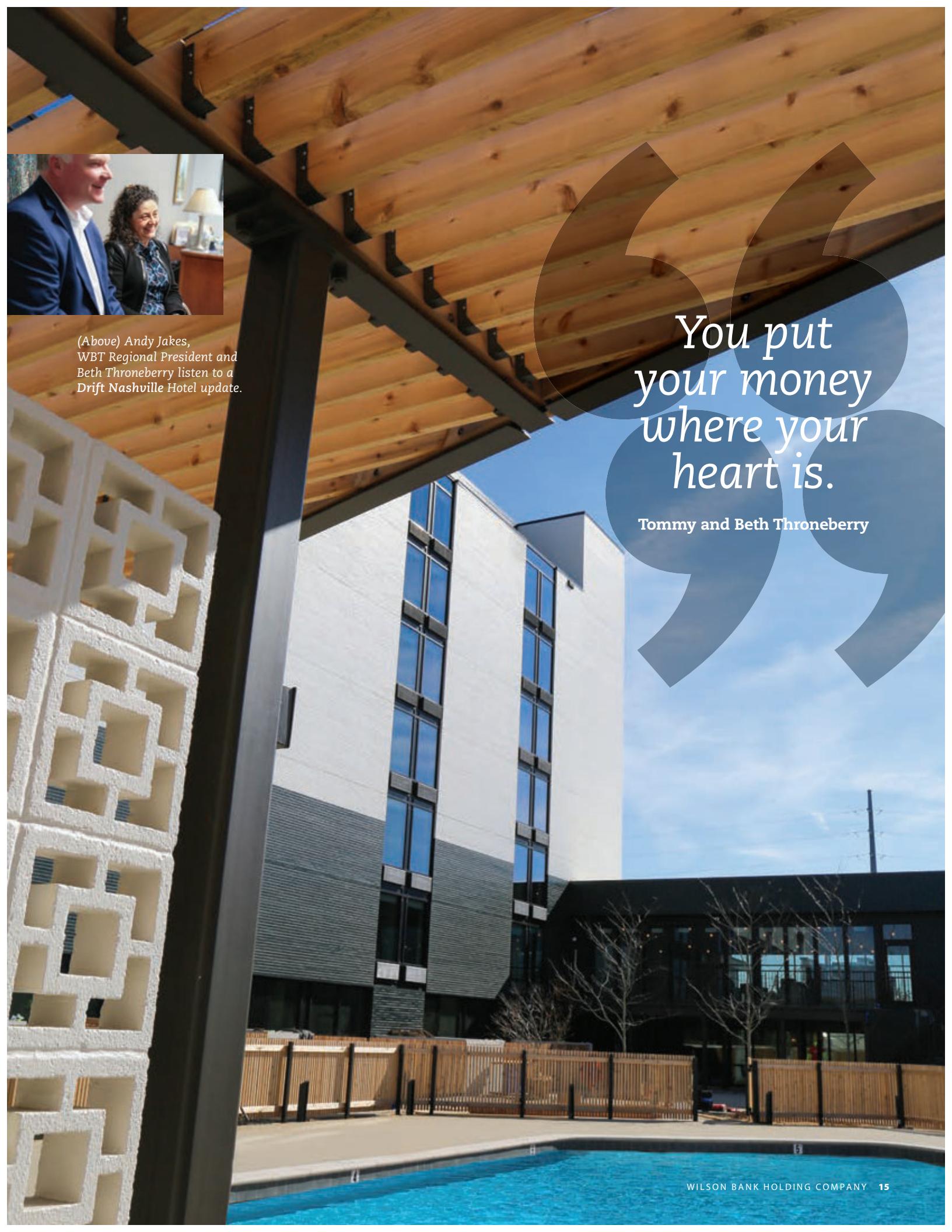
Reflecting on their journey, the Throneberry family stands as a testament to Wilson Bank & Trust's unwavering legacy of partnership and community stewardship. As they look ahead to the next chapter, their story serves as an inspiring example of generational success built on enduring relationships and shared values.



(above) The Throneberrys proudly display in their Murfreesboro office an original artifact from the Stadium Inn.

(LEFT) DRIFT NASHVILLE the city's newest boutique hotel to open in the Spring of 2024. (left to right) Luke, Tommy and Beth Throneberry review the recent site work on the luxurious project.





(Above) Andy Jakes, WBT Regional President and Beth Throneberry listen to a Drift Nashville Hotel update.

*You put
your money
where your
heart is.*

Tommy and Beth Throneberry



Furtesha Woods, Broker/Owner, NAREB - Region 7 Vice President (right) and **Brenda Harper**, Vice President, Division Director of Diverse Mortgage Lending



Building Dreams: A Friendship's Impactful Journey to Homeownership



In the bustling world of real estate, Brenda Harper and Furtesha Woods found more than just professional connection; they discovered a shared vision and a mission to address the urgent needs of specific populations in the Nashville housing market. Their friendship, rooted in genuine concern and a desire for change, blossomed into an impactful relationship and shared desire to make a positive impact on the landscape of homeownership for many.

Meeting during Furtesha's tenure as president of the Nashville NAREB chapter, Brenda, Division Director of Diverse Lending at Wilson Bank & Trust, and Furtesha realized the power of their united commitment to making a meaningful impact. Bonding over shared life experiences, they uncovered a deeper connection – a mutual determination to help borrowers find realistic solutions for owning a home in the Nashville area.

In a sellers' market, Furtesha sought ways to assist her clients with making homeownership a tangible reality. The duo, expecting a brief 30-minute meeting, found themselves engaged for hours, discovering their kindred spirits in the pursuit of creating positive change.

With Brenda's passion for fostering an inviting atmosphere in mortgage lending and the recognition of the hesitance among buyers, Wilson Bank & Trust embarked on the development of a unique solution – WBT Special Purpose Credit program.

Key elements of this groundbreaking program include a sincere acknowledgment of the challenges specific populations face in the real estate market. Through heartfelt conversations, Brenda and her lending team at Wilson Bank & Trust identified the community's needs, addressing the industry's shortcomings with an exceptional program.

Furtesha attests to the program's success in helping many of her clients achieve homeownership. For first-time

buyers, or those looking to build generational wealth, this initiative stands out as the best program available, reflecting the bank's commitment to creating a welcoming and trustworthy lending environment.

In the words of Furtesha Woods, "Lender and realtor relationships alike are critical regardless of the process." The success of Wilson Bank and Trust's Special Purpose Credit program is a testament to this truth. With a shared vision, Brenda Harper and Furtesha Woods have not only built a powerful friendship but a relationship that reflects their dedication to making homeownership dreams a reality for all.

We Live and Work in the communities we serve.

Community Development Team

Our Community Development initiative was created to make homeownership accessible and sustainable to designated areas in and around Metropolitan Nashville. Our dedicated Community Development team is here to listen, understand, and make buying a home an attainable dream.



Front row left to right: Michelle Willis, Moises Feliz, Brenda Harper. Back row left to right: Doug Gold, Julian Flournoy, Quentin Ware.

Growth in Williamson County

Wilson Bank & Trust's expansion into Williamson County has proven to be a strategic move, evident from the remarkable growth witnessed since the opening of its second location in April 2023. The Maryland Farms office hosted its Grand Opening April 27, 2023, marking the bank's 30th location, with events catering specifically to Teachers, First Responders, Realtors/Builders, and Healthcare Professionals in the area. Beyond mere expansion, Wilson Bank & Trust demonstrated a commitment to community engagement through its Giving Tuesday event during Maryland Farms' grand opening, supporting organizations like GraceWork, Habitat for Humanity, My Bag, My Story, Ancora Tennessee, and Bridges DVC.

The bank's dedication to extending our community impact efforts through contributions totaled \$59,403 towards local Williamson County sponsorships and donations, with an additional \$13,000 dedicated strictly toward area school and sports programs.

The impact of Wilson Bank & Trust's presence is reflected in the market growth statistics, with the Cool Springs area registering a notable 8% growth in account balances since the launch of our Maryland Farms location. Maryland Farms itself has experienced a staggering 28% increase to account balances since opening. Overall, the Williamson County market witnessed a commendable 62% overall balance sheet growth since April 2023, which we believe underscores the bank's thriving trajectory and solidifies its position as a cornerstone financial institution in the region.



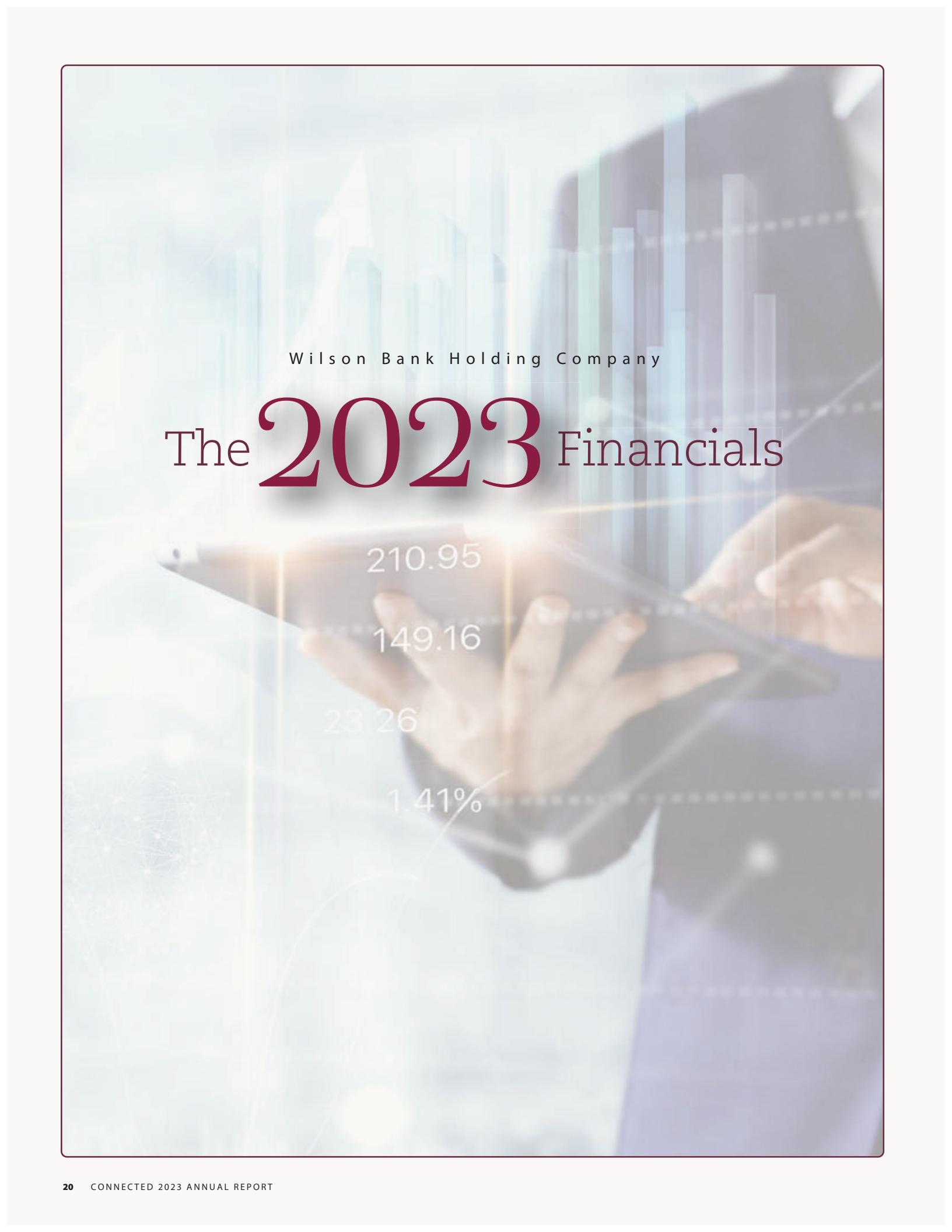
WBT Tagilgate Former Tennessee Titan and Community Council Member Chris Sanders visits with a customer at Maryland Farms location.

MARKET GROWTH STATISTICS:

- Cool Springs shows additional 8% increase in account balances since opening of Maryland Farms location.
- Maryland Farms experienced a 28% increase in account balances since its grand opening in April of 2023.
- 44% account growth across Williamson County market since April of 2023.
- 62% balance sheet growth across Williamson County Market since April 2023.



Our Williamson County Team (left to right)
Noah Potts, Yogi Chaudhuri, Kelly Berryman,
Dane Brunett and Terry White



Wilson Bank Holding Company

The 2023 Financials

210.95

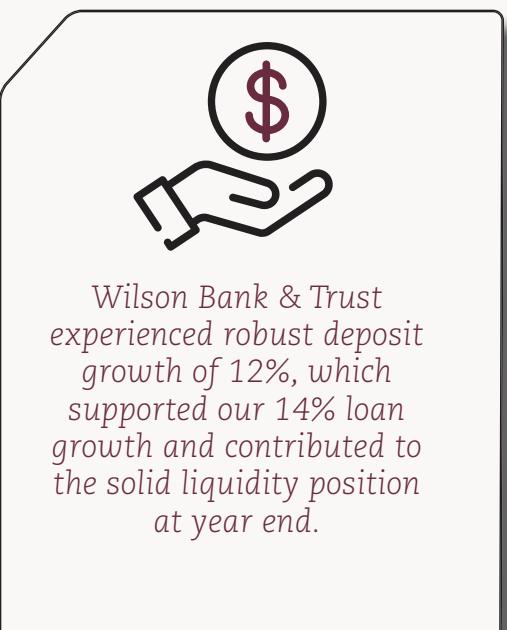
149.16

23.26

1.41%

Wilson Bank Holding Company Reports

STRONG BALANCE SHEET GROWTH DESPITE TURBULENT ECONOMIC ENVIRONMENT



Wilson Bank & Trust experienced robust deposit growth of 12%, which supported our 14% loan growth and contributed to the solid liquidity position at year end.

As we reflect on the past year, it is with great pride and gratitude that we celebrate the unwavering commitment and diligence of our finance department at Wilson Bank & Trust. Their dedication to maintaining the health of our balance sheet in the face of rapidly shifting economic conditions has been instrumental in safeguarding our institution's stability.



Lisa Pominski
FORMER CHIEF FINANCIAL OFFICER

Balance Sheet

Wilson Bank reported total assets of \$4.8 billion at December 31, 2023 compared to \$4.3 billion at December 31, 2022, an increase of \$560.8 million, or 13.1%.

Total deposits were \$4.4 billion at December 31, 2023 compared to \$3.9 billion at December 31, 2022, representing growth of \$474.4 million, or 12.2% during 2023. Deposit growth is primarily attributable to growth in market share which resulted in the opening of new deposit accounts and a targeted effort to increase customer time deposits. Our ability to raise deposits in an extremely competitive environment allowed us to continue to pursue our strategic objective of growing our loan portfolio and contributed to the improvement of our liquidity position.

At December 31, 2023 loans, net of allowance for credit losses, totaled \$3.6 billion, a \$436.9 million, or 14.0%, increase compared to December 31, 2022. This increase resulted from the continued population growth and corporate relocations in the Bank's primary market areas, the opening of new branches, and increased marketing efforts.

The allowance for credit losses increased to \$44.8 million in 2023 compared to \$39.8 million in 2022. The allowance for credit losses was 1.25% of outstanding loans at December 31, 2023 compared to 1.26% at December 31, 2022

Securities were \$811.1 million at December 31, 2023, a decrease of 1.4% from \$822.8 million at December 31, 2022. The decrease in securities was primarily due to the run-off of declining balance securities and the selling of securities, partially offset by the purchase of new securities at higher rates and an improvement in the unrealized losses associated with our available-for-sale securities portfolio.

Interest bearing deposits in other banks and federal funds sold, both key components of our liquidity position, totaled \$223.9 million at December 31, 2023, an increase of 183.4% from \$79.0 million at December 31, 2022.



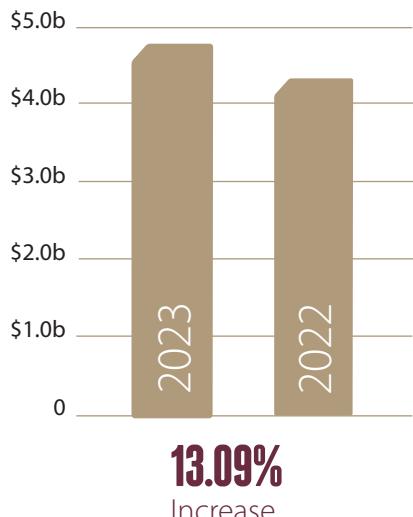
Kayla Hawkins

CHIEF FINANCIAL OFFICER

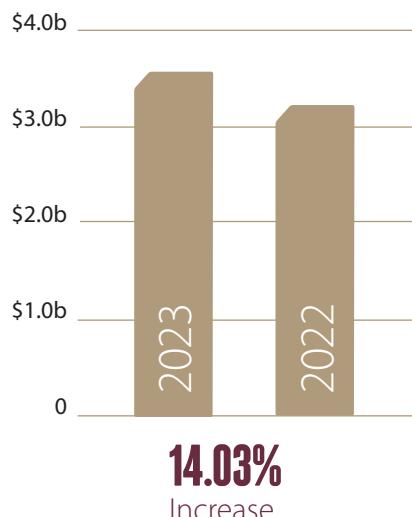
As the CFO of WBT, my team and I strive on a daily basis to live out the Bank's core values which are customer focus, community centric, faith, integrity, teamwork and success.

One of the many ways we measure success is through financial performance and managing the balance sheet in a way that provides stability to our shareholders, even in a time when the overall economic environment is unstable. 2023 was an exceptional year of growth and balance sheet management as the bank reported a solid increase in loans and deposits while maintaining outstanding credit quality and a strong liquidity position.

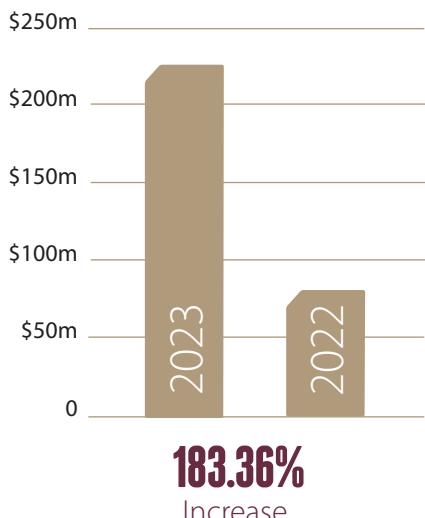
TOTAL ASSETS



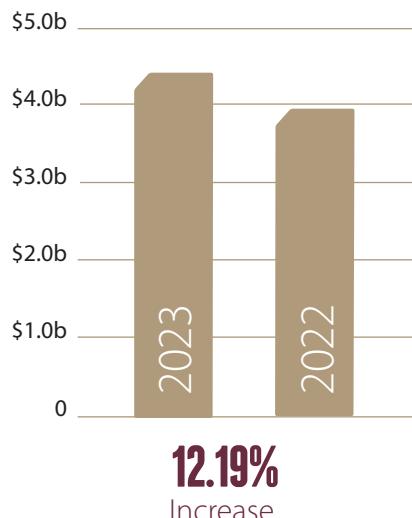
TOTAL LOANS, NET OF ALLOWANCE FOR CREDIT LOSSES



TOTAL INTEREST BEARING DEPOSITS IN OTHER BANKS AND FEDERAL FUNDS SOLD



TOTAL DEPOSITS



14.5%

Total Capital to Risk
Weighted Assets

8.86%

Equity to
Assets

12.47%

Return on
Average Equity

Capital

Shareholders' equity totaled \$429.4 million at December 31, 2023 compared to \$360.5 million at December 31, 2022, an increase of \$69.0 million or 19.1%. Return on average shareholder's equity for 2023 was 12.47%, total capital to risk weighted assets was 14.5%, and the equity to assets ratio was 8.86%.

**\$429.4
MILLION**

Shareholder's Equity

Statement of Earnings

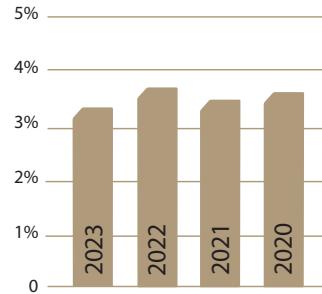
Interest income was \$222.6 million in 2023 compared to \$157.5 million in 2022. The increase in interest income was due to both the growth in loans and the rising rate environment. Interest expense was \$83.7 million in 2023 compared to \$16.1 million in 2022. The increase in interest expense in 2023 is due to a significant increase in the rates paid on deposits to maintain adequate liquidity given the competitive pressures in our markets and the elevated interest rate environment. Since interest expense increased more than interest income, net interest income decreased \$2.5 million. Likewise, net interest margin also decreased from 3.70% in 2022 to 3.30% in 2023.

The 2023 provision for credit losses on loans was \$6,300,000, a decrease of \$2,356,000 from the provision in 2022. The decrease in the provision in 2023 was attributable to a decrease in the volume of loans originated during the period.

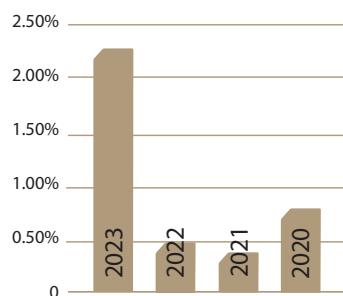
Non-interest income for the twelve months ended December 31, 2023 was \$28.3 million compared to \$27.3 million for the same period in 2022. Included in this increase is an increase in service charges on deposit accounts resulting from an increase in the number of customers. Brokerage income primarily increased due to a strong fourth quarter driven by multiple client acquisitions and an increase of overall market share in our market areas as well as the positive performance of financial markets. BOLI and annuity earnings primarily increased due to the increase in rates in the market. These increases were offset in part by a decrease in fees and gains on the sale of mortgage loans due to the higher interest rate environment which contributed to weakened demand for purchase money mortgage loans and refinancing transactions.

Wilson Bank reported net income of \$48.9 million for the year ended December 31, 2023 compared to \$53.0 million for the same period in 2022. Diluted earnings per share for the twelve month period ended December 31, 2023 was \$4.20 compared to \$4.65 for the same period in 2022.

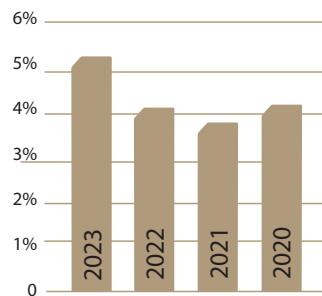
NET INTEREST MARGIN



AVERAGE COST OF FUNDS



YIELD ON EARNING ASSETS



Consolidated Balance Sheets

WILSON BANK HOLDING COMPANY

ASSETS

	Dollars in Thousands	
	2023	2022
Loans, net of allowance for credit losses of \$44,848 and \$39,813, respectively	\$ 3,550,675	\$ 3,113,796
Available-for-sale securities, at market (amortized cost \$930,439 and \$972,315, respectively)	811,081	822,812
Loans held for sale	2,294	3,355
Interest bearing deposits	213,701	78,694
Federal funds sold	10,159	308
Restricted equity securities, at cost	3,436	4,357
Total earning assets	\$ 4,591,346	\$ 4,023,322
Cash and due from banks	28,775	25,787
Premises and equipment, net	62,398	62,031
Accrued interest receivable	15,197	11,397
Deferred income taxes	45,473	51,323
Bank owned life insurance	59,645	58,007
Goodwill	4,805	4,805
Other assets	38,837	48,978
Total assets	\$ 4,846,476	\$ 4,285,650

LIABILITIES

		Dollars in Thousands	
		2023	2022

Deposits:

Noninterest-bearing	\$ 389,725	\$ 414,905
Interest bearing	3,977,381	3,477,800
Total deposits	4,367,106	3,892,705
Accrued interest and other liabilities	49,965	32,493
Total liabilities	\$ 4,417,071	\$ 3,925,198

SHAREHOLDERS' EQUITY

		Dollars in Thousands	
		2023	2022
Common stock, par value \$2.00 per share, authorized 50,000,000 shares, 11,686,363 and 11,472,181 shares issued and outstanding, respectively	\$ 23,373	\$ 22,944	
Additional paid-in capital	136,866	122,298	
Retained earnings	357,260	325,625	
Noncontrolling interest in consolidated subsidiary	69	15	
Accumulated other comprehensive losses, net of taxes of \$31,195 and \$39,073, respectively	(88,163)	(110,430)	
Total shareholders' equity	\$ 429,405	\$ 360,452	
Total liabilities and shareholders' equity	\$ 4,846,476	\$ 4,285,650	

Consolidated Statements of Earnings

WILSON BANK HOLDING COMPANY

INTEREST INCOME

	Dollars in Thousands (except per share data)		
	2023	2022	2021
Interest and fees on loans	\$ 198,739	\$ 138,161	\$ 118,676
Interest and dividends on securities:			
Taxable securities	17,597	15,902	8,922
Exempt from Federal income taxes	1,574	1,392	1,229
Interest on loans held for sale	244	264	438
Interest on Federal funds sold	421	111	13
Interest on interest bearing deposits	3,697	1,522	445
Interest and dividends on restricted equity securities	311	188	118
Total interest income	\$ 222,583	\$ 157,540	\$ 129,841

INTEREST EXPENSE

Interest on negotiable order of withdrawal accounts	\$ 5,847	\$ 2,546	\$ 1,866
Interest on money market accounts and other savings accounts	27,394	7,021	2,027
Interest on certificates of deposit and individual retirement accounts	50,341	6,486	7,610
Interest on Federal funds purchased	24	14	—
Interest on Federal Home Loan Bank advances	2	—	133
Interest on finance leases	71	66	—
Total interest expense	\$ 83,679	\$ 16,133	\$ 11,636
Net interest income before provision for credit losses	\$ 138,904	\$ 141,407	\$ 118,205
Provision for credit losses - loans	6,300	8,656	1,143
Provision for credit losses - off-balance sheet exposures	(2,989)	(1,014)	262
Net interest income after provision for credit losses	\$ 135,593	\$ 133,765	\$ 116,800

NON-INTEREST INCOME

	Dollars in Thousands (except per share data)		
	2023	2022	2021
Service charges on deposits	\$ 7,890	\$ 7,382	\$ 6,137
Brokerage income	7,184	6,929	6,368
Debit and credit card interchange income, net	8,490	8,416	7,783
Other fees and commissions	1,408	1,653	1,446
BOLI and annuity earnings	1,667	1,346	1,109
Gain (loss) on sale of securities, net	(1,009)	(1,620)	28
Fees and gains on sales of mortgage loans	2,635	2,973	9,997
Mortgage servicing income (loss), net	9	(28)	—
Loss on sale of other real estate, net	—	—	(15)
Gain (loss) on the sale of fixed assets, net	(55)	291	(43)
Gain (loss) on sale of other assets, net	(10)	8	6
Other income (loss)	80	(69)	34
Total non-interest income	\$ 28,289	\$ 27,281	\$ 32,850

NON-INTEREST EXPENSE

Employee salaries and benefits	\$ 59,501	\$ 56,707	\$ 52,722
Equity-based compensation	1,528	1,864	1,428
Occupancy expenses	6,532	5,563	5,473
Furniture and equipment expenses	3,202	3,389	3,323
Data processing expenses	8,810	7,337	5,780
Advertising expenses	3,714	3,455	2,736
Accounting, legal & consulting expenses	1,789	1,409	1,287
FDIC insurance	3,120	1,527	1,130
Directors' fees	713	650	686
Other operating expenses	12,042	11,069	10,927
Total non-interest expense	\$ 100,951	\$ 92,970	\$ 85,492

Earnings before income taxes	62,931	68,076	64,158
Income taxes	13,939	15,056	14,732
Net earnings	\$ 48,992	\$ 53,020	\$ 49,426
Net loss (gain) attributable to noncontrolling interest	(54)	22	—
Net earnings attributable to Wilson Bank Holding Company	\$ 48,938	\$ 53,042	\$ 49,426
Basic earnings per common share	\$ 4.21	\$ 4.66	\$ 4.44
Diluted earnings per common share	\$ 4.20	\$ 4.65	\$ 4.43
Weighted average common shares outstanding:			
Basic	11,611,690	11,377,617	11,131,897
Diluted	11,641,366	11,408,924	11,162,956

W I L S O N B A N K H O L D I N G C O M P A N Y

As of or for the year ended December 31,

	2023	2022	2021	2020
Equity				
Total Capital to Risk Weighted Assets	14.5%	13.5%	13.9%	14.3%
Equity to Assets	8.86%	8.41%	10.37%	11.28%
Total Assets	\$4,846,476,000	\$4,285,650,000	\$3,989,596,000	\$3,369,604,000
Loans, net of allowance for credit losses	\$3,550,675,000	\$3,113,796,000	\$2,444,282,000	\$2,282,766,000
Total Deposits	\$4,367,106,000	\$3,892,705,000	\$3,555,071,000	\$2,960,595,000
Net Interest Margin	3.30%	3.70%	3.44%	3.60%
Return on Average Assets	1.08%	1.29%	1.35%	1.24%

As of or for the year ended December 31,

	2023	2022	2021	2020
Earnings & Performance Ratios				
Net Income	\$ 48,938,000	\$ 53,042,000	\$ 49,426,000	\$ 38,492,000
Return on Average Equity	12.47%	14.36%	12.45%	10.65%
Diluted Earnings per Share	\$ 4.20	\$ 4.65	\$ 4.43	\$ 3.51
Weighted Average Diluted Shares Outstanding	11,641,366	11,408,924	11,162,956	10,953,746

For the year ended December 31,

	2023	2022	2021	2020
Average Cost of Funds				
	2.27%	0.49%	0.41%	0.76%

Holding Company & Stock Information

Wilson Bank Holding Company Directors

J. Randall Clemons, Chairman; Jack W. Bell; James F. Comer; William P. Jordan; Michael G. Maynard; John C. McDearman III; James Anthony Patton; Lisa Pominski; Clinton M. Swain; H. Elmer Richerson and Deborah Varallo.

Common Stock Market Information

The common stock of Wilson Bank Holding Company is not traded on an exchange nor is there a known active trading market. The number of stockholders of record at February 23, 2024 was 4,797. Based solely on information made available to the Company from limited numbers of buyers and sellers, the Company believes that the following table sets forth the quarterly range of sale prices for the Company's common stock during the years 2022 and 2023.

On January 1, 2022, a \$.75 per share cash dividend was declared, on April 11, 2022, a \$.35 per share cash dividend was declared, and on July 1, 2022, a \$.75 per share cash dividend was declared and thereafter paid to shareholders of record as of those dates. On January 1,

2023, a \$.75 per share cash dividend was declared and on July 1, 2023, a \$.75 per share cash dividend was declared and paid to shareholders of record on those dates. Future dividends will be dependent upon the Company's profitability, its capital needs, overall financial condition and economic and regulatory considerations.

Annual Meeting and Information Contacts

The Annual Meeting of Shareholders of Wilson Bank Holding Company will be held on Thursday, April 25, 2024 at 5:00 p.m. (CDT) at the Clemons-Richerson Operations Center, located at 105 North Castle Heights Avenue, Lebanon, TN 37087.

For further information concerning Wilson Bank Holding Company or Wilson Bank & Trust, or to obtain a copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission, which is available without charge to shareholders, please contact Kayla Hawkins, CFO, Wilson Bank & Trust, P.O. Box 768, Lebanon, Tennessee 37088-0768, phone (615) 443-5901.

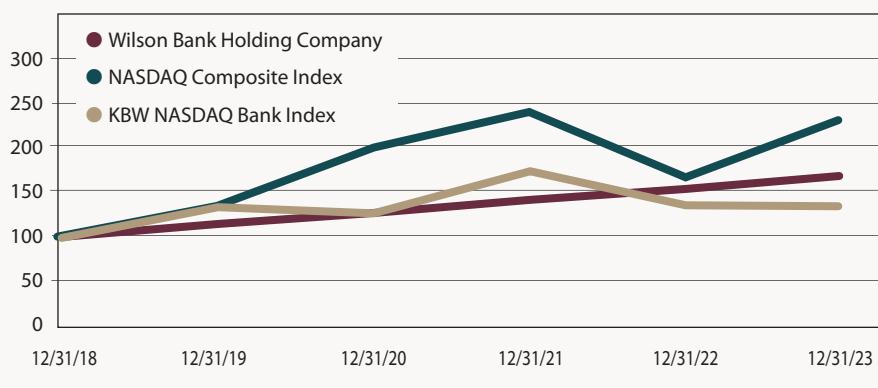
Stock Prices

2022	High	Low
First Quarter	\$ 64.40	\$ 63.25 ¹
Second Quarter	\$ 65.55	\$ 63.25 ¹
Third Quarter	\$ 70.00 ²	\$ 65.55
Fourth Quarter	\$ 67.85	\$ 65.55 ¹
2023	High	Low
First Quarter	\$ 69.00	\$ 67.85
Second Quarter	\$ 70.00	\$ 67.85 ¹
Third Quarter	\$ 75.00 ³	\$ 70.00
Fourth Quarter	\$ 71.75 ⁴	\$ 70.00 ⁵

1. Represents one transaction of 712 shares during the second quarter of 2022, one transaction of 500 shares during the fourth quarter of 2022, and one transaction of 303 shares during the second quarter of 2023 of which the Company is aware where the sale price was at least \$1.15 lower than any other trade during the quarter. The volume weighted average stock price during the second quarter of 2022 was \$64.44, the volume weighted average stock price during the fourth quarter of 2022 was \$67.36, and the volume weighted average stock price during the second quarter of 2023 was \$69.21.
2. Represents one transaction of 2,429 shares during the third quarter of 2022 of which the Company is aware where the sale price was at least \$3.30 higher than any other trade during the quarter. The volume weighted average stock price during the third quarter of 2022 was \$66.14.
3. Represents one transaction of 102 shares during the third quarter of 2023 of which the Company is aware where the sale price was at least \$4.25 higher than any other trade during the quarter. The volume weighted average stock price during the third quarter of 2023 was \$70.07.
4. Represents one transaction of 50 shares during the fourth quarter of 2023 of which the Company is aware where the sale price was at least \$0.25 higher than any other trade during the quarter. The volume weighted average stock price during the fourth quarter of 2023 was \$70.90.
5. Represents one transaction of 406 shares and one transaction of 311 shares during the fourth quarter of 2023 of which the Company is aware where the sale price was at least \$.75 lower than any other trade during the quarter. The volume weighted average stock price during the fourth quarter of 2023 was \$70.90.

Wilson Bank Holding Company Five Year Performance Index

The graph to the right compares the percentage change in the unaudited total return on Wilson Bank Holding Company's common stock against the cumulative total return of the NASDAQ Composite Index and the KBW NASDAQ Bank Index between December 31, 2018 and December 31, 2023. The graph assumes the value of the investment in Wilson Bank Holding Company's common stock and each index was \$100 at December 31, 2018 and that all dividends were reinvested.



Index	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Wilson Bank Holding Company	100.00	112.44	123.26	135.71	149.80	161.32
NASDAQ Composite Index	100.00	136.69	198.10	242.03	163.28	236.17
KBW NASDAQ Bank Index	100.00	136.13	122.09	168.88	132.75	131.57

WILSON

BANK HOLDING CO.

2023 FINANCIAL REPORT

**WILSON BANK HOLDING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

Forward-Looking Statements

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, among other things, the anticipated financial and operating results of the Company. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any modifications or revisions to these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

The Company cautions investors that future financial and operating results may differ materially from those projected in forward-looking statements made by, or on behalf of, the Company. The words "expect," "intend," "should," "may," "could," "believe," "suspect," "anticipate," "seek," "plan," "estimate" and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical fact may also be considered forward-looking. Such forward-looking statements involve known and unknown risks and uncertainties, including, but not limited to those described in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 and also include, without limitation, (i) deterioration in the financial condition of borrowers resulting in significant increases in credit losses and provisions for these losses, (ii) deterioration in the real estate market conditions in the Company's market areas including demand for residential real estate loans as a result of elevated rates on residential real estate mortgage loans, (iii) the impact of increased competition with other financial institutions, including pricing pressures on loans and deposits, and the resulting impact on the Company's results, including as a result of compression to net interest margin, (iv) adverse conditions in local or national economies, including the economy in the Company's market areas, including as a result of the impact of escalating geopolitical tensions (including hostilities in the Middle East), inflationary pressures and the elevated rate environment, supply chain disruptions and labor shortages on our customers and on their businesses, (v) fluctuations or differences in interest rates on earning assets and interest bearing liabilities from those that the Company is modeling or anticipating, including as a result of the Bank's inability to maintain deposit rates or defer increases to those rates in an elevated rate environment or lower rates in a falling rate environment, (vi) the ability to grow and retain low-cost core deposits, (vii) significant downturns in the business of one or more large customers, (viii) the inability of the Company to comply with regulatory capital requirements, including those resulting from changes to capital calculation methodologies, required capital maintenance levels, or regulatory requests or directives, (ix) changes in state or Federal regulations, policies, or legislation applicable to banks and other financial service providers, including regulatory or legislative developments arising out of current unsettled conditions in the economy, (x) changes in capital levels and loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments, (xi) inadequate allowance for credit losses, (xii) the effectiveness of the Company's activities in improving, resolving or liquidating lower quality assets, (xiii) results of regulatory examinations, (xiv) the vulnerability of the Company's network and online banking portals, and the systems of parties with whom the Company contracts, to unauthorized access, computer viruses, phishing schemes, social engineering, fraud, spam attacks, ransomware attacks, human error, natural disasters, power loss, and other security breaches, (xv) the possibility of additional increases to compliance costs or other operational expenses as a result of increased regulatory oversight, (xvi) loss of key personnel, and (xvii) adverse results (including costs, fines, reputational harm and/or other negative effects) from current or future litigation, examinations or other legal and/or regulatory actions. These risks and uncertainties may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements. The Company's future operating results depend on a number of factors which were derived utilizing numerous assumptions that could cause actual results to differ materially from those projected in forward-looking statements

General

The Company is a registered bank holding company that owns 100% of the common stock of Wilson Bank and Trust ("Wilson Bank" or "the Bank"), a Tennessee state-chartered bank headquartered in Lebanon, Tennessee. The Company was formed in 1992. Wilson Bank commenced operations in 1987.

Wilson Bank is a community bank headquartered in Lebanon, Tennessee, principally serving Wilson County, DeKalb County, Smith County, Trousdale County, Rutherford County, Davidson County, Putnam County, Sumner County, Hamilton County, and Williamson County, Tennessee as its primary market areas. The markets served by the Bank are largely within the Nashville-Davidson-Murfreesboro-Franklin, Tennessee metropolitan statistical area. At December 31, 2023, Wilson Bank had thirty-one locations in Wilson, Davidson, DeKalb, Smith, Sumner, Rutherford, Putnam, Trousdale, Hamilton, and Williamson Counties, though Wilson Bank closed one of its locations in Wilson County in January 2024. Management believes that these counties offer an environment for continued growth, and the Company's target market is local consumers, professionals and small businesses. Wilson 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 Company also offers an investment center which offers a full line of investment services to its customers.

Wilson Bank also holds an ownership interest in Encompass Home Loan Lending, LLC ("Encompass"), a company offering mortgage banking services that is 51% owned by Wilson Bank and 49% owned by two home builders operating in Wilson Bank's market areas. The results of Encompass, which commenced operations on June 1, 2022, are consolidated in the Company's financial statements included elsewhere in this Annual Report.

The following discussion and analysis is designed to assist readers in their analysis of the Company's consolidated financial statements and should be read in conjunction with such consolidated financial statements and the notes thereto.

Application of Critical Accounting Policies and Accounting Estimates

We follow accounting and reporting policies that conform, in all material respects, to accounting principles generally accepted in the United States and to general practices within the financial services industry. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While we base estimates on historical experience, current information, forecasted economic conditions, and other factors deemed to be relevant, actual results could differ from those estimates.

WILSON BANK HOLDING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

We consider accounting estimates to be critical to reported financial results if (i) the accounting estimate requires management to make assumptions about matters that are highly uncertain and (ii) different estimates that management reasonably could have used for the accounting estimate in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial statements.

Accounting policies related to the allowance for credit losses on financial instruments including loans and off-balance-sheet credit exposures are considered to be critical as these policies involve considerable subjective judgment and estimation by management. As discussed in Note 1 - Summary of Significant Accounting Policies, our policies related to allowances for credit losses changed on January 1, 2022 in connection with the adoption of a new accounting standard update as codified in Accounting Standards Codification ("ASC") Topic 326 ("ASC 326") Financial Instruments - Credit Losses. In the case of loans, the allowance for credit losses is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. In the case of off-balance-sheet credit exposures, the allowance for credit losses is a liability account, calculated in accordance with ASC 326, reported as a component of accrued interest payable and other liabilities in our consolidated balance sheets. The amount of each allowance account represents management's best estimate of current expected credit losses on these financial instruments considering available information, from internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the instrument. Relevant available information includes historical credit loss experience, current conditions and reasonable and supportable forecasts. While historical credit loss experience provides the basis for the estimation of expected credit losses, adjustments to historical loss information may be made for differences in current portfolio-specific risk characteristics, environmental conditions or other relevant factors. While management utilizes its best judgment and information available, the ultimate adequacy of our allowance accounts is dependent upon a variety of factors beyond our control, including the performance of our portfolios, the economy, changes in interest rates and the view of the regulatory authorities toward classification of assets. For additional information regarding critical accounting policies, refer to Note 1 - Summary of Significant Accounting Policies and Note 2 - Loans and Allowance for Credit Losses in the notes to consolidated financial statements contained elsewhere in this Annual Report.

Non-GAAP Financial Measures

This Annual Report contains certain financial measures that are not measures recognized under U.S. GAAP and, therefore, are considered non-GAAP financial measures. Members of Company management use these non-GAAP financial measures in their analysis of the Company's performance, financial condition, and efficiency of operations. Management of the Company believes that these non-GAAP financial measures provide a greater understanding of ongoing operations and enhance comparability of results with prior periods. Management of the Company also believes that investors find these non-GAAP financial measures useful as they assist investors in understanding underlying operating performance and identifying and analyzing ongoing operating trends. However, the non-GAAP financial measures discussed herein should not be considered in isolation or as a substitute for the most directly comparable or other financial measures calculated in accordance with U.S. GAAP. Moreover, the manner in which the non-GAAP financial measures discussed herein are calculated may differ from the manner in which measures with similar names are calculated by other companies. You should understand how other companies calculate their financial measures similar to, or with names similar to, the non-GAAP financial measures we have discussed herein when comparing such non-GAAP financial measures.

The non-GAAP measures in this Annual Report include "pre-tax pre-provision income," "pre-tax pre-provision basic earnings per share," "pre-tax pre-provision annualized return on average shareholders' equity," and "pre-tax pre-provision annualized return on average assets." A reconciliation of these measures to the comparable GAAP measures is included below.

Selected Financial Information

The executive management and Board of Directors of the Company evaluate key performance indicators (KPIs) on a continuing basis. These KPIs serve as benchmarks of Company performance and are used in making strategic decisions and, in some cases, are utilized for purposes of setting performance targets for our executive officers' incentive-based cash compensation. The following table represents the KPIs that management has determined to be important in making decisions for the Bank, in each case as of and for the year ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
PER SHARE DATA:			
Basic earnings per common share (GAAP)	\$ 4.21	\$ 4.66	\$ 4.44
Pre-tax pre-provision basic earnings per share (1)	\$ 5.70	\$ 6.66	\$ 5.89
Diluted earnings per common share (GAAP)	\$ 4.20	\$ 4.65	\$ 4.43
Cash dividends per common share	\$ 1.50	\$ 1.85	\$ 1.35
Dividends declared per common share as a percentage of basic earnings per common share	35.63%	39.70%	30.41%

(1) Excludes income tax expense, and for 2023 and 2022 provision for credit losses-loans, provision for credit losses-available for sale securities, and provision for credit losses on off-balance sheet exposures. For 2021 excludes income tax expense, provision for loan losses, and provision for off-balance sheet exposures.

	2023	2022	2021
PERFORMANCE RATIOS:			
Return on average shareholders' equity (GAAP) (1)	12.47%	14.36%	12.45%
Pre-tax pre-provision return on average shareholders' equity (2)	16.86%	20.51%	16.52%
Return on average assets (GAAP) (3)	1.08%	1.29%	1.35%
Pre-tax pre-provision return on average assets (2)	1.47%	1.84%	1.79%
Efficiency ratio (GAAP) (4)	60.38%	55.11%	56.60%

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- (1) Return on average shareholders' equity is the result of net income divided by average shareholders' equity.
- (2) Excludes income tax expense, and for 2023 and 2022 provision for credit losses-loans, provision for credit losses-available for sale securities, and provision for credit losses on off-balance sheet exposures. For 2021 excludes income tax expense, provision for loan losses, and provision for off-balance sheet exposures.
- (3) Return on average assets is the result of net income divided by average assets.
- (4) Efficiency ratio is the ratio of noninterest expense to the sum of net interest income and non-interest income.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
BALANCE SHEET RATIOS:		
Total capital to assets ratio	8.86%	8.41%
Equity to asset ratio (Average equity divided by average total assets)	8.69%	8.99%
Tier 1 capital to average assets	10.60%	11.18%
Non-performing asset ratio	0.03%	0.02%
Book value per common share	\$ 36.74	\$ 31.42

Reconciliation of Non-GAAP Financial Measures

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pre-tax pre-provision income:			
Net income attributable to common shareholders (GAAP)	\$ 48,938	\$ 53,042	\$ 49,426
Add: provision for credit losses - loans	6,300	8,656	1,143
Add: provision expense (benefit) for credit losses on off-balance sheet exposures	(2,989)	(1,014)	262
Add: Provision for credit losses - available-for-sale securities	—	—	—
Add: income tax expense	13,939	15,056	14,732
Pre-tax pre-provision income	<u>\$ 66,188</u>	<u>\$ 75,740</u>	<u>\$ 65,563</u>
Pre-tax pre-provision basic earnings per share:			
Pre-tax pre-provision income	\$ 66,188	\$ 75,740	\$ 65,563
Weighted average shares	11,611,690	11,377,617	11,131,897
Basic earnings per common share (GAAP)	\$ 4.21	\$ 4.66	\$ 4.44
Provision for credit losses - loans	\$ 0.54	\$ 0.76	\$ 0.10
Provision expense (benefit) for credit losses on off-balance sheet exposures	\$ (0.26)	\$ (0.09)	\$ 0.02
Provision for credit losses - available-for-sale securities	\$ —	\$ —	\$ —
Income tax expense	\$ 1.21	\$ 1.33	\$ 1.33
Pre-tax pre-provision basic earnings per common share	<u>\$ 5.70</u>	<u>\$ 6.66</u>	<u>\$ 5.89</u>
Pre-tax pre-provision return on average assets:			
Pre-tax pre-provision income	\$ 66,188	\$ 75,740	\$ 65,563
Average assets	4,517,697	4,107,738	3,653,528
Return on average assets (GAAP)	1.08%	1.29%	1.35%
Provision for credit losses - loans	0.14%	0.21%	0.03%
Provision expense (benefit) for credit losses on off-balance sheet exposures	(0.07)%	(0.02)%	0.01%
Provision for credit losses - available-for-sale securities	—%	—%	—%
Income tax expense	0.32%	0.36%	0.40%
Pre-tax pre-provision return on average assets	<u>1.47%</u>	<u>1.84%</u>	<u>1.79%</u>
Pre-tax pre-provision return on average shareholders' equity:			
Pre-tax pre-provision income	\$ 66,188	\$ 75,740	\$ 65,563
Average total shareholders' equity	392,466	369,314	396,879
Return on average shareholders' equity (GAAP)	12.47%	14.36%	12.45%
Provision for credit losses - loans	1.61%	2.34%	0.29%
Provision expense (benefit) for credit losses on off-balance sheet exposures	(0.76)%	(0.27)%	0.07%
Provision for credit losses - available-for-sale securities	—%	—%	—%
Income tax expense	3.54%	4.08%	3.71%
Pre-tax pre-provision return on average shareholders' equity	<u>16.86%</u>	<u>20.51%</u>	<u>16.52%</u>

Results of Operations

Net earnings for the year ended December 31, 2023 were \$48,938,000, a decrease of \$4,104,000, or 7.74%, compared to net earnings of \$53,042,000 for the year ended December 31, 2022. Our 2022 net earnings were 7.32%, or \$3,616,000, higher than our net earnings of \$49,426,000 for 2021. Basic earnings per share were \$4.21 in 2023, compared with \$4.66 in 2022 and \$4.44 in 2021. Diluted earnings per share were \$4.20 in 2023, compared to

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\$4.65 in 2022 and \$4.43 in 2021. The decrease in net earnings and diluted and basic earnings per share during the year ended December 31, 2023 as compared to the year ended December 31, 2022 was primarily due to a decrease in net interest income before provision for credit losses and an increase in non-interest expense, partially offset by an increase in non-interest income and a decrease in provision for credit losses - loans. The decrease in net interest income was due to an increase in cost of funds between the relevant periods, partially offset by an increase in average interest earning asset balances and an increase in the yield earned on interest earning assets. Net interest margin for the year ended December 31, 2023 was 3.30%, compared to 3.70% and 3.44% for the years ended December 31, 2022 and December 31, 2021, respectively. Net interest spread for the year ended December 31, 2023 was 2.97%, compared to 3.62% and 3.36% for the years ended December 31, 2022 and December 31, 2021, respectively. The increase in non-interest expense largely resulted from the Company's continued growth as well as rising costs of employees' salaries and benefits as a result of competition we are experiencing for human capital in our market areas. See below for further discussion regarding variances related to net interest income, provision for credit losses, non-interest income, non-interest expense and income taxes.

The decrease in Return on Average Assets (ROA) for the year ended December 31, 2023 when compared to December 31, 2022 as set forth in the table above was primarily attributable to an increase in average assets, interest expense, salaries and employee benefits, and FDIC insurance and data processing costs; partially offset by a decrease in the loss on sale of securities, an increase in service charges on deposit accounts, an increase in interest income and a decrease in the provision for credit losses.

The decrease in ROA for the year ended December 31, 2022 when compared to December 31, 2021 as set forth in the table above was primarily attributable to an increase in average assets, an increase in provision expense, a decrease in fees and gains on sales of mortgage loans, a loss on sale of securities, and an increase in employee salaries and benefits, partially offset by an increase in net interest income.

The increase in the total capital to assets ratio for the year ended December 31, 2023 when compared to December 31, 2022 as set forth in the table above was primarily attributable to a decrease in the unrealized loss of our available-for-sale securities as a result of an improvement in underlying market conditions. The equity to asset ratio declined as a result of a higher average of unrealized losses on our available-for-sale securities.

Net Interest Income

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. An 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 21% for 2023, 2022 and 2021.

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.

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	<i>Dollars In Thousands</i>								
	2023			2022			2023/2022 Change		
	Average Balance	Rates/Yields	Income/Expense	Average Balance	Rates/Yields	Income/Expense	Due to Volume	Due to Rate	Percent Total Change
Loans, net of unearned interest (1) (2)	\$3,398,070	5.93%	198,739	\$2,796,301	5.05%	138,161	\$33,519	27,059	60,578
Investment securities—taxable	731,172	2.41	17,597	814,716	1.95	15,902	(1,747)	3,442	1,695
Investment securities—tax exempt	66,600	2.36	1,574	72,724	1.91	1,392	(124)	306	182
Taxable equivalent adjustment (3)	—	0.63	418	—	0.51	370	(33)	81	48
Total tax-exempt investment securities	66,600	2.99	1,992	72,724	2.42	1,762	(157)	387	230
Total investment securities	797,772	2.46	19,589	887,440	1.99	17,664	(1,904)	3,829	1,925
Loans held for sale	4,637	5.26	244	7,131	3.70	264	(110)	90	(20)
Federal funds sold	8,157	5.16	421	15,486	0.72	111	(76)	386	310
Interest bearing deposits	92,655	3.99	3,697	204,548	0.74	1,522	(1,238)	3,413	2,175
Restricted equity securities	3,551	8.76	311	4,768	3.94	188	(58)	181	123
Total earning assets	4,304,842	5.24	223,001	3,915,674	4.11	157,910	30,133	34,958	65,091
Cash and due from banks	25,066								
Allowance for credit losses - loans	(42,214)								
Bank premises and equipment	62,013								
Other assets	167,990								
Total assets	<u>\$4,517,697</u>								

	<i>Dollars In Thousands</i>								
	2023			2022			2023/2022 Change		
	Average Balance	Rates/Yields	Income/Expense	Average Balance	Rates/Yields	Income/Expense	Due to Volume	Due to Rate	Percent Total Change
Deposits:									
Negotiable order of withdrawal accounts	\$ 976,154	0.60%		5,847	\$1,083,028	0.24%		2,546	(274)
Money market demand accounts	1,123,482	2.03	22,769	1,250,916	0.47	5,905	(661)	17,524	16,863
Time deposits	1,264,602	3.98	50,341	601,100	1.08	6,486	12,762	31,094	43,856
Other savings deposits	322,458	1.43	4,625	332,918	0.34	1,116	(36)	3,545	3,509
Total interest-bearing deposits	3,686,696	2.27	83,582	3,267,962	0.49	16,053	11,791	55,738	67,529
Federal Home Loan Bank advances	63	3.05	2	—	—	—	2	—	2
Fed funds purchased	541	4.48	24	256	5.47	14	13	(3)	10
Finance leases	2,266	3.14	71	1,928	3.43	66	11	(6)	5
Total interest-bearing liabilities	3,689,566	2.27	83,679	3,270,146	0.49	16,133	11,817	55,729	67,546
Demand deposits	399,683			434,443					
Other liabilities	35,982			33,835					
Shareholders' equity	392,466			369,314					
Total liabilities and shareholders' equity	<u>\$4,517,697</u>			<u>\$4,107,738</u>					
Net interest income			\$ 139,322			\$ 141,777	\$ 18,316	\$ (20,771)	\$ (2,455)
Net interest margin (4)		3.30%				3.70%			
Net interest spread (5)		2.97%				3.62%			

(1) Yields on loans and total earning assets include the impact of State income tax credits related to incentive loans at below market rates and tax exempt loans to municipalities of \$2.7 million and \$3.0 million for the years ended December 31, 2023 and 2022, respectively.

(2) Loan fees of \$12.0 million are included in interest income in 2023. Loan fees of \$12.9 million are included in interest income in 2022, inclusive of \$139,000 in SBA fees related to PPP loans.

(3) The tax equivalent adjustments have been computed using a 21% Federal tax rate.

(4) Net interest income on a tax equivalent basis divided by average interest-earning assets.

(5) Average interest rate on interest-earning assets less average interest rate on interest-bearing liabilities.

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	<i>Dollars In Thousands</i>									
	2022			2021			2022/2021 Change			
	Average Balance	Rates/Yields	Income/Expense	Average Balance	Rates/Yields	Income/Expense	Due to Volume	Due to Rate	Total	Percent Change
Loans, net of unearned interest (1) (2)	\$2,796,301	5.05%	138,161	\$2,382,262	5.07%	118,676	\$ 20,079	(594)	19,485	
Investment securities—taxable	814,716	1.95	15,902	645,513	1.38	8,922	2,714	4,266	6,980	
Investment securities—tax exempt	72,724	1.91	1,392	79,096	1.55	1,229	(105)	268	163	
Taxable equivalent adjustment (3)	—	0.51	370	—	0.41	327	(27)	70	43	
Total tax-exempt investment securities	72,724	2.42	1,762	79,096	1.97	1,556	(132)	338	206	
Total investment securities	887,440	1.99	17,664	724,609	1.45	10,478	2,582	4,604	7,186	
Loans held for sale	7,131	3.70	264	16,478	2.66	438	(306)	132	(174)	
Federal funds sold	15,486	0.72	111	31,083	0.04	13	(10)	108	98	
Interest bearing deposits	204,548	0.74	1,522	349,254	0.13	445	(256)	1,333	1,077	
Restricted equity securities	4,768	3.94	188	5,089	2.32	118	(7)	77	70	
Total earning assets	3,915,674	4.11	157,910	3,508,775	3.77	130,168	22,082	5,660	27,742	21.31%
Cash and due from banks	24,087			30,971						
Allowance for credit losses - loans	(36,444)			(39,194)						
Bank premises and equipment	61,807			59,772						
Other assets	142,614			93,204						
Total assets	\$4,107,738			\$3,653,528						

	<i>Dollars In Thousands</i>									
	2022			2021			2022/2021 Change			
	Average Balance	Rates/Yields	Income/Expense	Average Balance	Rates/Yields	Income/Expense	Due to Volume	Due to Rate	Total	Percent Change
Deposits:										
Negotiable order of withdrawal accounts	\$ 1,083,028	0.24%	2,546	\$ 912,577	0.20%	1,866	\$ 378	302	680	
Money market demand accounts	1,250,916	0.47	5,905	1,079,002	0.14	1,547	283	4,075	4,358	
Time deposits	601,100	1.08	6,486	605,162	1.26	7,610	(51)	(1,073)	(1,124)	
Other savings deposits	332,918	0.34	1,116	253,265	0.19	480	185	451	636	
Total interest-bearing deposits	3,267,962	0.49	16,053	2,850,006	0.40	11,503	795	3,755	4,550	
Federal Home Loan Bank advances	—	—	—	858	15.50	133	(133)	—	(133)	
Fed funds purchased	256	5.47	14	—	—	—	14	—	14	
Finance leases	1,928	3.43	66	—	—	—	66	—	66	
Total interest-bearing liabilities	3,270,146	0.49	16,133	2,850,864	0.41	11,636	742	3,755	4,497	38.65%
Demand deposits	434,443			385,264						
Other liabilities	33,835			20,521						
Shareholders' equity	369,314			396,879						
Total liabilities and shareholders' equity	<u>\$ 4,107,738</u>			<u>\$ 3,653,528</u>						
Net interest income			<u>\$ 141,777</u>				<u>\$ 118,532</u>	<u>\$ 21,340</u>	<u>\$ 1,905</u>	<u>\$ 23,245</u>
Net interest margin (4)		<u>3.70%</u>				<u>3.44%</u>				
Net interest spread (5)		<u>3.62%</u>				<u>3.36%</u>				

- (1) Yields on loans and total earning assets include the impact of State income tax credits related to incentive loans at below market rates and tax exempt loans to municipalities of \$3.0 million and \$2.1 million for the years ended December 31, 2022 and 2021, respectively.
- (2) Loan fees of \$12.9 million are included in interest income in 2022, inclusive of \$139,000 in SBA fees related to PPP loans. Loan fees of \$16.1 million are included in interest income in 2021, inclusive of \$3.6 million in SBA fees related to PPP loans.
- (3) The tax equivalent adjustment for 2022 and 2021 have been computed using a 21% Federal tax rate.
- (4) Net interest income on a tax equivalent basis divided by average interest-earning assets.
- (5) Average interest rate on interest-earning assets less average interest rate on interest-bearing liabilities.

The components of our loan yield, a key driver to our net interest margin for the years ended December 31, 2023, 2022, and 2021 were as follows:

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	December 31, 2023		December 31, 2022		December 31, 2021	
	Interest Income	Average Yield	Interest Income	Average Yield	Interest Income	Average Yield
Loan yield components:						
Contractual interest rates	186,754	5.50%	125,281	4.48%	102,592	4.31%
Origination and other fee income	11,985	0.35%	12,741	0.46%	12,476	0.52%
PPP loan fee income	—	—%	139	—%	3,608	0.15%
Loan tax credits and tax-exempt loan interest	2,677	0.08%	2,953	0.11%	2,112	0.09%
Total	\$ 201,416	5.93%	\$ 141,114	5.05%	\$ 120,788	5.07%

Net interest income represents the amount by which interest earned on various earning assets exceeds interest paid on deposits and other interest-bearing liabilities and is the most significant component of the Company's earnings. Total interest income in 2023 was \$222,583,000, up 41.29% when compared with \$157,540,000 in 2022, which was up 21.33% when compared to \$129,841,000 in 2021, in each case excluding tax exempt adjustments relating to tax exempt securities and loans. The increase in total interest income in 2023 when compared to 2022 was primarily attributable to an increase in interest earned on loans, an increase in interest and dividends earned on securities, and an increase in interest earned on interest bearing deposits. The increase in interest earned on loans resulted from an overall increase in average loan balances and an increase in the average yield earned on loans, which was primarily due to the elevated short term interest rate environment in 2023, as new loans were put on at higher contractual interest rates and a portion of the Bank's variable loan portfolio repriced to current market rates. Approximately eighty two percent of the loans in our loan portfolio are variable rate loans, primarily indexed to the Federal Reserve prime rate. Fees earned on loans totaled \$11,984,000, \$12,880,000 and \$16,084,000 for the years ended 2023, 2022, and 2021, respectively. The decrease in fees earned on loans for the year ended 2023 when compared to the year ended 2022 was attributable to a decrease in the absolute number of loan originations. The total amount of state income tax credits and tax-exempt loan interest included in our loan yields were \$2,677,000, \$2,953,000 and \$2,112,000 for the years ended 2023, 2022 and 2021, respectively. The increase in interest and dividends earned on securities in 2023 when compared to 2022 resulted from higher yields earned on the securities purchased throughout 2022 as management invested liquid funds into the securities portfolio. The increase in interest earned on interest bearing deposits over the same period resulted from an increase in the yield earned due to the increased rate environment offset in part by declining average balances. The direction and speed with which short-term interest rates move has an impact on our net interest income. The Bank anticipates that its net interest margin is likely to continue to contract during 2024 because of the competitive pressures in its markets, which put pressure on the Bank's deposit and loan pricing which may contribute to a compression of its margin.

The ratio of average earning assets to total average assets was 95.3%, 95.3% and 96.0% for each of the years ended December 31, 2023, 2022 and 2021, respectively. Average earning assets increased \$389,168,000 from \$3,915,674,000 at December 31, 2022 to \$4,304,842,000 at December 31, 2023. For the year ended December 31, 2021, average earning assets were \$3,508,775,000. The average rate earned on earning assets for 2023 was 5.24%, compared with 4.11% in 2022 and 3.77% in 2021. The increase in average earning assets was largely due to an increase in the average balance of loans due to loan growth. This was partially offset by a decrease in the average balance of interest bearing deposits and a decrease in the average balance of securities. The increase in the average rate earned on earning assets resulted from the higher interest rate environment and the repricing of a portion of the bank's variable rate loan portfolio as mentioned previously.

Total interest expense for 2023 was \$83,679,000, an increase of \$67,546,000, or 418.68%, compared to total interest expense of \$16,133,000 in 2022. For 2021, total interest expense totaled \$11,636,000. Average interest-bearing deposits increased to \$3,686,696,000 for 2023 compared to \$3,267,962,000 for 2022. The average rate paid on interest-bearing deposits was 2.27% for 2023 compared to 0.49% for 2022. The increase in total interest expense in 2023 resulted from an increase in the volume and rate paid on average interest bearing deposits. Competitive pressures in the rising and subsequent elevated short-term interest rate environment required the Bank to raise, and then subsequently maintain, rates paid on deposits as well as the Bank's customers shifting deposits from lower rate earning or non-interest bearing accounts to higher rate earning accounts, and the Bank utilizing increased levels of brokered deposits. The Company was able to maintain its deposit rates at or below 2021 levels during the first two quarters of 2022 despite the rising rate environment. However, during the second half of 2022 the Company raised its time deposit rates to maintain liquidity levels and offer competitive rates in our markets. This continued throughout 2023 resulting in the increase in interest expense. The increase in brokered deposits, which typically carry higher rates than core deposits, that we experienced in 2023 also contributed to the increase in interest expense. Should our liquidity decrease, including as a result of loan growth that outpaces deposit growth, the rates we pay on our deposits may increase and we may have to further increase our use of brokered deposits. In addition, if interest rates remain elevated when those time deposits that were priced during the lower interest rate environment mature in 2024, our interest expense will likely increase if such deposits are renewed and repriced at current market rates.

Net interest income for 2023 totaled \$138,904,000 as compared to \$141,407,000 and \$118,205,000 in 2022 and 2021, respectively. The net interest spread, defined as the effective yield on earning assets less the effective cost of deposits and borrowed funds (calculated on a fully taxable equivalent basis), decreased to 2.97% in 2023 from 3.62% in 2022. The net interest spread was 3.36% in 2021. Net interest margin decreased to 3.30% in 2023 from 3.70% in 2022. The net interest margin was 3.44% in 2021. The decrease in net interest margin in 2023 was due to the increase in rates paid on our interest bearing liabilities outpacing the increase in the yield earned on all earning assets for the reasons discussed above. Changes in interest rates paid on products such as interest checking, savings, and money market accounts will generally increase or decrease in a manner that is consistent with changes in the short-term environment, but are also impacted by competitive market conditions.

Provision for Credit Losses

On January 1, 2022, we adopted FASB ASU 2016-13, which introduces the current expected credit losses (CECL) methodology and requires us to estimate all expected credit losses over the remaining life of our loan portfolio. The provision for credit losses represents a charge to earnings necessary to establish an allowance for credit losses that, in management's evaluation is adequate to provide coverage for all expected credit losses. The determination of the amount of the allowance is complex and involves a high degree of judgment and subjectivity. Refer to Note 1, "Summary of Significant Accounting Policies" in the notes to our consolidated financial statements for a detailed discussion regarding ACL methodology.

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The provision for credit losses-loans in 2023 and 2022 was \$6,300,000 and \$8,656,000 calculated under the CECL methodology. The provision for loan losses in 2021 was \$1,143,000 under the incurred loss methodology. The benefit for the allowance for credit losses on off-balance sheet exposures in 2023 and 2022 were \$2,989,000 and \$1,014,000 calculated under the CECL methodology. In 2021, there was a provision of \$262,000 under the incurred loss methodology.

The decrease in the provision for credit losses-loans for the year ended December 31, 2023 was primarily attributable to a decrease in the volume of loans originated during the period, partially offset by the macroeconomic forecast in our CECL model reflecting the potential for a recession. The increase in the provision for credit losses-loans for the year ended December 31, 2022 was primarily attributable to an increase in the volume of loans originated during the period. The provision for loan losses recorded during 2021 was primarily the result of loan growth.

As discussed below under Financial Condition-Loans, loan growth tapered for the twelve months ended December 31, 2023 compared to the same period in 2022. Gross loan growth totaled \$440,839,000, \$671,824,000 and \$165,338,000 for the years ended 2023, 2022 and 2021, respectively.

The increase in the benefit for credit losses on off-balance sheet credit exposures was the result of a decrease in our off-balance sheet commitments and an increase in our unconditionally cancellable commitments as a percentage of our off-balance sheet commitments, which are excluded from the calculation of the allowance of credit losses on off-balance sheet credit exposures under ASC 326.

The following detail provides a breakdown of the provision for credit loss-loans expense and net (charge-offs) recoveries at and for the twelve months ended December 31, 2023, 2022 and 2021:

<i>In Thousands, Except Percentages</i>					
	Provision for Credit Loss - Loans Expense (Benefit)	Net (Charge- Offs) Recoveries	Average Loans	Ratio of Net (Charge- Offs) Recoveries to Average Loans	
December 31, 2023					
Residential 1-4 family real estate	\$ 1,435	\$ 20	909,742	—	
Commercial and multi-family real estate	2,123	—	1,192,260	—	
Construction, land development and farmland	702	20	893,031	—	
Commercial, industrial and agricultural	125	(29)	126,499	(0.02)	
1-4 family equity lines of credit	639	—	177,398	—	
Consumer and other	1,276	(1,276)	99,141	(1.29)	
Total	<u><u>\$ 6,300</u></u>	<u><u>\$ (1,265)</u></u>	<u><u>\$ 3,398,070</u></u>	<u><u>(0.04)%</u></u>	
December 31, 2022					
Residential 1-4 family real estate	\$ 1,353	\$ 108	\$ 762,580	0.01%	
Commercial and multi-family real estate	1,886	—	974,101	—	
Construction, land development and farmland	3,795	19	736,728	—	
Commercial, industrial and agricultural	(117)	6	119,855	0.01	
1-4 family equity lines of credit	396	—	120,104	—	
Consumer and other	1,343	(1,044)	82,933	(1.26)	
Total	<u><u>\$ 8,656</u></u>	<u><u>\$ (911)</u></u>	<u><u>\$ 2,796,301</u></u>	<u><u>(0.03)%</u></u>	
December 31, 2021					
Residential 1-4 family real estate	\$ 971	\$ 68	\$ 609,075	0.01%	
Commercial and multi-family real estate	(1,497)	—	917,106	—	
Construction, land development and farmland	1,296	371	551,183	0.07	
Commercial, industrial and agricultural	(35)	(27)	144,209	(0.02)	
1-4 family equity lines of credit	101	—	84,460	—	
Consumer and other	307	(462)	76,229	(0.61)	
Total	<u><u>\$ 1,143</u></u>	<u><u>\$ (50)</u></u>	<u><u>\$ 2,382,262</u></u>	<u><u>—%</u></u>	

Following our adoption of CECL, the provision for credit losses - loans charged to operating expense requires us to estimate all expected credit losses over the remaining life of our loan portfolio. Other factors which, in management's judgment, deserve current recognition in estimating expected credit losses - loans include growth and composition of the loan portfolio, review of specific problem loans, the relationship of the allowance for credit losses - loans to outstanding loans, adverse situations that may affect our borrowers' ability to repay, the estimated value of any underlying collateral and current economic conditions that may affect our borrowers' ability to pay.

Credit loss expense related to off-balance sheet exposures was previously reported as a component of other non-interest expense for the fiscal year ended December 31, 2021. Such amounts have been reclassified to credit loss expense to make prior periods comparable to the current presentation. See the section captioned "Allowance for Credit Losses" elsewhere in this discussion for further analysis of credit loss expense related to loans and off-balance sheet credit exposures.

There was no provision for credit losses on available-for-sale securities for the twelve months ended December 31, 2023 or 2022, respectively.

Non-Interest Income

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The Company's non-interest income is composed of several components, some of which vary significantly between periods. Service charges on deposit accounts and other non-interest income generally reflect the Company's growth, while fees for origination of mortgage loans and brokerage fees and commissions will often reflect home mortgage market and stock market conditions and fluctuate more widely from period to period.

The following is a summary of our non-interest income for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Twelve Months Ended December 31,				Twelve Months Ended December 31,			
	2023	2022	\$ Increase (Decrease)	% Increase (Decrease)	2022	2021	\$ Increase (Decrease)	% Increase (Decrease)
Service charges on deposits	\$ 7,890	\$ 7,382	\$ 508	6.88%	\$ 7,382	\$ 6,137	\$ 1,245	20.29%
Brokerage income	7,184	6,929	255	3.68	6,929	6,368	561	8.81
Debit and credit card interchange income, net	8,490	8,416	74	0.88	8,416	7,783	633	8.13
Other fees and commissions	1,408	1,653	(245)	(14.82)	1,653	1,446	207	14.32
BOLI and annuity earnings	1,667	1,346	321	23.85	1,346	1,109	237	21.37
Gain (loss) on sale of securities, net	(1,009)	(1,620)	611	37.72	(1,620)	28	(1,648)	(5,885.71)
Fees and gains on sales of mortgage loans	2,635	2,973	(338)	(11.37)	2,973	9,997	(7,024)	(70.26)
Mortgage servicing income (loss), net	9	(28)	37	132.14	(28)	—	(28)	(100.00)
Loss on sale of other real estate, net	—	—	—	—	—	(15)	15	100.00
Gain (loss) on the sale of fixed assets, net	(55)	291	(346)	(118.90)	291	(43)	334	776.74
Gain (loss) on sale of other assets, net	(10)	8	(18)	(225.00)	8	6	2	33.33
Other income (loss)	80	(69)	149	215.94	(69)	34	(103)	(302.94)
Total non-interest income	<u>\$ 28,289</u>	<u>\$ 27,281</u>	<u>\$ 1,008</u>	<u>3.69%</u>	<u>\$ 27,281</u>	<u>\$ 32,850</u>	<u>\$ (5,569)</u>	<u>(16.95%)</u>

2023 v. 2022

The increase in non-interest income for the year ended December 31, 2023 when compared to the year ended December 31, 2022 is primarily attributable to increases in service charges on deposits, brokerage income, BOLI and annuity earnings, and a decrease in the realized loss on the sale of securities, partially offset by a decrease in fees and gains on sale of mortgage loans and a decrease in the gain on the sale of fixed assets.

The increase in service charges on deposits is primarily due to an increase in non-sufficient funds due to an increase in the number of customers and the more challenging economic environment in 2023.

The increase in brokerage income is primarily due to a strong fourth quarter of 2023, driven by multiple client acquisitions and an increase of overall market share in our market areas as well as the positive performance of financial markets during such quarter.

The increase in BOLI and annuity earnings is primarily attributable to an increase in rates in the market.

The loss on sale of securities for 2023 and 2022 was due to the Company selling securities in order to restructure the securities portfolio into higher yielding securities offsetting securities pricing in future periods. In 2023, the Company was able to take advantage of the improvement in underlying market conditions to limit the amount of realized losses.

The decrease in fees and gains on sale of mortgage loans was due to the higher interest rate environment which contributed to weakened demand for purchase money mortgage loans and refinancing transactions. The volume of mortgage loans originated for 2023 was \$73,984,000 compared to \$106,601,000 for 2022.

The loss on sale of fixed assets in 2023 is primarily due to the sale of a company vehicle. The gain on sale of fixed assets in 2022 was attributable to the sale of a lot which was originally purchased for a future branch location.

2022 v. 2021

The decrease in non-interest income for the year ended December 31, 2022 when compared to the year ended December 31, 2021 was primarily attributable to a decrease in security gain (losses), net and a decrease in fees and gains on sales of mortgage loans, offset in part by an increase in service charges on deposit accounts, an increase in debit and credit card interchange income, an increase in brokerage income, and an increase in the gain on sale of fixed assets.

The loss on sale of securities we recorded in 2022 was due to management's decision to sell these securities due to the rising rate environment to restructure a portion of the securities portfolio into higher yielding securities in an effort to increase net interest margin in future periods.

The decrease in the fees and gains on sales of mortgage loans was due to the rising rate environment which contributed to weakened demand for purchase money mortgage loans and refinancing transactions, offset in part by gains in our mortgage hedging activities. The volume of mortgage loans originated for 2022 was \$106,601,000 compared to \$215,813,000 in 2021. In anticipation of the slowing of mortgage origination volume due to the rising rate environment, the Company began to retain servicing rights on some of the loans it originated during 2022.

Service charges on deposit accounts primarily increased due to an increase in overdraft fees and fees for paper statements.

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Debit and credit card interchange income primarily increased due to an increase in the number and volume of debit card and credit card holders and transactions.

Brokerage income primarily increased due to the opening of new investment accounts as well as growth in assets under management, attributable to marketing efforts and overall population growth of the middle Tennessee markets. In addition, the increase in interest rates has increased customers' interest in opportunities to capitalize on products and services provided.

Non-Interest Expenses

Non-interest expenses consist primarily of employee costs, FDIC premiums, occupancy expenses, furniture and equipment expenses, advertising and public relations expenses, data processing expenses, directors' fees, audit, legal and consulting fees, and other operating expenses.

The following is a summary of the Company's non-interest expense for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Twelve Months Ended December 31,				Twelve Months Ended December 31,			
	2023	2022	\$ Increase (Decrease)	% Increase (Decrease)	2022	2021	\$ Increase (Decrease)	% Increase (Decrease)
Employee salaries and benefits	\$ 59,501	\$ 56,707	\$ 2,794	4.93%	\$ 56,707	\$ 52,722	\$ 3,985	7.56%
Equity-based compensation	1,528	1,864	(336)	(18.03)	1,864	1,428	436	30.53
Occupancy expenses	6,532	5,563	969	17.42	5,563	5,473	90	1.64
Furniture and equipment expenses	3,202	3,389	(187)	(5.52)	3,389	3,323	66	1.99
Data processing expenses	8,810	7,337	1,473	20.08	7,337	5,780	1,557	26.94
Advertising expenses	3,714	3,455	259	7.50	3,455	2,736	719	26.28
Accounting, legal & consulting expenses	1,789	1,409	380	26.97	1,409	1,287	122	9.48
FDIC insurance	3,120	1,527	1,593	104.35	1,527	1,130	397	35.13
Directors' fees	713	650	63	9.69	650	686	(36)	(5.25)
Other operating expenses	12,042	11,069	973	8.79	11,069	10,927	142	1.30
Total non-interest expense	<u>\$ 100,951</u>	<u>\$ 92,970</u>	<u>\$ 7,981</u>	<u>8.58%</u>	<u>\$ 92,970</u>	<u>\$ 85,492</u>	<u>\$ 7,478</u>	<u>8.75%</u>

2023 v. 2022

The increase in non-interest expenses for the year ended December 31, 2023 when compared to the year ended December 31, 2022 was primarily attributable to an increase in salaries and employee benefits, occupancy expenses, data processing expenses, FDIC insurance, other operating expenses, and advertising expenses.

Salaries and employee benefits increased for the year ended December 31, 2023 compared to the comparable period in 2022 primarily due to an increase in the number of employees necessary to support the Company's growth in operations and branch count.

The increase in occupancy expense is primarily due to multiple branch renovations, repairs, ongoing branch maintenance, and costs associated with the termination of a lease associated with the branch closed in January 2024.

Data processing expenses increased due to an increase in computer maintenance, consumer and business online banking, and computer hardware/license expenses. The computer maintenance expenses increased as a result of, among other items, expenses associated with additional software applications and the number of open accounts. Enhanced business digital solutions, improved digital security for consumers, and an increase in the number of customers using digital services accounted for other increases. The Company anticipates that data processing expenses will continue to increase as the Company's operations grow, the demand for digital products and services from customers increases, and the cyber threat environment grows.

FDIC assessment expense increased due to the Company's growth in 2022 as well as an increase in the assessment rate administered by the FDIC.

The increase in other operating expenses is primarily due to an increase in employee engagement and development, ATM servicing costs, and write-offs on customer deposit accounts resulting from fraudulent transactions.

The increase in advertising expenses is primarily attributable to an increase in customer acquisition costs, marketing expenses associated with the opening of two new branches, the advertising of new products, as well as an overall increase in the cost of marketing resources.

The efficiency ratio is a common and comparable KPI used in the banking industry. The Company uses this metric to monitor how effective management is at using our internal resources. It is calculated by taking our non-interest expense divided by our net-interest income plus non-interest income. Our efficiency ratio for the years ended 2023, 2022 and 2021 was 60.38%, 55.11% and 56.60%, respectively. The increase in the efficiency ratio in 2023 when compared to 2022 was due to higher non-interest expense and lower net interest income, partially offset by an increase in non-interest income, in each case for the reasons discussed above.

The Company expects non-interest expense will continue to increase in 2024, including as a result of increased salary and benefits expense and increased occupancy costs associated with our continued growth.

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2022 v. 2021

The increase in non-interest expenses for the year ended December 31, 2022 when compared to the year ended December 31, 2021 was primarily attributable to a year-over-year increase in salaries and employee benefits, equity-based compensation, data processing expenses, advertising expenses, and FDIC insurance.

The increase in salaries and employee benefits for the year ended December 31, 2022 when compared to the year ended December 31, 2021 was primarily attributable to an increase in the number of employees necessary to support the Company's growth in operations and branch count as well as an increase in incentives and temporary salaries, offset by a decrease in commission salaries and mortgage lender compensation. The increase in equity-based compensation was due to equity awards granted to certain of our directors, senior executive officers and other officers and an increase in the weighted average grant date value of those awards.

The increase in data processing expenses was primarily attributable to an increase in computer maintenance, computer license expense, and call center expense. The computer maintenance and license expenses included movement of in-house systems to cloud servers, additional investments in digital banking solutions, and an increase in information security expenses. The increase in call center expense resulted from the call center extending their operating hours.

The increase in advertising expenses was primarily attributable to the opening of a new branch which included targeted marketing efforts to drive traffic and awareness for the new location, as well as additional targeted marketing efforts to help increase market share in our growth areas. We also saw an increase in expenses related to the return of in-person events as COVID-19 restrictions continued to loosen. The Company was also the sole sponsor for a Habitat for Humanity home build as well as a sponsor for several other community events for the markets we serve.

The increase in FDIC insurance was primarily attributable to the Company's growth.

The increase in other operating expenses was related to meals and entertainment, supplies, and debit and credit card losses.

Income Taxes

The Company's income tax expense was \$13,939,000 for 2023, a decrease of \$1,117,000 from \$15,056,000 for 2022, which was up by \$324,000 from the 2021 total of \$14,732,000. The percentage of income tax expense to earnings before taxes was 22.1% in 2023, 22.1% in 2022 and 23.0% in 2021. The decrease in income tax expense in 2023 from 2022 was due to a decrease in earnings before income taxes. The increase in 2022 from 2021 was due to an increase in earnings before income taxes, partially offset by additional state tax credits that lowered our effective tax rate. Our effective tax rate represents our blended statutory federal and state rate of 26.135% affected by the impact of anticipated favorable permanent differences between our book and taxable income such as earnings on bank-owned life insurance, income earned on tax-exempt securities and loans, and certain federal and state tax credits.

Our income tax expense, deferred tax assets and liabilities reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes at both the federal and state level. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for changes in accounting policies and incorporate assumptions including the amount of future state and federal pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income. Changes in current tax laws and rates could also affect recorded deferred tax assets and liabilities in the future as was the case with the passage of the Tax Cuts and Jobs Act in 2017.

Financial Accounting Standards Board ("FASB") ASC Topic 740, Income Taxes ("ASC 740") provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. ASC Topic 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with ASC Topic 740, and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Financial Condition

Balance Sheet Summary

The Company's total assets increased in 2023 by \$560,826,000 or 13.09%, to \$4,846,476,000 at December 31, 2023, after increasing 7.42% in 2022 to \$4,285,650,000 at December 31, 2022. Loans, net of allowance for credit losses, totaled \$3,550,675,000 at December 31, 2023, a \$436,879,000, or 14.03%, increase compared to December 31, 2022. In 2023, management targeted owner-occupied commercial real estate, residential real estate lending and small business lending as areas of focus. The increase in loans in 2023 resulted from the continued population growth and corporate relocations in the Bank's primary market areas, the opening of new branches, and increased marketing efforts. Although the Company continued to grow loans in 2023,

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the rate at which it grew loans slowed compared to 2022. The Company expects to experience slower loan growth in 2024 as elevated interest rates are expected to continue to dampen loan demand, particularly if a recessionary economic environment develops. In addition, we expect to continue to moderate the extent of our lending in 2024 to ensure adequate liquidity. At year-end 2023, securities totaled \$811,081,000, a decrease of 1.43% from \$822,812,000 at December 31, 2023, primarily due to a run-off of declining balance securities and the selling of securities, partially offset by the purchase of new securities and an improvement in the unrealized losses associated with our available-for-sale securities portfolio. As a result of deposit growth that outpaced loan growth, interest bearing deposits at other financial institutions increased by \$135,007,000, to \$213,701,000 at December 31, 2023. Deferred income taxes totaled \$45,473,000 at December 31, 2023, a \$5,850,000, or 11.40%, decrease compared to December 31, 2022. The decrease in deferred income taxes was largely attributable to a decrease in the unrealized losses on our available-for-sale securities portfolio of \$30,145,000.

Total liabilities increased by \$491,873,000, or 12.53%, to \$4,417,071,000 at December 31, 2023 compared to \$3,925,198,000 at December 31, 2022. This increase was composed primarily of the \$474,401,000 increase in total deposits to \$4,367,106,000, a 12.19% increase from December 31, 2022. The increase in total deposits since December 31, 2022 was primarily attributable to growth in market share, branching and brokered deposit activities, and concerted marketing efforts to drive deposit growth which resulted in the opening of new deposit accounts. Accrued interest and other liabilities increased to \$49,965,000 from \$32,493,000 at respective year ends 2023 and 2022. The increase in accrued interest and other liabilities was due to an increase in interest payable on CDs as customers moved from lower earning and non-interest earning accounts to take advantage of the higher rates, an increase in interest payable on brokered CDs, and an increase in reserve for income taxes, partially offset by a decrease in reserve for off-balance sheet commitments, a decrease in escrow payable, and a decrease in operating lease liability in connection with the branch closure in January 2024.

Shareholders' equity increased \$68,953,000, or 19.13%, in 2023, due to an increase in the fair value of available-for-sale securities net of taxes, net earnings, the issuance of common stock pursuant to the Company's Dividend Reinvestment Plan and the exercise of stock options. This increase in equity was partially offset by dividends paid on the Company's common stock. A more detailed discussion of assets, liabilities and capital follows.

Loans

The following schedule details the loans and percentage of loans in each category of the Company at December 31, 2023 and 2022 (dollars in thousands):

	December 31, 2023		December 31, 2022	
	AMOUNT	%	AMOUNT	%
Residential 1-4 family real estate	\$ 959,218	26.6%	\$ 854,970	27.0%
Commercial and multi-family real estate	1,313,284	36.4	1,064,297	33.6
Construction, land development and farmland	901,336	25.0	879,528	27.8
Commercial, industrial and agricultural	127,659	3.5	124,603	3.9
1-4 family equity lines of credit	202,731	5.6	151,032	4.8
Consumer and other	104,373	2.9	93,332	2.9
Total loans before net deferred loan fees	<u>3,608,601</u>	<u>100.0%</u>	<u>3,167,762</u>	<u>100.0%</u>
Net deferred loan fees	(13,078)		(14,153)	
Total loans	<u>3,595,523</u>		<u>3,153,609</u>	
Less: Allowance for credit losses	(44,848)		(39,813)	
Net loans	<u>\$ 3,550,675</u>		<u>\$ 3,113,796</u>	

Loans are the largest component of the Company's assets and are its primary source of income. The Company's loan portfolio, net of allowance for credit losses, increased 14.03% at year-end 2023 when compared to year-end 2022. Overall, the Bank's loan demand and related new loan production has continued to be steady, though loan demand slightly slowed in 2023. The net loan growth of 14.03% from December 31, 2022 reflects the continued emphasis of management on growing the loan portfolio. The table above sets forth the loan categories and the percentage of such loans in the portfolio as of December 31, 2023 and 2022.

As represented in the above table, Wilson Bank experienced loan growth for the year ended December 31, 2023 in all loan categories. Contributing to the Company's loan growth in 2023 were the continued population growth and corporate relocations in the Bank's primary market areas, the opening of new branches, and increased marketing efforts. Residential 1-4 family real estate loans increased 12.2% in 2023 and comprised 26.6% of the total loan portfolio at December 31, 2023, compared to 27.0% at December 31, 2022. The increase in residential 1-4 family real estate loans is attributable to the Bank successfully growing its residential portfolio through enhanced marketing efforts directed at homebuilders in the Company's market areas, and the increase the Company is seeing in the investor sector of 1-4 family. Commercial and multi-family real estate loans increased 23.4% in 2023 and comprised 36.4% of the total loan portfolio at December 31, 2023, compared to 33.6% at December 31, 2022. Construction, land development and farmland loans increased 2.5% in 2023 and comprised 25.0% of the total loan portfolio at December 31, 2023, compared to 27.8% at December 31, 2022. One-to-four family equity lines of credit loans increased 34.2% in 2023 and comprised 5.6% of the total loan portfolio at December 31, 2023, compared to 4.8% at December 31, 2022. The increase in commercial and multi-family real estate, construction, land development and farmland loans, and 1-4 family equity lines of credit is primarily attributable to continued economic growth and expansion in the Bank's primary market areas. Wilson Bank continues to seek to diversify its real estate portfolio over the long term as it seeks to lessen concentrations in any one type of loan. As noted above, the Company expects loan growth to further slow in 2024 as a result of the elevated interest rate environment and the potential challenging economic conditions, as well as the Company's continued moderation of its lending as it seeks to preserve adequate liquidity.

Because construction loans remain a meaningful portion of our portfolio, the Bank has implemented an additional layer of monitoring as it seeks to avoid advancing funds that exceed the present value of the collateral securing the loan. The responsibility for monitoring percentage of completion and distribution of funds tied to these completion percentages is now monitored and administered by a Credit Administration Department independent of the lending function. The Bank continues to seek to diversify its real estate portfolio as it seeks to lessen concentrations in any one type of loan.

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Banking regulators define highly leveraged transactions to include leveraged buy-outs, acquisition loans and recapitalization loans of an existing business. Under the regulatory definition, at December 31, 2023, the Company had no highly leveraged transactions, and there were no foreign loans outstanding during any of the reporting periods. As of December 31, 2023, the Company had not underwritten any loans in connection with capital leases.

The following table classifies the Company's fixed and variable rate loans at December 31, 2023 according to contractual maturities of: (1) one year or less, (2) after one year through five years, (3) after five years through fifteen years, and (4) after fifteen years (dollars in thousands):

	December 31, 2023				
	After Five Years				
	One Year or Less	After One Year Through Five Years	Years Through Fifteen Years	After Fifteen Years	Total
Residential 1-4 family real estate	\$ 55,621	\$ 15,689	\$ 118,908	\$ 769,000	\$ 959,218
Commercial and multi-family real estate	34,976	79,687	252,214	946,407	1,313,284
Construction, land development and farmland	278,891	217,707	116,411	288,327	901,336
Commercial, industrial and agricultural	17,940	40,231	40,506	28,982	127,659
1-4 family equity lines of credit	17,108	26,592	156,232	2,799	202,731
Consumer and other	26,783	47,993	9,492	20,105	104,373
Total	<u><u>\$ 431,319</u></u>	<u><u>\$ 427,899</u></u>	<u><u>\$ 693,763</u></u>	<u><u>\$ 2,055,620</u></u>	<u><u>\$ 3,608,601</u></u>
Loans with fixed interest rates:					
Residential 1-4 family real estate	\$ 48,758	\$ 2,969	\$ 18,423	\$ 108,665	\$ 178,815
Commercial and multi-family real estate	23,016	16,521	17,546	5,283	62,366
Construction, land development and farmland	168,562	64,977	17,298	7,832	258,669
Commercial, industrial and agricultural	13,356	28,990	8,724	11	51,081
1-4 family equity lines of credit	6,566	999	25	—	7,590
Consumer and other	15,017	44,090	6,732	6,323	72,162
Total	<u><u>\$ 275,275</u></u>	<u><u>\$ 158,546</u></u>	<u><u>\$ 68,748</u></u>	<u><u>\$ 128,114</u></u>	<u><u>\$ 630,683</u></u>
Loans with variable interest rates:					
Residential 1-4 family real estate	\$ 6,863	\$ 12,720	\$ 100,485	\$ 660,335	\$ 780,403
Commercial and multi-family real estate	11,960	63,166	234,668	941,124	1,250,918
Construction, land development and farmland	110,329	152,730	99,113	280,495	642,667
Commercial, industrial and agricultural	4,584	11,241	31,782	28,971	76,578
1-4 family equity lines of credit	10,542	25,593	156,207	2,799	195,141
Consumer and other	11,766	3,903	2,760	13,782	32,211
Total	<u><u>\$ 156,044</u></u>	<u><u>\$ 269,353</u></u>	<u><u>\$ 625,015</u></u>	<u><u>\$ 1,927,506</u></u>	<u><u>\$ 2,977,918</u></u>

The following table details selected information as to non-accrual loans of the Company at December 31, 2023, 2022 and 2021:

	<i>In Thousands, Except Percentages</i>					
	December 31, 2023		December 31, 2022		December 31, 2021	
	Non-Accrual Loans	Non-Accrual Loans	Non-Accrual Loans	Non-Accrual Loans	Non-Accrual Loans	Non-Accrual Loans
	Total Loans	Percent of Loans in Category	Total Loans	Percent of Loans in Category	Total Loans	Percent of Loans in Category
	Total Loans	Amount	Total Loans	Amount	Total Loans	Amount
Residential 1-4 family real estate	\$959,218	\$—	\$854,970	\$—	\$689,579	\$—
Commercial and multi-family real estate	1,313,284	—	1,064,297	—	908,673	—
Construction, land development and farmland	901,336	—	879,528	—	612,659	—
Commercial, industrial and agricultural	127,659	—	124,603	—	118,155	—
1-4 family equity lines of credit	202,731	—	151,032	—	92,229	—
Consumer and other	<u><u>104,373</u></u>	<u><u>—</u></u>	<u><u>93,332</u></u>	<u><u>—</u></u>	<u><u>74,643</u></u>	<u><u>—</u></u>
Total	<u><u>\$3,608,601</u></u>	<u><u>\$—</u></u>	<u><u>\$3,167,762</u></u>	<u><u>\$—</u></u>	<u><u>\$2,495,938</u></u>	<u><u>\$—</u></u>
Allowance for credit losses on loans	\$44,848		\$39,813		\$39,632	
Ratio of non-accrual loans to total loans outstanding		—%		—%		—%
Ratio of allowance for credit losses on loans to non-accrual loans		—%		—%		—%

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 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 non-accrual

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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. There were no non-accrual loans at December 31, 2023, 2022, or 2021.

At December 31, 2023, there were four outstanding loan modifications made to borrowers experiencing financial difficulty totaling \$3,446,000, all of which were on accrual status.

At December 31, 2023, and December 31, 2022, there was no other real estate owned outstanding.

The following table sets forth for the reported periods loans that were at least 30 days but less than 60 days past due, 60 days but less than 90 days past due and nonaccrual loans and those loans past due greater than 89 days:

	<i>(In thousands)</i>						
	Nonaccrual and Greater Than 89					Total Loans	Loans Greater Than 89 Days Past Due and Accruing Interest
	30-59 Days Past Due	60-89 Days Past Due	Days Past Due	Past Due	Current		
December 31, 2023							
Residential 1-4 family real estate	\$ 1,544	552	1,178	3,274	955,944	959,218	\$ 1,178
Commercial and multi-family real estate	5,846	—	—	5,846	1,307,438	1,313,284	—
Construction, land development and farmland	2,959	1	—	2,960	898,376	901,336	—
Commercial, industrial and agricultural	52	—	7	59	127,600	127,659	7
1-4 family equity lines of credit	571	209	106	886	201,845	202,731	106
Consumer and other	350	78	118	546	103,827	104,373	118
Total	\$ 11,322	840	1,409	13,571	3,595,030	3,608,601	\$ 1,409
December 31, 2022							
Residential 1-4 family real estate	\$ 2,046	1,080	426	3,552	851,418	854,970	\$ 426
Commercial and multi-family real estate	397	1,626	400	2,423	1,061,874	1,064,297	400
Construction, land development and farmland	591	—	—	591	878,937	879,528	—
Commercial, industrial and agricultural	49	62	—	111	124,492	124,603	—
1-4 family equity lines of credit	74	77	—	151	150,881	151,032	—
Consumer and other	403	184	43	630	92,702	93,332	43
Total	\$ 3,560	3,029	869	7,458	3,160,304	3,167,762	\$ 869

Past due loans, which include nonaccrual loans and loans greater than 89 days past due, totaled \$13,571,000 at December 31, 2023, an increase from \$7,458,000 at December 31, 2022. The increase in 30-59 days past due loans during the year ended December 31, 2023 of \$7,762,000 was primarily due to the additions of one large commercial real estate relationship, one large construction loan relationship, and several 1-4 family equity lines of credit. The increase in nonaccrual and greater than 89 days past due loans during the year ended December 31, 2023 of \$540,000 was due primarily to the addition of one large residential 1-4 family real estate loan relationship that was greater than 89 days past due and the addition of one large 1-4 family equity line of credit loan relationship that was greater than 89 days past due. Management believes that it is probable that it will incur losses on nonaccrual and greater than 89 days past due loans but believes that these losses should not exceed the amount in the allowance for credit losses already allocated to these loans, unless there is a severe deterioration of local real estate values.

The net non-performing asset ratio (NPA) is used as a measure of the overall quality of the Company's assets. Our NPA ratio is calculated by dividing the total of our loans greater than 89 days past due and accruing interest, non-accrual loans, and other real estate owned by our total assets outstanding. Our NPA ratios for the periods ended December 31, 2023 and December 31, 2022 were 0.03% and 0.02%, respectively. The increase in our NPA ratio was impacted by increases in loans greater than 89 days past due and accruing interest as described above.

Other loans may be classified as collateral dependent when the current net worth and financial capacity of the borrower or of the collateral pledged, if any, is viewed as inadequate and it is probable that the Company will be unable to collect the scheduled payments of principal and interest due under the contractual terms of the loan agreement. Such loans generally have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt, and if such deficiencies are not corrected, there is a probability that the Company will sustain some loss. In such cases, interest income continues to accrue as long as the loan does not meet the Company's criteria for nonaccrual status. Collateral dependent loans are measured at the fair value of the collateral less estimated selling costs. If the fair value of the collateral dependent loan less estimated selling costs is less than the recorded investment in the loan, the Company shall recognize impairment by creating a valuation allowance with a corresponding charge to the provision for credit losses or by adjusting an existing valuation allowance for the collateral dependent loan with a corresponding charge or credit to the provision for credit losses.

At December 31, 2023, the Company had a recorded investment in collateral dependent loans totaling \$4,838,000, an increase from a recorded investment in collateral dependent loans totaling \$638,000 at December 31, 2022. The increase during the year ended December 31, 2023 as compared to December 31, 2022 is primarily due to the addition of two 1-4 family real estate relationships and the addition of two commercial real estate relationships. As of December 31, 2023 and December 31, 2022, no valuation allowance was recorded on collateral dependent loans. The allowance for credit losses for loans related to collateral dependent loans was measured based upon the estimated fair value of related collateral.

The internally classified loans as a percentage of the allowance for credit losses were 13.2% and 16.0%, respectively, at December 31, 2023 and 2022. At December 31, 2023, loans totaling \$5,900,000 were included in the Company's internal classified loan list compared to \$6,376,000 at December 31,

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2022. Of these loans, \$5,493,000 are real estate secured and \$407,000 are secured by various other types of collateral. Classified loan balances have remained relatively consistent due to the stable markets in which we operate; however, if short-term rates continue to remain elevated for a significant period of time and economic conditions worsen, our classified loan balances could increase. 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 allowance for credit losses is discussed under "Critical Accounting Estimates", "Provision for Credit Losses", and "Summary of Significant Accounting Policies." The Company maintains its allowance for credit losses at an amount believed by management to be adequate to absorb expected credit losses inherent in the loan portfolio as of December 31, 2023.

Substantially all of the Company's loans are from Wilson, DeKalb, Smith, Putnam, Trousdale, Davidson, Rutherford, Sumner, Williamson and adjacent counties. Although the majority of the Company's loans are in the real estate market, the Company seeks to exercise prudent risk management in lending through the diversification by loan category within the real estate segment, including residential 1-4 family real estate, commercial and multi-family real estate, construction, land development and farmland, and 1-4 family equity lines of credit.

The Company will target owner-occupied commercial real estate, residential real estate lending and consumer lending as areas of emphasis in 2024. At December 31, 2023, the Company's total loans equaled 82.3% of its total deposits as compared to 81.0% at December 31, 2022. The Company may sell portions of the loans it generates to other financial institutions for cash in order to improve the liquidity of the Company's loan portfolio or extend its lending capacity.

Allowance for Credit Losses

On January 1, 2022, we adopted FASB ASU 2016-13, which introduces the current expected credit losses (CECL) methodology and requires us to estimate all expected credit losses over the remaining life of our financial instrument portfolios. The provision for credit losses represents a charge to earnings necessary to establish an allowance for credit losses that, in management's evaluation, is adequate to provide coverage for all expected credit losses.

The allowance for credit losses for loans represents the portion of the loan's amortized cost basis that we do not expect to collect due to credit losses over the loan's life, considering past events, current conditions, and reasonable and supportable forecasts of future economic conditions considering macroeconomic forecasts. Loan losses are charged against the allowance when we believe the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for credit losses for loans is based on the loan's amortized cost basis, excluding accrued interest receivable, as we promptly charge off accrued interest receivable determined to be uncollectible. We determine the appropriateness of the allowance through quarterly discounted cash flow modeling of the loan portfolio which considers lending-related commitments and other relevant factors, including macroeconomic forecasts and historical loss rates. In future quarters, we may update information and forecasts that may cause significant changes in the estimate in those future quarters.

Our allowance for credit losses for loans at December 31, 2023 reflects an amount deemed appropriate to adequately cover all expected future losses as of the date the allowance is determined based on our allowance for credit losses for loans assessment methodology. Provision for credit losses for loans in 2023 resulted in an increase of the allowance for credit losses for loans (net of charge-offs and recoveries) to \$44,848,000 at December 31, 2023 from \$39,813,000 at December 31, 2022 and \$39,632,000 at December 31, 2021. The allowance for credit losses for loans increased 12.65% from December 31, 2022 to December 31, 2023 as compared to the 14.01% increase in total loans over the same period. The allowance for credit losses for loans was 1.25% of total loans outstanding at December 31, 2023 compared to 1.26% at December 31, 2022. The allowance for loan losses was 1.60% at December 31, 2021. The internally classified loans as a percentage of the allowance for credit losses for loans were 13.2% and 16.0%, respectively, at December 31, 2023 and 2022.

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The following schedule provides an allocation of the year-end allowance for credit losses for loans by portfolio segment for the Company as of and for the fiscal years ended December 31, 2023 and 2022:

<i>In Thousands, Except Percentages</i>					
	Amount of Allowance Allocated	Percent of Loans in Each Category to Total Loans	Total Loans	Ratio of Allowance Allocated to Loans in Each Category	
December 31, 2023					
Residential 1-4 family real estate	\$ 8,765	26.6%	\$ 959,218	0.91%	
Commercial and multi-family real estate	17,422	36.4	1,313,284	1.33	
Construction, land development and farmland	14,027	25.0	901,336	1.56	
Commercial, industrial and agricultural	1,533	3.5	127,659	1.20	
1-4 family equity lines of credit	1,809	5.6	202,731	0.89	
Consumer and other	1,292	2.9	104,373	1.24	
Total	<u>\$ 44,848</u>	<u>100.0%</u>	<u>3,608,601</u>	<u>1.24</u>	
Net deferred loan fees			(13,078)		
			<u>\$ 3,595,523</u>	<u>1.25%</u>	
December 31, 2022					
Residential 1-4 family real estate	\$ 7,310	27.0%	\$ 854,970	0.86%	
Commercial and multi-family real estate	15,299	33.6	1,064,297	1.44	
Construction, land development and farmland	13,305	27.8	879,528	1.51	
Commercial, industrial and agricultural	1,437	3.9	124,603	1.15	
1-4 family equity lines of credit	1,170	4.8	151,032	0.77	
Consumer and other	1,292	2.9	93,332	1.38	
Total	<u>\$ 39,813</u>	<u>100.0%</u>	<u>3,167,762</u>	<u>1.26</u>	
Net deferred loan fees			(14,153)		
			<u>\$ 3,153,609</u>	<u>1.26%</u>	

The allowance for credit losses for loans is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. The allowance for credit losses for loans as a percentage of total loans outstanding at December 31, 2023, net of deferred fees, decreased slightly from the year ended December 31, 2022. This decrease was due to the movement of loans out of the construction and land development pools, which had higher reserve rates, and into various other loan pools within the portfolio that had lower reserve rates, and a reduced provision expense due to slowing loan growth. This was offset in part by the increase in our historical modeled loss rates during the twelve months ended December 31, 2023 due to changes in our macroeconomic forecasts, which are discussed below in more detail, capturing the potential for a recession, that was not captured in our forecast at December 31, 2022.

We measure expected credit losses over the life of each loan utilizing two models. For residential 1-4 family, commercial and multi-family real estate, construction and land development, commercial and industrial, 1-4 family equity lines of credit, municipal, and certain other loan types, we use discounted cash flow models which measure probability of default and loss given default. For farmland, agricultural, credit cards, auto, and other consumer loans we use the remaining life method to estimate credit losses. The measurement of expected credit losses for loan segments utilizing discounted cash flow is impacted by certain macroeconomic variables. Models are adjusted to reflect the current impact of certain macroeconomic variables as well as their expected changes over a reasonable and supportable forecast period.

In estimating expected credit losses as of December 31, 2023, we utilized the Moody's Analytics December 2023 Next-Cycle Recession Scenario (the "December N-CR Scenario") to forecast the macroeconomic variables used in our models. The December NC-R Scenario was based on the review of a variety of surveys of forecasts of the U.S. economy. The December NC-R Scenario projections included, among other things, (i) U.S. Gross Domestic Product ("GDP") annualized quarterly growth rates in the range of approximately (1.07)% to 1.64% during 2024 and 0.03% to 3.15% through the end of the forecast period in the fourth quarter of 2025; (ii) a U.S. unemployment rate in the range of approximately 4.78% to 6.11% during 2024 and 4.47% to 5.21% through the end of the forecast period in the fourth quarter of 2025; and (iii) a Home Price Index annualized quarterly growth rates in the range of approximately (6.50)% to 2.76% during 2024 and (4.55)% to 0.90% through the end of the forecast period in the fourth quarter of 2025.

We adjust model results using qualitative factor ("Q-factor") adjustments. Q-Factor adjustments are based upon management judgment and current assessment as to the impact of risks related to changes in lending policies and procedures; economic and business conditions; loan portfolio attributes and credit concentrations; and external factors, among other things, that are not already captured within the modeling inputs, assumptions and other processes. Management assesses the potential impact of such items within a range of major risk to improvement and adjusts the modeled expected credit loss by an aggregate adjustment percentage based upon the assessment.

Our charge-off policy for collateral dependent loans is similar to our charge-off policy for all loans in that loans are charged-off in the month when a determination is made that the loan is uncollectible. Net charge-offs increased to \$1,265,000 in 2023 from net charge-offs of \$911,000 in 2022 and net charge-offs of \$50,000 in 2021. The ratio of net charge-offs to average total outstanding loans was 0.04% in 2023, 0.03% in 2022 and 0.00% in 2021. Overall, the Bank experienced minimal charge-offs during 2023. It is expected that charge-offs will be modest for 2024; however, a deterioration in local economic conditions more severe than currently expected may negatively impact charge-offs in the future.

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We also maintain an allowance for credit losses on off-balance sheet exposures, which decreased \$2,989,000 from December 31, 2022 to \$3,147,000 at December 31, 2023 as a result of a decrease in our off-balance sheet commitments and an increase in our unconditionally cancellable commitments as a percentage of our off-balance sheet commitments, which are excluded from the calculation of the allowance for credit losses on off-balance credit exposure under ASC 326.

The level of the allowance and the amount of the provision for credit losses involve evaluation of uncertainties and matters of judgment. The Company maintains an allowance for credit losses - loans which management believes is adequate to absorb losses in the loan portfolio. A formal calculation is prepared quarterly by the Company's Chief Financial Officer and provided to the Board of Directors to determine the adequacy of the allowance for credit losses. The calculation includes an evaluation of historical default and loss experience, current and forecasted economic conditions, an evaluation of qualitative factors, industry and peer bank loan quality indicators and other factors. See the discussion above under "Application of Critical Accounting Policies and Accounting Estimates" for more information. Management believes the allowance for credit losses at December 31, 2023 to be adequate, but if forecasted economic conditions do not meet management's current expectations, the allowance for credit losses may require an increase through additional provision for credit loss expense which would negatively impact earnings.

For a detailed discussion regarding our allowance for credit losses, see "*Provision for Credit Losses and Allowance for Credit Losses*" elsewhere in this document.

Securities

Securities decreased 1.43% to \$811,081,000 at December 31, 2023 from \$822,812,000 at December 31, 2022, and comprised the second largest and other primary component of the Company's earning assets. Securities decreased due to the sale of securities and the run-off of our declining balance securities in 2023, partially offset by an increase in the fair market value of our securities portfolio due to a decline in interest rates that caused the fair market value of our securities portfolio to increase and by the purchase of new securities with higher yields. The average yield, including tax equivalent adjustment, of the securities portfolio at December 31, 2023 was 2.33% with a weighted average life of 8.25 years, as compared to an average yield of 2.15% and a weighted average life of 8.25 years at December 31, 2022. The weighted average lives on mortgage-backed securities reflect the repayment rate used for book value calculations.

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses on our available-for-sale securities excluded from earnings and reported in other comprehensive income. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Upon and subsequent to adoption of CECL, for available-for-sale debt securities in an unrealized loss position, we evaluate the securities at each measurement date to determine whether the decline in the fair value below the amortized cost basis is due to credit-related factors or noncredit-related factors. Any impairment that is not credit related is recognized in other comprehensive income, net of applicable taxes. Credit-related impairment is recognized through the allowance for credit losses on the balance sheet, limited to the amount by which the amortized cost basis exceeds the fair value, with a corresponding adjustment to earnings via provision for credit loss. At December 31, 2023 and December 31, 2022, we determined that available-for-sale securities that experienced a decline in fair value below the amortized cost basis were driven by changes in interest rates and not due to credit-related factors. Therefore, there was no provision for credit loss recognized during the twelve months ended December 31, 2023 with respect to our available-for-sale securities.

No securities have been classified as trading securities or held-to-maturity at December 31, 2023, December 31, 2022, or December 31, 2021.

Investment securities at December 31, 2023 and December 31, 2022 consisted of the following:

	December 31, 2023			
	Securities Available-For-Sale			
	<i>(In Thousands)</i>	Gross	Gross	Estimated
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury and other U.S. government agencies	\$ 4,901	—	472	4,429
U.S. Government-sponsored enterprises (GSEs)	167,738	—	23,570	144,168
Mortgage-backed securities	480,759	230	63,959	417,030
Asset-backed securities	51,183	193	1,403	49,973
Corporate bonds	2,500	—	77	2,423
Obligations of states and political subdivisions	223,358	397	30,697	193,058
	\$ 930,439	820	120,178	811,081

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December 31, 2022				
Securities Available-For-Sale				
	(In Thousands)			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury and other U.S. government agencies	\$ 7,353	—	856	6,497
U.S. Government-sponsored enterprises (GSEs)	177,261	—	32,049	145,212
Mortgage-backed securities	518,727	1	74,290	444,438
Asset-backed securities	47,538	—	2,288	45,250
Corporate bonds	2,500	—	97	2,403
Obligations of states and political subdivisions	218,936	—	39,924	179,012
	<u>\$ 972,315</u>	<u>1</u>	<u>149,504</u>	<u>822,812</u>

The following table details the contractual maturities and weighted average yields of investment securities of the Company. Actual maturities may differ from contractual maturities of mortgage and asset-backed securities because the mortgages or other assets underlying such securities may be called or prepaid with or without penalty. Therefore, these securities are not included in the maturity categories noted below as of December 31, 2023:

December 31, 2023		
Estimated Weighted Market Average Value Yields		
(In Thousands, Except Yields)		
<u>Available-For-Sale Securities</u>		
Mortgage and asset-backed securities		
One year or less	\$ 13	3.98%
After one year through five years	24,584	1.44
After five years through ten years	88,445	3.69
After ten years	353,961	2.45
Total Mortgage and asset backed securities	<u>467,003</u>	<u>2.63</u>
U.S. Treasury and other U.S. government agencies:		
One year or less	—	—
After one year through five years	4,429	1.11
After five years through ten years	—	—
After ten years	—	—
Total U.S. Treasury and other U.S. government agencies:	<u>4,429</u>	<u>1.11</u>
U.S. Government-sponsored enterprises (GSEs):		
One year or less	—	—
After one year through five years	43,500	0.93
After five years through ten years	85,426	1.54
After ten years	15,242	2.14
Total U.S. Government-sponsored enterprises (GSEs)	<u>144,168</u>	<u>1.42</u>
Obligations of states and political subdivisions*:		
One year or less	289	0.71
After one year through five years	15,123	1.86
After five years through ten years	70,113	1.93
After ten years	107,533	2.98
Total obligations of states and political subdivisions	<u>193,058</u>	<u>2.51</u>
Corporate bonds:		
One year or less	—	—
After one year through five years	2,423	4.25
After five years through ten years	—	—
After ten years	—	—
Total corporate bonds	<u>2,423</u>	<u>4.25</u>
Total available-for-sale securities	<u>\$ 811,081</u>	<u>2.33%</u>

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

We computed weighted average yields using coupon interest, adding discount accretion or subtracting premium amortization, as appropriate, on a ratable basis over the life of each security. We computed the weighted average yield for each maturity range using the fair value of each security in that range.

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Premises and Equipment, net

Premises and equipment increased \$367,000, or 0.59%, from December 31, 2022 to December 31, 2023. The primary reason for the increase was due to the purchase of equipment and furniture and fixtures, the remodeling of several branches, and an increase in computer software, substantially offset by current year depreciation and amortization of \$4,313,000.

Bank Owned Life Insurance

Bank owned life insurance increased \$1,638,000, or 2.82%, from December 31, 2022 to December 31, 2023. This increase was due to an increase in the overall cash surrender value.

Deposits

The increases in assets in 2023 and 2022 were funded primarily by increases in deposits and the Company's earnings. Total deposits, which are the principal source of funds for the Company, totaled \$4,367,106,000 at December 31, 2023 compared to \$3,892,705,000 at December 31, 2022, an increase of 12.19%. Included in deposits at December 31, 2023 were \$69,135,000 in brokered deposits, compared to \$35,024,000 at December 31, 2022. The increase in brokered deposits from December 31, 2022 to December 31, 2023 was the result of management's decision to increase liquidity to fund anticipated loan growth during 2023. The increase in total deposits since December 31, 2022 was primarily attributable to growth in market share which resulted in the opening of new deposit accounts, a targeted effort to increase customer time deposits and the increase in brokered deposits mentioned above. The Company has targeted local consumers, professionals and small businesses as its central clientele; therefore, deposit instruments in the form of demand deposits, savings accounts, money market demand accounts, certificates of deposits and individual retirement accounts are offered to customers. Management believes the markets in which it operates are attractive economic markets offering growth opportunities for the Company; however, the Company competes with several larger banks and community banks that have bank offices in these areas which may negatively impact market growth or maintenance of current market share. Even though the Company is in a very competitive market, management currently believes that its deposit market share can be maintained or expanded, though, as discussed below, such competition may force the Company to further increase the rates it pays on deposits.

The \$474,401,000, or 12.19%, growth in deposits in 2023 was due to a \$788,958,000, or 112.44%, increase in certificates of deposits and a \$9,860,000, or 15.12%, increase in individual retirement accounts. This was partially offset by a \$144,655,000, or 11.12%, decrease in money market accounts, a \$135,920,000, or 12.70%, decrease in NOW accounts, a \$25,180,000, or 6.07%, decrease in demand deposit accounts, and a \$18,662,000, or 5.51%, decrease in savings accounts. The increase in time deposits is due to the Bank increasing rates to remain competitive in our market areas and customers shifting to these products from lower earning and non-interest earning accounts to take advantage of higher rates. The average rate paid on average total interest-bearing deposits was 2.27% for 2023 compared to 0.49% for 2022. The average rate paid in 2021 was 0.40%. Competitive pressure from other banks in our market area relating to deposit pricing could adversely affect the rates paid on deposit accounts as it limits our ability to lower deposit rates should short-term interest rates fall. It's these same competitive pressures that may cause our deposit rates to continue to rise in an elevated rate environment. If either of these scenarios were to happen, our net interest margin would experience compression and our results of operations would be negatively impacted. As noted above, we raised rates on deposits to maintain liquidity levels and offer competitive rates in our markets. The ratio of average loans to average deposits was 83.2% in 2023, 75.5% in 2022, and 73.6% in 2021.

The average amounts and average interest rates for deposits for 2023 and 2022 are detailed in the following schedule:

	2023		2022	
	<i>Average Balance In Thousands</i>	<i>Average Rate</i>	<i>Average Balance In Thousands</i>	<i>Average Rate</i>
Non-interest bearing deposits	\$ 399,683	—%	\$ 434,443	—%
Interest-bearing deposits:				
Negotiable order of withdrawal accounts	976,154	0.60	1,083,028	0.24
Money market demand accounts	1,123,482	2.03	1,250,916	0.47
Time deposits	1,264,602	3.98	601,100	1.08
Other savings	322,458	1.43	332,918	0.34
Total interest-bearing deposits	<u>3,686,696</u>	<u>2.27%</u>	<u>3,267,962</u>	<u>0.49%</u>
Total deposits	<u>\$ 4,086,379</u>	<u>2.05%</u>	<u>\$ 3,702,405</u>	<u>0.43%</u>

At December 31, 2023 and 2022, we estimate that we had approximately \$1.2 billion in uninsured deposits, which are the portion of deposit amounts that exceed the FDIC insurance limit. Approximately 28% of our total deposits exceeded the FDIC deposit insurance limits at December 31, 2023 while approximately 31% exceeded the FDIC deposit insurance limits at December 31, 2022. However, we offer large depositors access to the Certificate of Deposit Account Registry Service ("CDARS") and the Insured Cash Sweep ("ICS Product"), which allows us to divide customers' deposits that exceed the FDIC insurance limits into smaller amounts, below the FDIC insurance limits, and place those excess deposits in other participating FDIC insured institutions with the convenience of managing all deposit accounts through our Bank. Our total deposits in CDARS and the ICS Products increased to \$104,204,000, or 2.39% of total deposits, at December 31, 2023, compared to \$4,730,000, or 0.12% of total deposits, at December 31, 2022.

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The following schedule details the maturities of estimated uninsured time deposits greater than \$250,000 at December 31, 2023:

	<u><i>In Thousands</i></u>
Time deposits otherwise uninsured with a maturity of:	
Three months or less	\$ 105,037
Over three through six months	74,366
Over six through twelve months	160,802
Over twelve months	64,246
Portion of U.S. time deposits in excess of insurance limit	<u><u>\$ 404,451</u></u>

Off Balance Sheet Arrangements

At December 31, 2023, the Company had unfunded lines of credit of \$1.0 billion and outstanding standby letters of credit of \$106 million, compared to unfunded lines of credit of \$1.2 billion and outstanding standby letters of credit of \$118 million at December 31, 2022. Since many of the commitments are expected to be drawn upon, the total commitment amounts generally represent future cash requirements. If needed to fund these outstanding commitments, the Bank has the ability to access interest-bearing deposits in other financial institutions, liquidate Federal funds sold or securities available-for-sale or on a short-term basis to borrow and purchase Federal funds from other financial institutions. Additionally, the Bank could sell participations in these or other loans to correspondent banks. Liquidation of securities available-for-sale could trigger recognition of losses by the Bank if those securities sold to meet these commitments were in a loss position when sold. As mentioned below, Wilson Bank has been able to fund its ongoing liquidity needs through its stable core deposit base, brokered deposits, loan repayments, its investment security maturities, and short-term borrowings.

Quantitative and Qualitative Disclosures About Market Risk

The Company's primary component of market risk is interest rate volatility. Fluctuations in interest rates will ultimately impact both the level of income and expense recorded on a large portion of the Company's assets and liabilities, and the market value of all interest-earning assets and interest-bearing liabilities, other than those which possess a short term to maturity. Based upon the nature of the Company's operations, the Company is not subject to foreign currency exchange or commodity price risk.

Interest rate risk (sensitivity) management focuses on the earnings risk associated with changing interest rates. Management seeks to maintain profitability in both short term and long term earnings through funds management/interest rate risk management. The Company's rate sensitivity position has an important impact on earnings. Senior management of the Company meets monthly to analyze the rate sensitivity position. These meetings focus on the spread between the cost of funds and interest yields generated primarily through loans and investments.

Liquidity and Asset Liability Management

Liquidity

The Company's management seeks to maximize net interest income by managing the Company's assets and liabilities within appropriate constraints on capital, liquidity and interest rate risk. Liquidity is a measure of our ability to meet our cash flow requirements, including inflows and outflows of cash for depositors and borrowers, while at the same time meeting our operating, capital and strategic cash flow needs. Several factors influence our liquidity needs, including depositor and borrower activity, interest rate trends, changes in the economy, maturities, re-pricing and interest rate sensitivity of our debt securities, loan portfolio and deposits. We strive to maintain appropriate levels of liquidity. We calculate our liquidity ratio by taking cash and due from banks, interest bearing deposits, federal funds sold, and available-for-sale debt securities not pledged as collateral and dividing by total assets. Our total liquidity ratios were 13.09% at December 31, 2023 and 12.21% at December 31, 2022. The increase in our liquidity ratio is primarily attributable to an increase in cash and due from banks, interest bearing deposits, and federal funds sold, partially offset by a decrease in the amount of available-for-sale securities not pledged as collateral.

The Company's primary source of liquidity is a stable core deposit base. In addition, federal funds purchased, advances from the Federal Home Loan Bank of Cincinnati, and brokered deposits provide a secondary source. These sources of liquidity are generally short-term in nature and are used to fund asset growth and meet other short-term liquidity needs. Liquidity needs can also be met from loan payments and investment security sales or maturities. While maturities and scheduled amortization of loans and debt securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by market interest rates, economic conditions, and competition. At December 31, 2023, the Company's liquid assets totaled approximately \$634.0 million, an increase from \$522.7 million at December 31, 2022, though a portion of these liquid assets include available-for-sale securities that are in an unrealized loss position at December 31, 2023. If the Company was required to sell any of these securities, including to meet liquidity needs, while they are in an unrealized loss position the Company would be required to recognize the loss on those securities through the income statement when they are sold. Recognition of these losses would negatively impact the Bank's and the Company's regulatory capital levels. Additionally, as of December 31, 2023, the Company had available approximately \$127.5 million in unused federal funds lines of credit with regional banks and, subject to certain restrictions and collateral requirements, approximately \$539.4 million of borrowing capacity with the Federal Home Loan Bank of Cincinnati to meet short term funding needs. The Company maintains a formal asset and liability management process in an effort to quantify, monitor and control interest rate risk, and to assist management as management seeks to maintain stability in the net interest margin under varying interest rate environments. The Company accomplishes this process through the development and implementation of lending, funding and pricing strategies designed to maximize net interest income under varying interest rate environments subject to specific liquidity and interest rate risk guidelines and competitive market conditions.

The Company's securities portfolio consists of earning assets that provide interest income. Securities classified as available-for-sale include securities intended to be used as part of the Company's asset/liability strategy and/or securities that may be sold in response to changes in interest rates, prepayment

WILSON BANK HOLDING COMPANY
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risk, or the need to fund loan demand or other liquidity needs. At December 31, 2023, securities totaling approximately \$40.2 million mature or will be subject to rate adjustments within the next twelve months.

A secondary source of liquidity is the Company's loan portfolio. At December 31, 2023, loans totaling approximately \$1.2 billion either will become due or will be subject to rate adjustments within twelve months from that date.

As for liabilities, at December 31, 2023, certificates of deposit and individual retirement accounts of \$250,000 or greater totaling approximately \$510.7 million will become due or reprice during the next twelve months. Historically, there has been no significant reduction in immediately withdrawable accounts such as negotiable order of withdrawal accounts, money market demand accounts, demand deposit accounts and regular savings accounts. Management does not anticipate that there will be significant withdrawals from these accounts in the next twelve months.

Management believes that with present maturities, borrowing capacity in unused federal funds lines of credit and with the Federal Home Loan Bank of Cincinnati and the efforts of management in its asset/liability management program, the Company should be able to meet its liquidity needs in the near term future.

Asset Liability Management

Analysis of rate sensitivity and rate gap analysis are the primary tools used to assess the direction and magnitude of changes in net interest income resulting from changes in interest rates. Included in the analysis are cash flows and maturities of financial instruments held for purposes other than trading, changes in market conditions, loan volumes and pricing and deposit volume and mix. These assumptions are inherently uncertain, and, as a result, net interest income cannot be precisely estimated nor can the impact of higher or lower interest rates on net interest income be precisely predicted. Actual results will differ due to timing, magnitude and frequency of interest rate changes and changes in market conditions and management's strategies, among other factors.

Interest Rate Sensitivity Gaps

The following schedule details the Company's interest rate sensitivity gaps for different time periods at December 31, 2023:

<i>(In Thousands)</i>	Repricing Within				
	Total	0-30 Days	31-90 Days	91-180 Days	181-365 Days
					Over 1 Year
Earning assets:					
Loans, net of deferred fees	\$ 3,595,523	620,510	107,913	147,565	289,298
Securities	811,081	37,630	1,793	452	288
Loans held for sale	2,294	—	—	—	2,294
Interest bearing deposits	213,701	213,701	—	—	—
Federal funds sold	10,159	10,159	—	—	—
Restricted equity securities	3,436	3,436	—	—	—
Total earning assets	<u>4,636,194</u>	<u>885,436</u>	<u>109,706</u>	<u>148,017</u>	<u>289,586</u>
Interest-bearing liabilities:					
Negotiable order of withdrawal accounts	934,709	934,709	—	—	—
Money market demand accounts	1,156,694	1,156,694	—	—	—
Individual retirement accounts	75,062	1,883	6,208	7,621	14,694
Other savings	320,301	320,301	—	—	—
Certificates of deposit	1,490,615	65,228	284,631	187,504	660,729
Finance leases	2,251	—	—	—	2,251
	<u>3,979,632</u>	<u>2,478,815</u>	<u>290,839</u>	<u>195,125</u>	<u>675,423</u>
Interest-sensitivity gap	<u><u>\$ 656,562</u></u>	<u><u>(1,593,379)</u></u>	<u><u>(181,133)</u></u>	<u><u>(47,108)</u></u>	<u><u>(385,837)</u></u>
Cumulative gap	<u><u>(1,593,379)</u></u>	<u><u>(1,774,512)</u></u>	<u><u>(1,821,620)</u></u>	<u><u>(2,207,457)</u></u>	<u><u>656,562</u></u>
Interest-sensitivity gap as % of total assets	<u><u>(32.9%)</u></u>	<u><u>(3.7%)</u></u>	<u><u>(1.0%)</u></u>	<u><u>(8.0%)</u></u>	<u><u>59.1%</u></u>
Cumulative gap as % of total assets	<u><u>(32.9%)</u></u>	<u><u>(36.6%)</u></u>	<u><u>(37.6%)</u></u>	<u><u>(45.5%)</u></u>	<u><u>13.5%</u></u>

As detailed in the chart, as of December 31, 2023, the Company is forecasted to maintain a liability sensitive position over the next twelve months, meaning that its liabilities should reprice faster than its assets in a changing interest rate environment. However, management expects that liabilities of a demand nature will renew and that it will not be necessary to replace them with significantly higher cost of funds.

The Company also uses simulation modeling to evaluate both the level of interest rate sensitivity as well as potential balance sheet strategies. The Company's Asset Liability Committee meets quarterly to analyze the interest rate shock simulation. The interest rate shock simulation model is based on a number of assumptions. The assumptions include, but are not limited to, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, reinvestment and replacement of asset and liability cash flows and balance sheet management strategies. We model instantaneous change in interest rates using a growth in the balance sheet as well as a flat balance sheet to understand the impact to earnings and capital. Based on the Company's IRR simulation, the Company had a neutral interest-rate risk position as of December 31, 2023, though the Company's net interest margin and earnings could be negatively impacted if short-term rates continue to rise or remain elevated and competitive pressures in the Company's market areas force the Company to increase deposit rates faster than it is able to increase yields on loans. If short term rates begin to decline, as the Company expects may begin to happen in the second half of 2024, the Company's net interest margin and earnings could be negatively impacted if the yields on

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loans decrease faster than the Company is able to lower deposit rates. As discussed elsewhere herein, the Bank anticipates that its net interest margin is likely to contract during 2024 because of such competitive pressures, and the elevated rate environment we are currently experiencing that is expected to continue in the near term. The Company also uses Economic Value of Equity (“EVE”) sensitivity analysis to understand the impact of changes in interest rates on long-term cash flows, income and capital. EVE is calculated by discounting the cash flows for all balance sheet instruments under different interest rate scenarios. The EVE is a longer term view of interest rate risk because it measures the present value of the future cash flows. Presented below is the estimated impact on the Bank's net interest income and EVE as of December 31, 2023, assuming an immediate shift in interest rates:

	% Change from Base Case for Immediate Parallel Changes in Rates					
	-300 BP	-200 BP	-100 BP	+100 BP	+200 BP	+300 BP
Net interest income	(6.65)%	(4.61)%	(2.18)%	(1.95)%	(3.87)%	(5.94)%
EVE	(13.47)%	(5.29)%	(1.20)%	(3.05)%	(6.55)%	(10.65)%

While an instantaneous and severe shift in interest rates was used in this analysis to provide an estimate of exposure under these scenarios, we believe that a gradual shift in interest rates would have a more modest impact. Further, the earnings simulation model does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, and changing product spreads that could mitigate any potential adverse impact of changes in interest rates. Moreover, since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon (i.e., the current year). Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, changes in yield curve relationships, hedging strategies that we may institute, and changing product spreads that could mitigate any potential adverse impact of changes in interest rates.

Interest rate risk (sensitivity) management focuses on the earnings risk associated with changing interest rates. Management seeks to maintain profitability in both immediate and long-term earnings through funds management/interest rate risk management. The Company's rate sensitivity position has an important impact on earnings. Senior management of the Company analyzes the rate sensitivity position quarterly. Management focuses on the spread between the Company's cost of funds and interest yields generated primarily through loans and investments.

In addition to the ALCO, the Audit Committee as well as the Chief Risk Officer are all responsible for the “risk management framework” of the Company. The ALCO meets monthly and the Audit Committee meets quarterly, with the authority to convene additional meetings, as circumstances require.

Impact of Inflation

Although interest rates are significantly affected by inflation, for the fiscal years ended December 31, 2023, 2022 and 2021, the inflation rate is believed to have had an immaterial impact on the Company's results of operations. Outside of its potential impact on our customers and their ability to make loan payments, we do not expect such inflation to have a material impact on our operations in 2024 other than any effect it may have on interest rates, though continued elevated levels of inflation could also negatively impact our non-interest expense.

Capital Resources, Capital Position and Dividends

At December 31, 2023, total shareholders' equity was \$429,405,000, or 8.86% of total assets, which compares with \$360,452,000, or 8.41% of total assets, at December 31, 2022, and \$413,717,000, or 10.37% of total assets, at December 31, 2021. The dollar increase in the Company's shareholders' equity during 2023 reflects (i) net income of \$48,938,000, (ii) less cash dividends of \$1.50 per share totaling \$17,303,000, (iii) the issuance of 189,471 shares of common stock for \$12,979,000, as reinvestment of cash dividends, (iv) the issuance of 24,711 shares of common stock pursuant to exercise of stock options for \$1,044,000, (v) the net positive change in unrealized loss on available-for-sale securities of \$22,267,000, (vi) stock-based compensation expense of \$974,000, and (vii) \$54,000 of net income attributable to the other members of Encompass.

For a discussion of the Company's and Wilson Bank's capital levels and required minimum levels of capital each is required to maintain under applicable regulatory requirements see Note 17, Regulatory Matters and Restrictions on Dividends in the notes to the Company's consolidated financial statements appearing elsewhere in this report.

WILSON BANK HOLDING COMPANY FINANCIAL HIGHLIGHTS (UNAUDITED)

<i>In Thousands, Except Per Share Information As Of December 31,</i>					
	2023	2022	2021	2020	2019
CONSOLIDATED BALANCE SHEETS:					
Total assets end of year	\$4,846,476	4,285,650	3,989,596	3,369,604	2,794,209
Loans, net	\$3,550,675	3,113,796	2,444,282	2,282,766	2,057,175
Securities	\$ 811,081	822,812	897,585	580,543	421,145
Deposits	\$4,367,106	3,892,705	3,555,071	2,960,595	2,417,605
Shareholders' equity	\$ 429,405	360,452	413,717	380,121	336,984
CONSOLIDATED STATEMENTS OF EARNINGS:					
Interest income	\$ 222,583	157,540	129,841	122,968	118,077
Interest expense	83,679	16,133	11,636	18,219	23,379
Net interest income	138,904	141,407	118,205	104,749	94,698
Provision for credit losses - loans	6,300	8,656	1,143	9,696	2,040
Provision for credit losses - off-balance sheet exposures	(2,989)	(1,014)	262	259	75
Net interest income after provision for credit losses	135,593	133,765	116,800	94,794	92,583
Non-interest income	28,289	27,281	32,850	29,795	25,410
Non-interest expense	100,951	92,970	85,492	76,479	70,882
Earnings before income taxes	62,931	68,076	64,158	48,110	47,111
Income taxes	13,939	15,056	14,732	9,618	11,067
Net earnings	48,992	53,020	49,426	38,492	36,044
Net loss (gain) attributable to noncontrolling interest	(54)	22	—	—	—
Net earnings attributable to Wilson Bank Holding Company	\$ 48,938	53,042	49,426	38,492	36,044
Cash dividends declared	<u>\$ 17,303</u>	<u>20,880</u>	<u>14,909</u>	<u>13,013</u>	<u>11,725</u>
PER SHARE DATA:					
Basic earnings per common share	\$ 4.21	4.66	4.44	3.52	3.36
Diluted earnings per common share	\$ 4.20	4.65	4.43	3.51	3.35
Cash dividends	\$ 1.50	1.85	1.35	1.20	1.10
Book value	\$ 36.74	31.42	36.93	34.58	31.24
RATIOS:					
Return on average shareholders' equity	12.47%	14.36	12.45	10.65	11.31
Return on average assets	1.08%	1.29	1.35	1.24	1.34
Total capital to assets	8.86%	8.41	10.37	11.28	12.06
Dividends declared per share as a percentage of basic earnings per share	35.63%	39.70	30.41	34.09	32.74

WILSON

BANK HOLDING CO.

YOUR FAMILY FINANCIAL CENTER

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Wilson Bank Holding Company's management assessed the effectiveness of the company's internal control over financial reporting as of December 31, 2023. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on our assessment, we believe that, as of December 31, 2023, the company's internal control over financial reporting is effective based on those criteria. Wilson Bank Holding Company's independent auditors have issued an audit report on our assessment of the company's internal control over financial reporting.

February 28, 2024



John C. McDearman III
CEO



Lisa Pominski
Executive Vice President and CFO



Stephen M. Maggart, CPA, ABV, CFF
J. Mark Allen, CPA
Chris Conro, CPA
Michael T. Holland, CPA, ABV, CFF
M. Todd Maggart, CPA, ABV, CFF
P. Jason Ricciardi, CPA, CGMA
David B. von Dohlen, CPA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Wilson Bank Holding Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Wilson Bank Holding Company (the Company) as of December 31, 2023 and 2022, and the related consolidated statements of earnings, comprehensive earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2024 expressed an unqualified opinion thereon.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method for accounting for allowance or credit losses effective January 1, 2022, due to the adoption of Financial Accounting Standards Board Accounting Standards Codification No. 326, Financial Instrument - Credit Losses ("ASC 326"). The Company adopted the new credit loss standard using the modified retrospective method provided in Accounting Standards Update No. 2016-13 such that prior period amounts are not adjusted and continue to be reported in accordance with previously applicable generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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Wilson Bank Holding Company
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Basis for Opinion, Continued

We conducted our audits in accordance with the standards of the PCAOB. Those standard require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosure in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Allowance for Credit Losses on Loans - Reasonable and Supportable Forecasts and Qualitative Adjustments

The Company adopted ASC 326, Financial Instruments - Credit Losses, as of January 1, 2022, which, among other things, required that the Company recognize expected credit losses over the contractual life of financial assets utilizing the Current Expected Credit Losses ("CECL") methodology. The Company's allowance for credit losses on loans ("ACL") was \$44.8 as of December 31, 2023 and the provision for credit losses on loans was \$6.3 million for the year ended December 31, 2023. Loans were \$3.6 billion at December 31, 2023. The Company disclosed information regarding the adoption of the standard and the Company's financial assets and allowance for credit losses in Note 1. Summary of Significant accounting Policies and Note 2 Loans and Allowance for Credit Losses to the consolidated financial statements.

The Company primarily used a discounted cash flow (DCF) model to calculate its ACL. DCF calculates the present value of the future expected cash flows for all loans included in the analysis at the loan's effective interest rate. The analysis was performed using a bottom-up approach with the loan-level data. The loan-level calculations were rolled up to the pool level to get the total amortized cost of cash flow loans by each pool. The amortized cost is then discounted back to the present value. The total dollar reserve applied to the pool is the total amortized cost net present value.

Within its DCF model, the Company primarily employed a probability of default ("PD") and loss given default ("LGD") modeling approach. The PD assumption of the Company's ACL model utilized historical correlations between default experience and certain macroeconomic factors as determined through a statistical regression analysis. Losses are forecasted over a period of time determined to be reasonable and supportable, and then reverted to long term historical averages. The Company adjusted its overall ACL with qualitative adjustment that are not inherently considered in the quantitative component of the methodology.

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Wilson Bank Holding Company
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While the qualitative categories and the measurements utilized to quantify the risks associated with each of the qualitative adjustments are built primarily upon objective measurements where applicable, they are subjectively developed and interpreted by management.

The audit procedures over the reasonable and supportable forecast scenarios and qualitative adjustments utilized in management's methodology involved challenging and subjective auditor judgment. Therefore, we identified auditing the reasonable and supportable forecast scenarios and qualitative adjustments applied as a critical audit matter.

The primary audit procedures we performed to address this critical audit matter included the following:

- Tested the operating effectiveness of controls specific to:
 - Determining the reasonableness of the forecasted macroeconomic scenarios used in the model.
 - The identification and application of qualitative adjustments to the ACL model.
 - The relevance and reliability of data used by the Company's third-party vendor to develop forecast scenarios.
 - The Company's allowance committee's oversight and review of the overall ACL.
- Performed substantive testing over the qualitative adjustments including:
 - Evaluated the reasonableness and appropriateness of the policies and methodologies employed including, but not limited to, evaluating their conceptual soundness and inspecting and testing significant assumptions and judgments.
 - Evaluated management's judgments in the selection and application of the forecasted macroeconomic scenarios.
 - Evaluated management's rationale for determining qualitative adjustments were relevant and warranted for each loan segment and assessed the measurement of qualitative factor adjustments applied by management.
 - Assessed changes in qualitative factors year-over-year against overall trends in credit quality within the Company and broader trends within the industry and local and national economies to evaluate reasonableness of management's qualitative factor adjustments.

Maggart & Associates, P.C.

We have served as the Company's auditor since 1987.

Nashville, Tennessee (PCAOB 763)
February 28, 2024



Stephen M. Maggart, CPA, ABV, CFF
J. Mark Allen, CPA
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P. Jason Ricciardi, CPA, CGMA
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Wilson Bank Holding Company

Opinion on Internal Control over Financial Reporting

We have audited Wilson Bank Holding Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Wilson Bank Holding Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, and the related consolidated statements of earnings, comprehensive earnings, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated February 28, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

To the Shareholders and the Board of Directors of
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Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Maggart & Associates, P.C.

Nashville, Tennessee (PCAOB 763)
February 28, 2024

WILSON BANK HOLDING COMPANY
Consolidated Balance Sheets
December 31, 2023 and 2022

	<i>Dollars in thousands</i>	
	2023	2022
<u>ASSETS</u>		
Loans, net of allowance for credit losses of \$44,848 and \$39,813, respectively	\$ 3,550,675	3,113,796
Available-for-sale securities, at market (amortized cost \$930,439 and \$972,315, respectively)	811,081	822,812
Loans held for sale	2,294	3,355
Interest bearing deposits	213,701	78,694
Federal funds sold	10,159	308
Restricted equity securities, at cost	3,436	4,357
Total earning assets	<u>4,591,346</u>	<u>4,023,322</u>
Cash and due from banks	28,775	25,787
Premises and equipment, net	62,398	62,031
Accrued interest receivable	15,197	11,397
Deferred income taxes	45,473	51,323
Bank owned life insurance	59,645	58,007
Goodwill	4,805	4,805
Other assets	38,837	48,978
Total assets	<u>\$ 4,846,476</u>	<u>4,285,650</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Deposits:		
Noninterest-bearing	\$ 389,725	414,905
Interest bearing	<u>3,977,381</u>	<u>3,477,800</u>
Total deposits	<u>4,367,106</u>	<u>3,892,705</u>
Accrued interest and other liabilities	49,965	32,493
Total liabilities	<u>4,417,071</u>	<u>3,925,198</u>
Shareholders' equity:		
Common stock, par value \$2.00 per share, authorized 50,000,000 shares, 11,686,363 and 11,472,181 shares issued and outstanding, respectively	23,373	22,944
Additional paid-in capital	136,866	122,298
Retained earnings	357,260	325,625
Noncontrolling interest in consolidated subsidiary	69	15
Accumulated other comprehensive losses, net of taxes of \$31,195 and \$39,073, respectively	(88,163)	(110,430)
Total shareholders' equity	<u>429,405</u>	<u>360,452</u>
Total liabilities and shareholders' equity	<u>\$ 4,846,476</u>	<u>4,285,650</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY
Consolidated Statements of Earnings
Three Years Ended December 31, 2023

	<i>Dollars In Thousands (except per share data)</i>		
	2023	2022	2021
Interest income:			
Interest and fees on loans	\$ 198,739	138,161	118,676
Interest and dividends on securities:			
Taxable securities	17,597	15,902	8,922
Exempt from Federal income taxes	1,574	1,392	1,229
Interest on loans held for sale	244	264	438
Interest on Federal funds sold	421	111	13
Interest on interest bearing deposits	3,697	1,522	445
Interest and dividends on restricted equity securities	311	188	118
Total interest income	<u>222,583</u>	<u>157,540</u>	<u>129,841</u>
Interest expense:			
Interest on negotiable order of withdrawal accounts	5,847	2,546	1,866
Interest on money market accounts and other savings accounts	27,394	7,021	2,027
Interest on certificates of deposit and individual retirement accounts	50,341	6,486	7,610
Interest on Federal funds purchased	24	14	—
Interest on Federal Home Loan Bank advances	2	—	133
Interest on finance leases	71	66	—
Total interest expense	<u>83,679</u>	<u>16,133</u>	<u>11,636</u>
Net interest income before provision for credit losses	138,904	141,407	118,205
Provision for credit losses - loans	6,300	8,656	1,143
Provision for credit losses - off-balance sheet exposures	(2,989)	(1,014)	262
Net interest income after provision for credit losses	<u>135,593</u>	<u>133,765</u>	<u>116,800</u>
Non-interest income	28,289	27,281	32,850
Non-interest expense	100,951	92,970	85,492
Earnings before income taxes	62,931	68,076	64,158
Income taxes	13,939	15,056	14,732
Net earnings	<u>48,992</u>	<u>53,020</u>	<u>49,426</u>
Net loss (gain) attributable to noncontrolling interest	(54)	22	—
Net earnings attributable to Wilson Bank Holding Company	<u>\$ 48,938</u>	<u>53,042</u>	<u>49,426</u>
Basic earnings per common share	<u>\$ 4.21</u>	<u>4.66</u>	<u>4.44</u>
Diluted earnings per common share	<u>\$ 4.20</u>	<u>4.65</u>	<u>4.43</u>
Weighted average common shares outstanding:			
Basic	11,611,690	11,377,617	11,131,897
Diluted	<u>11,641,366</u>	<u>11,408,924</u>	<u>11,162,956</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY
Consolidated Statements of Comprehensive Earnings
Three Years Ended December 31, 2023

	<i>Dollars In Thousands</i>		
	2023	2022	2021
Net earnings	\$ 48,992	53,020	49,426
Other comprehensive earnings (losses):			
Unrealized gains (losses) on available-for-sale securities	29,136	(142,573)	(18,223)
Reclassification adjustment for net losses (gains) included in net earnings	1,009	1,620	(28)
Tax effect	(7,878)	36,838	4,771
Other comprehensive earnings (losses)	<u>22,267</u>	<u>(104,115)</u>	<u>(13,480)</u>
Comprehensive earnings (losses)	<u>71,259</u>	<u>(51,095)</u>	<u>35,946</u>
Comprehensive (earnings) losses attributable to noncontrolling interest	(54)	22	—
Comprehensive earnings (losses) attributable to Wilson Bank Holding Company	<u>\$ 71,205</u>	<u>(51,073)</u>	<u>35,946</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY
Consolidated Statements of Changes in Shareholders' Equity
Three Years Ended December 31, 2023

	<i>Dollars In Thousands</i>					
	Common Stock	Additional Paid In Capital	Retained Earnings	Noncontrolling Interest	Accumulated Other Comprehensive Earnings (Loss)	Total
Balance January 1, 2021	\$ 21,987	93,034	257,935	—	7,165	380,121
Cash dividends declared, \$1.35 per share	—	—	(14,909)	—	—	(14,909)
Issuance of 186,583 shares of common stock pursuant to dividend reinvestment plan	373	10,815	—	—	—	11,188
Issuance of 21,517 shares of common stock pursuant to exercise of stock options	43	819	—	—	—	862
Share based compensation expense	—	509	—	—	—	509
Net change in fair value of available-for-sale securities during the year, net of taxes of \$4,771	—	—	—	—	(13,480)	(13,480)
Net earnings for the year	—	—	49,426	—	—	49,426
Balance December 31, 2021	22,403	105,177	292,452	—	(6,315)	413,717
Cash dividends declared, \$1.85 per share	—	—	(20,880)	—	—	(20,880)
Issuance of 250,365 shares of common stock pursuant to dividend reinvestment plan	501	15,616	—	—	—	16,117
Issuance of 19,687 shares of common stock pursuant to exercise of stock options	39	596	—	—	—	635
Vesting of 625 restricted share awards	1	(1)	—	—	—	—
Share based compensation expense	—	910	—	—	—	910
Net change in fair value of available-for-sale securities during the year, net of taxes of \$36,838	—	—	—	—	(104,115)	(104,115)
Cumulative effect of change in accounting principle from the adoption of ASC 326	—	—	1,011	—	—	1,011
Noncontrolling interest contribution	—	—	—	37	—	37
Net earnings for the year	—	—	53,042	(22)	—	53,020
Balance December 31, 2022	22,944	122,298	325,625	15	(110,430)	360,452
Cash dividends declared, \$1.50 per share	—	—	(17,303)	—	—	(17,303)
Issuance of 189,471 shares of common stock pursuant to dividend reinvestment plan	379	12,600	—	—	—	12,979
Issuance of 24,711 shares of common stock pursuant to exercise of stock options	50	994	—	—	—	1,044
Share based compensation expense	—	974	—	—	—	974
Net change in fair value of available-for-sale securities during the year, net of taxes of \$(7,878)	—	—	—	—	22,267	22,267
Net earnings for the year	—	—	48,938	54	—	48,992
Balance December 31, 2023	<u>\$ 23,373</u>	<u>136,866</u>	<u>357,260</u>	<u>69</u>	<u>(88,163)</u>	<u>429,405</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY
Consolidated Statements of Cash Flows
Three Years Ended December 31, 2023

Increase (Decrease) in Cash and Cash Equivalents

	<i>Dollars In Thousands</i>		
	2023	2022	2021
OPERATING ACTIVITIES			
Consolidated net income	\$ 48,992	53,020	49,426
Adjustments to reconcile consolidated net income to net cash provided by operating activities			
Provision for credit losses	3,311	7,642	1,405
Deferred income taxes provision	(2,029)	(2,051)	(932)
Depreciation and amortization of premises and equipment	4,313	4,462	4,235
Loss (gain) on disposal of premises and equipment	55	(291)	43
Net amortization of securities	2,879	4,003	5,377
Net realized losses (gains) on sales of securities	1,009	1,620	(28)
Gains on mortgage loans sold, net	(2,635)	(2,973)	(9,997)
Stock-based compensation expense	1,948	1,864	1,428
Loss on other real estate	—	—	15
Loss (gain) on sale of other assets	10	(8)	(6)
Increase in value of life insurance and annuity contracts	(1,667)	(1,345)	(1,109)
Mortgage loans originated for resale	(73,984)	(106,601)	(215,813)
Proceeds from sale of mortgage loans	77,680	118,062	233,441
Gain on lease modification	(1,463)	—	—
Right of use asset amortization	29	397	387
Change in			
Accrued interest receivable	(3,800)	(3,756)	(125)
Other assets	9,373	248	(4,458)
Accrued interest payable	21,055	1,516	(1,458)
Other liabilities	1,028	(2,602)	(383)
TOTAL ADJUSTMENTS	37,112	20,187	12,022
NET CASH PROVIDED BY OPERATING ACTIVITIES	86,104	73,207	61,448
INVESTING ACTIVITIES			
Activities in available for sale securities			
Purchases	(51,116)	(200,075)	(530,155)
Sales	32,740	42,728	39,652
Maturities, prepayments and calls	56,364	85,544	149,861
Redemptions of restricted equity securities	921	732	—
Net increase in loans	(442,452)	(673,871)	(164,095)
Purchase of buildings, leasehold improvements, and equipment	(4,643)	(5,022)	(8,922)
Proceeds from sale of premises and equipment	—	1,758	—
Proceeds from sale of other assets	49	34	109
Proceeds from sale of other real estate	—	—	167
Purchase of life insurance and annuity contracts	—	(10,978)	(15,079)
Redemption of annuity contracts	419	248	—
Increase in other investments	—	—	(2,000)
NET CASH USED IN INVESTING ACTIVITIES	(407,718)	(758,902)	(530,462)
FINANCING ACTIVITIES			
Net change in deposits - non-maturing	(324,417)	163,933	612,696
Net change in deposits - time	798,818	173,701	(18,220)
Net change in Federal Home Loan Bank Advances	—	—	(3,638)
Change in escrow balances	(1,631)	3,549	(4,403)
Repayment of finance lease obligation	(30)	(26)	—
Noncontrolling interest contributions	—	37	—
Issuance of common stock related to exercise of stock options	1,044	635	862
Issuance of common stock pursuant to dividend reinvestment plan	12,979	16,117	11,188
Cash dividends paid on common stock	(17,303)	(20,880)	(14,909)
NET CASH PROVIDED BY FINANCING ACTIVITIES	469,460	337,066	583,576
NET CHANGE IN CASH AND CASH EQUIVALENTS	147,846	(348,629)	114,562
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	104,789	453,418	338,856
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 252,635	104,789	453,418

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY
Consolidated Statements of Cash Flows, Continued
Three Years Ended December 31, 2023
Increase (Decrease) in Cash and Cash Equivalents

	<i>Dollars In Thousands</i>		
	2023	2022	2021
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	\$ 62,624	\$ 14,617	\$ 12,106
Taxes	<u>\$ 16,511</u>	<u>\$ 19,446</u>	<u>\$ 16,827</u>
Non-cash investing and financing activities:			
Change in fair value of securities available-for-sale, net of taxes of \$(7,878) in 2023, \$36,838 in 2022, and \$4,771 in 2021,	\$ 22,267	\$ (104,115)	\$ (13,480)
Non-cash transfers from loans to other real estate	<u>—</u>	<u>—</u>	<u>\$ 182</u>
Non-cash transfers from loans to other assets	<u>—</u>	<u>—</u>	<u>\$ 129</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements
December 31, 2023, 2022 and 2021

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Wilson Bank Holding Company ("the Company") and its wholly owned subsidiary, Wilson Bank & Trust ("Wilson Bank" or "the Bank"), are in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and conform to general practices within the banking industry. The following is a brief summary of the significant policies.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Wilson Bank, and Wilson Bank's 51% owned subsidiary, Encompass Home Lending, LLC ("Encompass"). On June 1, 2022, the Bank began operations with a newly-formed joint venture, Encompass Home Lending, LLC. Encompass offers residential mortgage banking services to customers of certain home builders in the Company's markets. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Nature of Operations

Wilson Bank operates under a state bank charter and provides full banking services. As a Tennessee state-chartered bank that is not a member of the Federal Reserve, Wilson Bank is subject to regulations of the Tennessee Department of Financial Institutions and the Federal Deposit Insurance Corporation ("FDIC"). The areas served by Wilson Bank include Wilson County, DeKalb County, Rutherford County, Smith County, Trousdale County, Putnam County, Sumner County, Hamilton County, Davidson County and Williamson County, Tennessee and surrounding counties in Middle Tennessee. As of December 31, 2023, services were provided at the main office, twenty-nine branch locations and one loan production office. In January 2024, Wilson Bank closed one of its branch locations.

(c) Use of Estimates

In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses - loans and off-balance sheet credit exposures, the valuation of deferred tax assets, determination of any impairment of goodwill or other intangibles, the valuation of other real estate (if any), and the fair value of financial instruments.

(d) Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within Middle Tennessee. The types of securities in which the Company invests are described in note 3. The types of lending in which the Company engages are described in note 2. The Company does not have any significant concentrations to any one industry or customer other than as disclosed in note 2.

(e) Loans

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout Middle Tennessee. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for unearned income, the allowance for credit losses, and any unamortized deferred fees or costs on originated loans, and premiums or discounts on purchased loans. Interest income is accrued on the unpaid principal balance.

Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized on a straight line basis over the respective term of the loan.

As part of its routine credit monitoring process, the Company performs regular credit reviews of the loan portfolio and loans receive risk ratings by the assigned credit officer, which are subject to validation by the Company's independent loan review department. Risk ratings are categorized as pass, special mention, substandard or doubtful. The Company believes that its categories follow those outlined by the FDIC, Wilson Bank's primary federal regulator.

Generally the accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Credit card loans and other personal loans are typically charged off no later than when they become 180 days past due. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(1) Summary of Significant Accounting Policies, Continued

(f) Allowance for Credit Losses - Loans

On January 1, 2022, the Company adopted Accounting Standards Update (“ASU”) 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” as subsequently updated for certain clarifications, targeted relief and codification improvements. Accounting Standards Codification (“ASC”) Topic 326 (“ASC 326”) replaces the previous “incurred loss” model for measuring credit losses, which encompassed allowances for current known and inherent losses within the portfolio, with an “expected loss” model, which encompasses allowances for losses expected to be incurred over the life of the portfolio. The new current expected credit loss (“CECL”) model requires the measurement of all expected credit losses for financial assets measured at amortized cost and certain off-balance-sheet credit exposures based on historical experience, current conditions, and reasonable and supportable forecasts. ASC 326 also requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. In addition, ASC 326 includes certain changes to the accounting for available-for-sale securities including the requirement to present credit losses as an allowance rather than as a direct write-down for available-for-sale securities management does not intend to sell or believes that it is more likely than not they will not be required to sell.

Effective January 1, 2022, the Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Upon adoption, the Company recognized an after-tax cumulative effect increase to retained earnings totaling \$1.0 million. Operating results for periods after January 1, 2022 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable standards and the accounting policies described below.

In connection with the adoption of ASC 326, the Company revised certain accounting policies and implemented certain accounting policy elections. Further information regarding our policies and methodology used to estimate the allowance for credit losses on loans is presented in Note 2 - Loans and Allowance for Credit Losses.

(g) Allowance for Loan Losses (Allowance)

Prior to the Adoption of FASB ASC 326 on January 1, 2022, which introduced the CECL methodology for credit losses, the allowance for loan losses was composed of the result of two independent analyses pursuant to the provisions of ASC 450-20, Loss Contingencies and ASC 310-10-35, Receivables. The ASC 450-20 analysis was intended to quantify the inherent risks in the performing loan portfolio. The ASC 310-10-35 analysis included a loan-by-loan analysis of impaired loans, primarily consisting of loans reported as nonaccrual or troubled-debt restructurings.

The allowance allocation began with a process of estimating the probable losses in each of the twelve loan segments. The estimates for these loans were based on our historical loss data for that category over twenty quarters. Each segment was then analyzed such that an allocation of the allowance was estimated for each loan segment.

The estimated loan loss allocation for all twelve loan portfolio segments was then adjusted for several “environmental” factors. The allocation for environmental factors was particularly subjective and did not lend itself to exact mathematical calculation. This amount represented estimated probable inherent credit losses which existed, but had not yet been identified, as of the balance sheet date, and were based upon quarterly trend assessments in delinquent and nonaccrual loans, unanticipated charge-offs, credit concentration changes, prevailing economic conditions, changes in lending personnel experience, changes in lending policies, increase in interest rates, or procedures and other influencing factors. These environmental factors were considered for each of the twelve loan segments and the allowance allocation, as determined by the processes noted above for each component, was increased or decreased through provision expense based on the incremental assessment of those various environmental factors.

We then tested the resulting allowance by comparing the balance in the allowance to industry and peer information. Our management then evaluated the result of the procedures performed, including the result of our testing, and concluded on the appropriateness of the balance of the allowance in its entirety. The board of directors reviewed and approved the assessment prior to the filing of quarterly and annual financial information.

A loan was impaired when, based on current information and events, it was probable that we would be unable to collect all amounts due according to the contractual terms of the loan agreement. Collection of all amounts due according to the contractual terms means that both the interest and principal payments of a loan would be collected as scheduled in the loan agreement.

An impairment allowance was recognized if the fair value of the loan was less than the recorded investment in the loan (recorded investment in the loan was the principal balance plus any accrued interest, net of deferred loan fees or costs and unamortized premium or discount). The impairment was recognized through the allowance. Loans that were impaired were recorded at the present value of expected future cash flows discounted at the loan’s effective interest rate, or if the loan was collateral dependent, impairment measurement was based on the fair value of the collateral, less estimated disposal costs. If the measure of the impaired loan was less than the recorded investment in the loan, the Company recognized an impairment by creating a valuation allowance with a corresponding charge to the provision for loan losses or by adjusting an existing valuation allowance for the impaired loan with a corresponding charge or credit to the provision for loan losses. Management believes it followed appropriate accounting and regulatory guidance in determining impairment and accrual status of impaired loans.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(I) Summary of Significant Accounting Policies, Continued

(h) Allowance for Credit Losses - Off-Balance Sheet Credit Exposures

The allowance for credit losses on off-balance sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. The allowance is reported as a component of accrued interest and other liabilities in the Company's consolidated balance sheets. Adjustments to the allowance are reported in the Company's income statement as a component of provision for credit losses - off-balance sheet exposures.

Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans in note 1 - Summary of Significant Accounting Policies, letter (f) Allowance for Credit Losses - Loans as if such commitments were funded.

(i) Debt Securities

Certain debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Trading securities are recorded at fair value with changes in fair value included in earnings. Securities not classified as held-to-maturity or trading, including equity securities with readily determinable fair values, are classified as "available-for-sale" and recorded at fair value based on available market prices, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss) on an after-tax basis. Securities classified as "available-for-sale" are held for indefinite periods of time and may be sold in response to movements in market interest rates, changes in the maturity or mix of Company assets and liabilities or demand for liquidity. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

A debt security is placed on nonaccrual status at the time any principal and interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income.

No securities have been classified as trading securities or held-to-maturity securities at December 31, 2023 or 2022.

(j) Allowance for Credit Losses - Securities Available-for-Sale

For any securities classified as available-for-sale that are in an unrealized loss position at the balance sheet date, the Company assesses whether or not it intends to sell the security, or more likely than not will be required to sell the security, before recovery of its amortized cost basis. If either criteria is met, the security's amortized cost basis is written down to fair value through net income. If neither criteria is met, the Company evaluates whether any portion of the decline in fair value is the result of credit deterioration. Such evaluations consider the extent to which the amortized cost of the security exceeds its fair value, changes in credit ratings and any other known adverse conditions related to the specific security. If the evaluation indicates that a credit loss exists, an allowance for credit losses is recorded for the amount by which the amortized cost basis of the security exceeds the present value of cash flows expected to be collected, limited by the amount by which the amortized cost exceeds fair value. Any impairment not recognized in the allowance for credit losses is recognized in other comprehensive income.

(k) Equity Securities

Equity securities are carried at fair value, with changes in fair value reported in net income. Equity securities without readily determinable fair values are carried at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment.

(l) Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(m) Federal Home Loan Bank (FHLB) Stock

The Company is a member of the FHLB system. Members are required to own a certain amount of stock in the FHLB based on the level of borrowings and other factors and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(1) Summary of Significant Accounting Policies, Continued

(n) Loans Held for Sale

Mortgage loans held for sale are carried at fair value. The fair value of loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

(o) Premises and Equipment

Premises and equipment are stated at cost. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the related assets ranging from 3 to 40 years. Gains or losses realized on items retired and otherwise disposed of are credited or charged to operations and cost and related accumulated depreciation are removed from the asset and accumulated depreciation accounts.

Expenditures for major renovations and improvements of premises and equipment are capitalized and those for maintenance and repairs are charged to earnings as incurred.

(p) Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less the estimated cost to sell at the date the Company acquires the property, establishing a new cost basis. Subsequent to their acquisition by the Company, valuations of these assets are periodically performed by management, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance *(i.e. any direct write-downs)* are included within non-interest expense.

(q) Goodwill and Other Intangible Assets

Goodwill arises from business combinations and is determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exists that indicate that a goodwill impairment test should be performed. The Company has selected September 30th as the date to perform the annual impairment test. No impairment was determined as a result of the test performed by the Company on September 30, 2023. Intangible assets with finite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life on our balance sheet.

(r) Leases

Leases are classified as operating or finance leases at the lease commencement date. The Company leases certain locations and equipment. The Company records leases on the balance sheet in the form of a lease liability for the present value of future minimum payments under the lease terms and right-of-use asset equal to the lease liability adjusted for items such as deferred or prepaid rent, lease incentives, and any impairment of the right-of-use asset. The discount rate used in determining the lease liability is based upon incremental borrowing rates the Company could obtain for similar loans as of the date of commencement or renewal. The Company does not record leases on the consolidated balance sheets that are classified as short term (less than one year).

At lease inception, the Company determines the lease term by considering the minimum lease term and all optional renewal periods that the Company is reasonably certain to renew. The lease term is also used to calculate straight-line rent expense. The depreciable life of leasehold improvements is limited by the estimated lease term, including renewals if they are reasonably certain to be renewed. The Company's leases do not contain residual value guarantees or material variable lease payments that will impact the Company's ability to pay dividends or cause the Company to incur additional expenses.

Operating lease expense consists of a single lease cost allocated over the remaining lease term on a straight-line bases, variable lease payments not included in the lease liability, and any impairment of the right-of-use asset. Rent expense and variable lease expense are included in occupancy and equipment expense on the Company's consolidated statements of earnings. The Company's variable lease expense include rent escalators that are based on market conditions and include items such as common area maintenance, utilities, parking, property taxes, insurance and other costs associated with the lease. The amortization of the right-of- use asset arising from finance leases is expensed through occupancy and equipment expense and the interest on the related lease liability is expenses through interest expense on borrowings on the Company's consolidated statements of earnings.

(s) Mortgage Servicing Rights

When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(l) Summary of Significant Accounting Policies, Continued

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported within non-interest income on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as mortgage servicing income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against servicing fee income. Servicing fees totaled \$9,000 for the year ended December 31, 2023. Late fees and ancillary fees related to loan servicing are not significant.

(t) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, interest-bearing deposits with maturities fewer than 90 days, amounts due from banks and Federal funds sold. Generally, Federal funds sold are purchased and sold for one day periods. Management makes deposits only with financial institutions it believes to be financially sound.

(u) Long-Term Assets

Premises and equipment, intangible assets, and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value.

(v) Bank Owned Life Insurance

The Bank has purchased life insurance policies on certain current and former key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

(w) Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (FASB ASC 740, *Income Taxes*). The Company follows accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term "more-likely-than-not" means a likelihood of more than 50 percent. The terms "examined" and "upon examination" also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

The Company recognizes interest and penalties on income taxes as a component of income tax expense.

(x) Derivatives

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. The Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into, in order to hedge the change in interest rates resulting from its commitments to fund the loans. Changes in the fair values of these derivatives are included in net gains on sale of mortgage loans.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(1) Summary of Significant Accounting Policies, Continued

Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged asset or liability attributable to the hedged risk are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same income statement line item as the earnings effect of the hedged item. The Company utilizes interest rate swaps designated as fair value hedges to mitigate the effect of changing interest rates on the fair values of fixed rate loans. The hedging strategy on loans converts the fixed interest rates to SOFR-based variable interest rates. These derivatives are designated as partial term hedges of selected cash flows covering specified periods of time prior to the maturity dates of the hedged loans.

(y) Stock-Based Compensation

Stock compensation accounting guidance (FASB ASC 718, “*Compensation—Stock Compensation*”) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share awards, restricted share unit awards, performance-based awards, cash-settled stock appreciation rights (SARs), and employee share purchase plans. Because cash-settled SARs do not give the grantee the choice of receiving stock, all cash-settled SARs are accounted for as liabilities, not equity, as expense is accrued over the requisite service period.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees’ service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options and cash-settled SARs.

(z) Retirement Plans

Employee 401(k) and profit sharing plan expense is the amount of matching contributions and profit sharing contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

(aa) Advertising Costs

Advertising costs are expensed as incurred by the Company and totaled \$3,714,000, \$3,455,000 and \$2,736,000 for 2023, 2022 and 2021, respectively.

(bb) Earnings Per Share

Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options, restricted share units, and performance share units and are determined using the treasury stock method.

(cc) Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, net of taxes, which are also recognized as separate components of equity.

(dd) Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

(ee) Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

(ff) Segment Reporting

Management analyzes the operations of the Company assuming one operating segment, community lending services.

(gg) Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in note 22 - Disclosures About Fair Value of Financial Instruments of the consolidated financial statements. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(I) Summary of Significant Accounting Policies, Continued

(hh) Reclassification

Certain reclassifications have been made to the 2022 and 2021 figures to conform to the presentation for 2023.

(ii) Off-Balance-Sheet Financial Instruments

In the ordinary course of business, Wilson Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit, commitments under credit card arrangements, commercial letters of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

(jj) Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 28, 2024, which is the date the financial statements were available to be issued.

(kk) Accounting Standard Updates

ASU 2016-13, “*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.” ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts and requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. As noted above, effective *January 1, 2022* the Company adopted ASU 2016-13, which resulted in a \$7.6 million decrease to the allowance for credit losses and a \$6.2 million increase to the reserve for off-balance sheet exposures, resulting in a \$1.0 million increase in retained earnings (net of taxes). See Note 2 – Loans and Allowance for Credit Losses for additional information.

ASU 2020-04, “*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.” In March 2020, the FASB issued this ASU and has issued subsequent amendments thereto, which provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Interbank Offered Rate (LIBOR) or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance was effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued an update to *Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting with Accounting Standards Update 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which updated the effective date to be March 12, 2020 through December 31, 2024. The Company has implemented a transition plan to identify and modify its loans and other financial instruments, including certain indebtedness, with attributes that are either directly or indirectly influenced by LIBOR. The Company has moved substantially all of its LIBOR-based loans to its preferred replacement index, a Secured Overnight Financing Rate (“SOFR”) based index as of December 31, 2023. For the Company’s currently outstanding LIBOR-based loan, the timing and manner in which such customer’s interest rate transitions to a replacement index should occur at the next repricing date for such loan.

ASU 2022-01, “*Derivatives and Hedging (Topic 815): Fair Value Hedging - Portfolio Layer Method*.” ASU 2022-01 was issued to expand the scope of assets eligible for portfolio layer method hedging to include all financial assets. The update also expanded the then current last-of-layer method that permitted only *one* hedged layer to allow multiple hedged layers of a single closed portfolio. The last-of-layer method is renamed the portfolio layer method, because more than the last layer of a portfolio could be hedged. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The adoption of ASU 2022-01 did not have a significant impact on the Company’s financial statements.

ASU 2022-02, “*Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*.” ASU 2022-02 was issued to respond to feedback received from post-implementation review of Topic 326. The amendments eliminate the troubled debt restructuring (TDR) recognition and measurement guidance and now require that an entity evaluate whether the modification represents a new loan or a continuation of an existing loan. The amendments enhance existing disclosures and include new disclosure requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. To improve consistency for vintage disclosures, the ASU requires that public business entities disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20. The guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The adoption of ASU-2022-02 did not have a significant impact on the Company’s financial statements.

Other than those previously discussed, there were no other recently issued accounting pronouncements that are expected to materially impact the Company.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses

Loans are reported at their outstanding principal balances less unearned income, the allowance for credit losses and any deferred fees or costs on originated loans. Interest income on loans is accrued based on the principal balance outstanding. Loan origination fees, net of certain loan origination costs, are deferred and recognized as an adjustment to the related loan yield using a method which approximates the interest method.

For financial reporting purposes, the Company classifies its loan portfolio based on the underlying collateral utilized to secure each loan. This classification is consistent with that utilized in the Quarterly Report of Condition and Income filed by the Bank with the Federal Deposit Insurance Corporation ("FDIC").

The classification of loans at December 31, 2023 and 2022 is as follows:

	<i>In Thousands</i>	
	2023	2022
Residential 1-4 family real estate	\$ 959,218	\$ 854,970
Commercial and multi-family real estate	1,313,284	1,064,297
Construction, land development and farmland	901,336	879,528
Commercial, industrial and agricultural	127,659	124,603
1-4 family equity lines of credit	202,731	151,032
Consumer and other	104,373	93,332
Total loans before net deferred loan fees	<u>3,608,601</u>	<u>3,167,762</u>
Net deferred loan fees	(13,078)	(14,153)
Total loans	<u>3,595,523</u>	<u>3,153,609</u>
Less: Allowance for credit losses	(44,848)	(39,813)
Net loans	<u>\$ 3,550,675</u>	<u>3,113,796</u>

At December 31, 2023, variable rate and fixed rate loans totaled \$2,977,918,000 and \$630,683,000, respectively. At December 31, 2022, variable rate and fixed rate loans totaled \$2,546,325,000 and \$621,437,000, respectively.

Risk characteristics relevant to each portfolio segment are as follows:

Construction, land development and farmland: Loans for non-owner-occupied real estate construction or land development are generally repaid through cash flow related to the operation, sale or refinance of the property. The Company also finances construction loans for owner-occupied properties. A portion of the Company's construction and land portfolio segment is comprised of loans secured by residential product types (residential land and single-family construction). With respect to construction loans to developers and builders that are secured by non-owner occupied properties that the Company may originate from time to time, the Company generally requires the borrower to have had an existing relationship with the Company and have a proven record of success. Construction and land development loans are underwritten utilizing independent appraisal reviews, sensitivity analysis of absorption and lease rates, market sales activity, and financial analysis of the developers and property owners. Construction loans are generally based upon estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Residential 1-4 family real estate: Residential real estate loans represent loans to consumers or investors to finance a residence. These loans are typically financed on 15 to 30 year amortization terms, but generally with shorter maturities of 5 to 15 years. Many of these loans are extended to borrowers to finance their primary or secondary residence. Loans to an investor secured by a 1-4 family residence will be repaid from either the rental income from the property or from the sale of the property. This loan segment also includes closed-end home equity loans that are secured by a first or second mortgage on the borrower's residence. This allows customers to borrow against the equity in their home. Loans in this portfolio segment are underwritten and approved based on a number of credit quality criteria including limits on maximum Loan-to-Value (LTV), minimum credit scores, and maximum debt to income. Real estate market values as of the time the loan is made directly affect the amount of credit extended and, in addition, changes in these residential property values impact the depth of potential losses in this portfolio segment.

1-4 family equity lines of credit: This loan segment includes open-end home equity loans that are secured by a first or second mortgage on the borrower's residence. This allows customers to borrow against the equity in their home utilizing a revolving line of credit. These loans are underwritten and approved based on a number of credit quality criteria including limits on maximum LTV, minimum credit scores, and maximum debt to income. Real estate market values as of the time the loan is made directly affect the amount of credit extended and, in addition, changes in these residential property values impact the depth of potential losses in this portfolio segment. Because of the revolving nature of these loans, as well as the fact that many represent second mortgages, this portfolio segment can contain more risk than the amortizing 1-4 family residential real estate loans.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

Commercial and multi-family real estate: Commercial and multi-family real estate loans are subject to underwriting standards and processes similar to commercial and industrial loans (which are discussed below), in addition to those of real estate loans. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate.

Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type. This diversity helps reduce the Company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. The Company also utilizes third-party experts to provide insight and guidance about economic conditions and trends affecting the market areas it serves. In addition, management tracks the level of owner- occupied commercial real estate loans versus non-owner occupied loans. Non-owner occupied commercial real estate loans are loans secured by multifamily and commercial properties where the primary source of repayment is derived from rental income associated with the property (that is, loans for which 50 percent or more of the source of repayment comes from third party, nonaffiliated rental income) or the proceeds of the sale, refinancing, or permanent financing of the property. These loans are made to finance income-producing properties such as apartment buildings, office and industrial buildings, and retail properties. Owner- occupied commercial real estate loans are loans where the primary source of repayment is the cash flow from the ongoing operations and business activities conducted by the party, or affiliate of the party, who owns the property.

Commercial and industrial: The commercial and industrial loan portfolio segment includes commercial and industrial loans to commercial customers for use in normal business operations to finance working capital needs, equipment purchases or other expansion projects. Collection risk in this portfolio is driven by the creditworthiness of underlying borrowers, particularly cash flow from customers' business operations. Commercial and industrial loans are primarily made based on the identified cash flows of the borrower and secondarily on the underlying collateral, if any, provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans, if any, may fluctuate in value. Most commercial and industrial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and usually incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Consumer: The consumer loan portfolio segment includes non-real estate secured direct loans to consumers for household, family, and other personal expenditures. Consumer loans may be secured or unsecured and are usually structured with short or medium term maturities. These loans are underwritten and approved based on a number of consumer credit quality criteria including limits on maximum LTV on secured consumer loans, minimum credit scores, and maximum debt to income levels. Many traditional forms of consumer installment credit have standard monthly payments and fixed repayment schedules of one to five years. These loans are made with either fixed or variable interest rates that are based on specific indices. Installment loans fill a variety of needs, such as financing the purchase of an automobile, a boat, a recreational vehicle or other large personal items, or for consolidating debt. These loans may be unsecured or secured by an assignment of title, as in an automobile loan, or by money in a bank account. In addition to consumer installment loans, this portfolio segment also includes secured and unsecured personal lines of credit as well as overdraft protection lines. Loans in this portfolio segment are sensitive to unemployment and other key consumer economic measures.

The following tables present the Company's nonaccrual loans, certain credit quality indicators and past due loans as of December 31, 2023 and 2022.

Loans on Nonaccrual Status

	<i>In Thousands</i>	
	2023	2022
Residential 1-4 family real estate	\$ —	\$ —
Commercial and multi-family real estate	—	—
Construction, land development and farmland	—	—
Commercial, industrial and agricultural	—	—
1-4 family equity lines of credit	—	—
Consumer and other	—	—
Total	\$ —	\$ —

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

Loans are placed on nonaccrual status when there is a significant deterioration in the financial condition of the borrower, which often is determined when the principal or interest on the loan is more than 90 days past due, unless the loan is both well-secured and in the process of collection. Generally, all interest accrued but not collected for loans that are placed on nonaccrual status, is reversed against current income. Interest income is subsequently recognized only to the extent cash payments are received while the loan is classified as nonaccrual, but interest income recognition is reviewed on a case-by-case basis. A nonaccrual loan is returned to accruing status once the loan has been brought current and collection is reasonably assured or the loan has been "well-secured" through other techniques. Past due status is determined based on the contractual due date per the underlying loan agreement.

At December 31, 2023 and December 31, 2022 the Company had no collateral dependent loans that were on non-accruing interest status. Accordingly, there was no impact on net interest income given the lack of these types of loans for the years ended December 31, 2023, December 31, 2022, and December 31, 2021.

Potential problem loans, which include nonperforming loans, amounted to approximately \$5.9 million at December 31, 2023 compared to \$6.4 million at December 31, 2022. Potential problem loans represent those loans with a well-defined weakness and where information about possible credit problems of borrowers has caused management to have serious doubts about the borrower's ability to comply with present repayment terms. This definition is believed to be substantially consistent with the standards established by the FDIC, Wilson Bank's primary federal regulator, for loans classified as special mention, substandard, or doubtful, excluding the impact of nonperforming loans.

The following table presents our loan balances by primary loan classification and the amount classified within each risk rating category. Pass rated loans include all credits other than those included in special mention, substandard and doubtful which are defined as follows:

- Special mention loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Company's credit position at some future date.
- Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize liquidation of the debt. Substandard loans are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.
- Doubtful loans have all the characteristics of substandard loans with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The Company considers all doubtful loans to be collateral dependent and places the loans on nonaccrual status.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

Credit Quality Indicators

The following table presents loan balances classified within each risk rating category by primary loan type and based on year of origination as well as current period gross charge-offs by primary loan type and based on year of origination as of December 31, 2023.

	<i>In Thousands</i>							
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
December 31, 2023								
Residential 1-4 family real estate:								
Pass	\$ 165,655	297,535	239,035	89,563	56,092	90,119	16,585	954,584
Special mention	76	859	225	876	137	1,558	—	3,731
Substandard	—	—	—	128	775	—	—	903
Total Residential 1-4 family real estate	\$ 165,731	298,394	239,260	90,439	56,357	92,452	16,585	959,218
Residential 1-4 family real estate:								
Current-period gross charge-offs	\$ —	—	—	—	—	—	—	—
Commercial and multi-family real estate:								
Pass	\$ 103,050	321,767	378,418	143,178	91,640	217,645	57,320	1,313,018
Special mention	—	—	155	—	—	31	—	186
Substandard	—	—	—	—	—	80	—	80
Total Commercial and multi-family real estate	\$ 103,050	321,767	378,573	143,178	91,640	217,756	57,320	1,313,284
Commercial and multi-family real estate:								
Current-period gross charge-offs	\$ —	—	—	—	—	—	—	—
Construction, land development and farmland:								
Pass	\$ 231,337	306,056	99,456	26,710	7,586	10,141	219,999	901,285
Special mention	—	—	—	—	—	51	—	51
Substandard	—	—	—	—	—	—	—	—
Total Construction, land development and farmland	\$ 231,337	306,056	99,456	26,710	7,586	10,192	219,999	901,336
Construction, land development and farmland:								
Current-period gross charge-offs	\$ —	—	—	—	—	—	—	—
Commercial, industrial and agricultural:								
Pass	\$ 16,811	34,507	7,460	12,272	17,066	7,593	31,832	127,541
Special mention	93	7	6	—	—	—	12	118
Substandard	—	—	—	—	—	—	—	—
Total Commercial, industrial and agricultural	\$ 16,904	34,514	7,466	12,272	17,066	7,593	31,844	127,659
Commercial, industrial and agricultural:								
Current-period gross charge-offs	\$ —	30	—	—	—	—	—	30
1-4 family equity lines of credit:								
Pass	\$ —	—	—	—	—	—	202,189	202,189
Special mention	—	—	—	—	—	—	404	404
Substandard	—	—	—	—	—	—	138	138
Total 1-4 family equity lines of credit	\$ —	—	—	—	—	—	202,731	202,731
1-4 family equity lines of credit:								
Current-period gross charge-offs	\$ —	—	—	—	—	—	—	—
Consumer and other:								
Pass	\$ 27,998	15,511	5,331	14,497	4,728	6,381	29,638	104,084
Special mention	4	52	57	7	—	—	—	120
Substandard	51	106	—	11	—	1	—	169
Total Consumer and other	\$ 28,053	15,669	5,388	14,515	4,728	6,382	29,638	104,373
Consumer and other:								
Current-period gross charge-offs	\$ 1,843	213	98	22	—	—	151	2,328

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

The following table presents loan balances classified within each risk rating category based on year of origination as of December 31, 2023.

	<i>In Thousands</i>							
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Total
December 31, 2023								
Pass	\$ 544,851	975,376	729,700	286,220	177,112	331,879	557,563	3,602,701
Special mention	173	918	443	883	137	1,640	416	4,610
Substandard	51	106	—	11	128	856	138	1,290
Total	\$ 545,075	976,400	730,143	287,114	177,377	334,375	558,117	3,608,601

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) *Loans and Allowance for Credit Losses, Continued*

The following table presents loan balances classified within each risk rating category by primary loan type and based on year of origination as well as current period gross charge-offs by primary loan type and based on year of origination as of December 31, 2022.

	<i>In Thousands</i>							
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
December 31, 2022								
Residential 1-4 family real estate:								
Pass	\$ 290,315	262,690	106,107	61,984	29,526	81,229	17,751	849,602
Special mention	245	300	885	62	115	1,955	349	3,911
Substandard	—	—	—	131	—	1,326	—	1,457
Total Residential 1-4 family real estate	\$ 290,560	262,990	106,992	62,177	29,641	84,510	18,100	854,970
Residential 1-4 family real estate:								
Current-period gross charge-offs	\$ —	—	—	—	—	8	—	8
Commercial and multi-family real estate:								
Pass	\$ 271,403	246,265	161,326	107,908	74,494	166,267	36,342	1,064,005
Special mention	—	—	162	—	—	40	—	202
Substandard	—	—	—	—	—	90	—	90
Total Commercial and multi-family real estate	\$ 271,403	246,265	161,488	107,908	74,494	166,397	36,342	1,064,297
Commercial and multi-family real estate:								
Current-period gross charge-offs	\$ —	—	—	—	—	—	—	—
Construction, land development and farmland:								
Pass	\$ 364,681	237,051	90,341	9,648	5,212	9,445	163,076	879,454
Special mention	—	—	—	—	—	60	—	60
Substandard	—	—	—	—	—	14	—	14
Total Construction, land development and farmland	\$ 364,681	237,051	90,341	9,648	5,212	9,519	163,076	879,528
Construction, land development and farmland:								
Current-period gross charge-offs	\$ —	—	—	—	—	1	—	1
Commercial, industrial and agricultural:								
Pass	\$ 39,222	10,812	15,743	20,441	5,062	4,641	28,567	124,488
Special mention	7	44	17	—	—	47	—	115
Substandard	—	—	—	—	—	—	—	—
Total Commercial, industrial and agricultural	\$ 39,229	10,856	15,760	20,441	5,062	4,688	28,567	124,603
Commercial, industrial and agricultural:								
Current-period gross charge-offs	\$ 21	—	—	—	—	—	—	21
1-4 family equity lines of credit:								
Pass	\$ —	—	—	—	—	—	150,849	150,849
Special mention	—	—	—	—	—	—	67	67
Substandard	—	—	—	—	—	—	116	116
Total 1-4 family equity lines of credit	\$ —	—	—	—	—	—	151,032	151,032
1-4 family equity lines of credit:								
Current-period gross charge-offs	\$ —	—	—	—	—	—	—	—
Consumer and other:								
Pass	\$ 28,487	11,163	18,075	5,995	345	6,757	22,166	92,988
Special mention	74	130	20	2	—	—	—	226
Substandard	74	19	13	—	11	1	—	118
Total Consumer and other	\$ 28,635	11,312	18,108	5,997	356	6,758	22,166	93,332
Consumer and other:								
Current-period gross charge-offs	\$ 66	74	41	1	—	—	1,345	1,527

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

The following table presents loan balances classified within each risk rating category based on year of origination as of December 31, 2022.

	<i>In Thousands</i>							
	2022	2021	2020	2019	2018	Prior	Revolving Loans	Total
December 31, 2022								
Pass	\$ 994,108	767,981	391,592	205,976	114,639	268,339	418,751	3,161,386
Special mention	326	474	1,084	64	115	2,102	416	4,581
Substandard	74	19	13	131	11	1,431	116	1,795
Total	\$ 994,508	768,474	392,689	206,171	114,765	271,872	419,283	3,167,762

Age Analysis of Past Due Loans

	<i>In Thousands</i>							
	Nonaccrual and Greater Than 89 Days			Total Nonaccrual and Past Due		Total Loans	Recorded Investment Greater Than 89 Days and Accruing	
	30-59 Days Past Due	60-89 Days Past Due	Current					
December 31, 2023								
Residential 1-4 family real estate	\$ 1,544	552	1,178	3,274	955,944	959,218	\$ 1,178	
Commercial and multi-family real estate	5,846	—	—	5,846	1,307,438	1,313,284	—	
Construction, land development and farmland	2,959	1	—	2,960	898,376	901,336	—	
Commercial, industrial and agricultural	52	—	7	59	127,600	127,659	7	
1-4 family equity lines of credit	571	209	106	886	201,845	202,731	106	
Consumer and other	350	78	118	546	103,827	104,373	118	
Total	\$ 11,322	840	1,409	13,571	3,595,030	3,608,601	\$ 1,409	
December 31, 2022								
Residential 1-4 family real estate	\$ 2,046	1,080	426	3,552	851,418	854,970	\$ 426	
Commercial and multi-family real estate	397	1,626	400	2,423	1,061,874	1,064,297	400	
Construction, land development and farmland	591	—	—	591	878,937	879,528	—	
Commercial, industrial and agricultural	49	62	—	111	124,492	124,603	—	
1-4 family equity lines of credit	74	77	—	151	150,881	151,032	—	
Consumer and other	403	184	43	630	92,702	93,332	43	
Total	\$ 3,560	3,029	869	7,458	3,160,304	3,167,762	\$ 869	

Allowance for Credit Losses ("ACL") - Loans

The allowance for credit losses on loans is a contra-asset valuation account, calculated in accordance with ASC 326 that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information from internal and external sources, relevant to assessing collectability over the loans' contractual terms, adjusted for expected prepayments when appropriate. Relevant available information includes historical credit loss experience, current conditions and reasonable and supportable forecasts. While historical credit loss experience provides the basis for the estimation of expected credit losses, adjustments to historical loss information may be made for differences in current portfolio-specific risk characteristics, environmental conditions or other relevant factors. The allowance for credit losses is measured on a collective basis for portfolios of loans when similar risk characteristics exist. Loans that do not share risk characteristics are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Expected credit losses for collateral dependent loans, including loans where the borrower is experiencing financial difficulty but foreclosure is not probable, are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) *Loans and Allowance for Credit Losses, Continued*

The Company's discounted cash flow methodology incorporates a probability of default and loss given default model, as well as expectations of future economic conditions, using reasonable and supportable forecasts. Together, the probability of default and loss given default models with the use of reasonable and supportable forecasts generate estimates for cash flows expected and not expected to be collected over the estimated life of a loan. Estimates of future expected cash flows ultimately reflect assumptions made concerning net credit losses over the life of a loan. The use of reasonable and supportable forecasts requires significant judgment. Management leverages economic projections from reputable and independent third parties to inform and provide its reasonable and supportable economic forecasts. The Company's model reverts to a straight line basis for purposes of estimating cash flows beyond a period deemed reasonable and supportable. The Company forecasts probability of default and loss given default based on economic forecast scenarios over an eight quarter time period before reverting to a straight line basis for a four quarter time period. The duration of the forecast horizon, the period over which forecasts revert to a straight line basis, the economic forecasts that management utilizes, as well as additional internal and external indicators of economic forecasts that management considers, may change over time depending on the nature and composition of our loan portfolio. Changes in economic forecasts, in conjunction with changes in loan specific attributes, impact a loan's probability of default and loss given default, which can drive changes in the determination of the ACL. Expectations of future cash flows are discounted at the loan's effective interest rate. The resulting ACL represents the amount by which the loan's amortized cost exceeds the net present value of a loan's discounted cash flows expected to be collected. The ACL is recorded through a charge to provision for credit losses and is reduced by charge-offs, net of recoveries on loans previously charged-off. It is the Company's policy to charge-off loan balances at the time they have been deemed uncollectible.

For segments where the discounted cash flow methodology is not used, a remaining life methodology is utilized. The remaining life method uses an average annual charge-off rate applied to the contractual term, further adjusted for estimated prepayments to determine the unadjusted historical charge-off rate for the remaining balance of assets.

The estimated credit losses for all loan segments are adjusted for changes in qualitative factors not inherently considered in the quantitative analyses. The qualitative categories and the measurements used to quantify the risks within each of these categories are subjectively selected by management. The data for each measurement may be obtained from internal or external sources. The current period measurements are evaluated and assigned a factor commensurate with the current level of risk relative to past measurements over time. The resulting qualitative adjustments are applied to the relevant collectively evaluated loan portfolios. These adjustments are based upon the following:

1. Changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses.
2. Changes international, national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio, including the condition of various market segments.
3. Changes in the nature and volume of the portfolio and in the terms of loans.
4. Changes in the experience, ability and depth of lending management and other relevant staff.
5. Changes in the volume and severity of past-due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans.
6. Changes in the quality of the Company's loan review system.
7. Changes in the value of underlying collateral for collateral-dependent loans.
8. The existence and effect of any concentrations of credit, and changes in the level of such concentrations.
9. The effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the Company's existing portfolio.

The qualitative allowance allocation, as determined by the processes noted above, is increased or decreased for each loan segment based on the assessment of these various qualitative factors.

Loans that do not share similar risk characteristics with the collectively evaluated pools are evaluated on an individual basis and are excluded from the collectively evaluated pools. Individual evaluations are generally performed for loans greater than \$500,000 which have experienced significant credit deterioration. Such loans are evaluated for credit losses based on either discounted cash flows or the fair value of collateral. When management determines that foreclosure is probable, expected credit losses are based on the fair value of the collateral, less selling costs. For loans for which foreclosure is not probable, but for which repayment is expected to be provided substantially through the operation or sale of the collateral, the Company has elected the practical expedient under ASC 326 to estimate expected credit losses based on the fair value of collateral, with selling costs considered in the event sale of the collateral is expected. Loans greater than \$100,000 for which terms have been modified either through principal forgiveness, payment delay, term extension, or interest rate reduction are evaluated using these same individual evaluation methods.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) *Loans and Allowance for Credit Losses, Continued*

In assessing the adequacy of the allowance for credit losses, the Company considers the results of the Company's ongoing independent loan review process. The Company undertakes this process both to ascertain those loans in the portfolio with elevated credit risk and to assist in its overall evaluation of the risk characteristics of the entire loan portfolio. Its loan review process includes the judgment of management, independent internal loan reviewers and reviews that may have been conducted by third-party reviewers including regulatory examiners. The Company incorporates relevant loan review results in the allowance.

In accordance with CECL, losses are estimated over the remaining contractual terms of loans, adjusted for prepayments and curtailment. The contractual term excludes expected extensions, renewals and modifications.

Credit losses are estimated on the amortized cost basis of loans, which includes the principal balance outstanding and deferred loan fees and costs.

While management utilizes its best judgment and information available, the ultimate appropriateness of the allowance is dependent upon a variety of factors beyond management's control, including the performance of the loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

Loans are charged off when management believes that the full collectability of the loan is unlikely. As such, a loan may be partially charged-off after a "confirming event" has occurred which serves to validate that full repayment pursuant to the terms of the loan is unlikely.

Transactions in the allowance for credit losses for the years ended December 31, 2023 and 2022 are summarized as follows:

	<i>In Thousands</i>						
	Residential 1-4 Family Real Estate	Commercial and Multi-family Real Estate	Construction, Land Development and Farmland	Commercial, Industrial and Agricultural	1-4 family Equity Lines of Credit	Consumer and Other	Total
December 31, 2023							
Allowance for credit losses - loans:							
Beginning balance	\$ 7,310	15,299	13,305	1,437	1,170	1,292	39,813
Provision	1,435	2,123	702	125	639	1,276	6,300
Charge-offs	—	—	—	(30)	—	(2,328)	(2,358)
Recoveries	20	—	20	1	—	1,052	1,093
Ending balance	<u>\$ 8,765</u>	<u>17,422</u>	<u>14,027</u>	<u>1,533</u>	<u>1,809</u>	<u>1,292</u>	<u>44,848</u>

	<i>In Thousands</i>						
	Residential 1-4 Family Real Estate	Commercial and Multi-family Real Estate	Construction, Land Development and Farmland	Commercial, Industrial and Agricultural	1-4 family Equity Lines of Credit	Consumer and Other	Total
December 31, 2022							
Allowance for credit losses - loans:							
Beginning balance	\$ 9,242	16,846	9,757	1,329	1,098	1,360	39,632
Impact of adopting ASC 326	(3,393)	(3,433)	(266)	219	(324)	(367)	(7,564)
Provision	1,353	1,886	3,795	(117)	396	1,343	8,656
Charge-offs	(8)	—	(1)	(21)	—	(1,527)	(1,557)
Recoveries	116	—	20	27	—	483	646
Ending balance	<u>\$ 7,310</u>	<u>15,299</u>	<u>13,305</u>	<u>1,437</u>	<u>1,170</u>	<u>1,292</u>	<u>39,813</u>

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) *Loans and Allowance for Credit Losses, Continued*

The following tables detail the allowance for loan losses and recorded investment in loans by loan classification and by impairment evaluation method as of December 31, 2021, as determined in accordance with ASC 310 prior to the adoption of ASC 326:

	<i>In Thousands</i>						
	Residential 1-4 Family Real Estate	Commercial and Multi- family Real Estate	Construction, Land Development and Farmland	Commercial, Industrial and Agricultural	1-4 family Equity Lines of Credit	Consumer and Other	Total
December 31, 2021							
Allowance for loan losses:							
Beginning balance	\$ 8,203	18,343	8,090	1,391	997	1,515	38,539
Provision	971	(1,497)	1,296	(35)	101	307	1,143
Charge-offs	—	—	(23)	(33)	—	(992)	(1,048)
Recoveries	68	—	394	6	—	530	998
Ending balance	<u>\$ 9,242</u>	<u>16,846</u>	<u>9,757</u>	<u>1,329</u>	<u>1,098</u>	<u>1,360</u>	<u>39,632</u>
Ending balance individually evaluated for impairment	—	—	—	—	—	—	—
Ending balance collectively evaluated for impairment	<u>\$ 9,242</u>	<u>16,846</u>	<u>9,757</u>	<u>1,329</u>	<u>1,098</u>	<u>1,360</u>	<u>39,632</u>
Loans:							
Ending balance	<u>\$ 689,579</u>	<u>908,673</u>	<u>612,659</u>	<u>118,155</u>	<u>92,229</u>	<u>74,643</u>	<u>2,495,938</u>
Ending balance individually evaluated for impairment	<u>\$ 134</u>	<u>531</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>665</u>
Ending balance collectively evaluated for impairment	<u>\$ 689,445</u>	<u>908,142</u>	<u>612,659</u>	<u>118,155</u>	<u>92,229</u>	<u>74,643</u>	<u>2,495,273</u>

The following tables present the amortized cost basis of collateral dependent loans at December 31, 2023 and December 31, 2022 which are individually evaluated to determine expected credit losses:

	<i>In Thousands</i>		
	Real Estate	Other	Total
December 31, 2023			
Residential 1-4 family real estate			
Commercial and multi-family real estate	\$ 1,949	—	1,949
Construction, land development and farmland	2,889	—	2,889
Commercial, industrial and agricultural	—	—	—
1-4 family equity lines of credit	—	—	—
Consumer and other	—	—	—
	<u>\$ 4,838</u>	<u>—</u>	<u>4,838</u>

	<i>In Thousands</i>		
	Real Estate	Other	Total
December 31, 2022			
Residential 1-4 family real estate			
Commercial and multi-family real estate	\$ 130	—	130
Construction, land development and farmland	508	—	508
Commercial, industrial and agricultural	—	—	—
1-4 family equity lines of credit	—	—	—
Consumer and other	—	—	—
	<u>\$ 638</u>	<u>—</u>	<u>638</u>

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

Loan Modifications to Borrowers Experiencing Financial Difficulty

Effective January 1, 2023, the Company adopted ASU 2022-02 which eliminated the accounting guidance for TDRs and requires disclosures for certain loan modifications when a borrower is experiencing financial difficulty.

Occasionally, the Company modifies loans to borrowers in financial distress by providing, principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: a term extension, principal forgiveness, an other-than-insignificant payment delay and/or an interest rate reduction.

The following table presents the amortized cost basis of loans at December 31, 2023 that were both experiencing financial difficulty and modified during the twelve months ended December 31, 2023, by class and type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	<i>(In Thousands)</i>							
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination		Combination	
					Term Extension and Principal Forgiveness	Term Extension and Interest Rate Reduction	Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Residential 1-4 family real estate	\$ —	\$ 947	\$ —	\$ —	\$ —	\$ —	\$ —	0.10%
Commercial and multi-family real estate	—	2,406	—	—	—	—	—	0.18%
Construction, land development and farmland	—	—	—	—	—	—	—	—%
Commercial, industrial and agricultural	—	—	93	—	—	—	—	0.07%
1-4 family equity lines of credit	—	—	—	—	—	—	—	—%
Consumer and other	—	—	—	—	—	—	—	—%
Total	\$ —	\$ 3,353	\$ 93	\$ —	\$ —	\$ —	\$ —	0.10%

The Company has not committed to lend additional amounts to the borrowers included in the previous table.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified within the last 12 months and that are at least 30 days past due.

December 31, 2023	<i>In Thousands</i>			
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Residential 1-4 family real estate	\$ —	\$ —	\$ —	\$ —
Commercial and multi-family real estate	—	—	—	—
Construction, land development and farmland	—	—	—	—
Commercial, industrial and agricultural	—	—	—	—
1-4 family equity lines of credit	—	—	—	—
Consumer and other	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

As evidenced above, no such loans that have been modified within the last 12 months were thirty days or more past due at December 31, 2023.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) *Loans and Allowance for Credit Losses, Continued*

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the twelve months ended December 31, 2023 (dollars in thousands):

Twelve Months Ended December 31, 2023	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Months of Term Extension
Residential 1-4 family real estate	\$ —	—%	—
Commercial and multi-family real estate	—	—	—
Construction, land development and farmland	—	—	—
Commercial, industrial and agricultural	—	—	37
1-4 family equity lines of credit	—	—	—
Consumer and other	—	—	—
Total	\$ —	—%	37

The following table presents the amortized cost basis of loans that had a payment default during the twelve months ended December 31, 2023 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty.

Twelve Months Ended December 31, 2023	<i>In Thousands</i>			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
Residential 1-4 family real estate	\$ —	\$ —	\$ —	\$ —
Commercial and multi-family real estate	—	—	—	—
Construction, land development and farmland	—	—	—	—
Commercial, industrial and agricultural	—	—	—	—
1-4 family equity lines of credit	—	—	—	—
Consumer and other	—	—	—	—
Total	\$ —	\$ —	\$ —	\$ —

There were no payment defaults during the twelve months ended December 31, 2023 on loans that had been modified in the twelve months prior to December 31, 2023.

Upon the Company's determination that a modified loan (or a portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized costs basis of the loan is reduced by the amount deemed uncollectible and the allowance for credit losses is adjusted by the same amount.

TDR Disclosures Prior to Adoption of ASU 2022-02

Prior to the adoption of ASU 2022-02 the restructuring of a loan was considered a TDR if both (i) the borrower was experiencing financial difficulties and (ii) the creditor had granted a concession. Concessions may have included interest rate reductions or below market interest rates, principal forgiveness, extension of terms and other actions intended to minimize potential losses.

The Company did not modify any loan that was considered a TDR during the twelve months ended December 31, 2022.

The following table summarizes the carrying balances of TDRs at December 31, 2022 (dollars in thousands):

	2022
Performing TDRs	\$ 778
Nonperforming TDRs	150
Total TDRs	\$ 928

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(2) Loans and Allowance for Credit Losses, Continued

The following table outlines the amount of each TDR categorized by loan classification for the years ended December 31, 2022 and 2021 (dollars in thousands):

	December 31, 2022				December 31, 2021			
	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment, Net of Related Allowance	Post	Number of Loans	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment, Net of Related Allowance	
				Modification				
Residential 1-4 family real estate	—	\$ —	\$ —	Outstanding	—	\$ —	\$ —	Outstanding
Commercial and multi-family real estate	—	—	—	Recorded	—	—	—	Recorded
Construction, land development and farmland	—	—	—	Investment,	—	—	—	Investment,
Commercial, industrial and agricultural	—	—	—	Net of Related Allowance	—	—	—	Net of Related Allowance
1-4 family equity lines of credit	—	—	—		—	—	—	
Consumer and other	—	—	—		—	—	—	
Total	—	\$ —	\$ —		—	\$ —	\$ —	

As of December 31, 2022 and 2021 the Company did not have any loan previously classified as a TDR default within twelve months of the restructuring. A default is defined as an occurrence which violates the terms of the receivable's contract.

As of December 31, 2023 the Bank had no consumer mortgage loans in the process of foreclosure. As of December 31, 2022 the Bank had \$11,000 of consumer mortgage loans in the process of foreclosure.

The Company's principal customers are primarily in Middle Tennessee. Credit is extended to businesses and individuals and is evidenced by promissory notes. The terms and conditions of the loans including collateral vary depending upon the purpose of the credit and the borrower's financial condition. In the normal course of business, Wilson Bank has made loans at prevailing interest rates and terms to directors and executive officers of the Company and to their affiliates. The aggregate amount of these loans was \$7,768,000 and \$6,859,000 at December 31, 2023 and 2022, respectively. None of these loans were restructured, charged-off or involved more than the normal risk of collectibility or presented other unfavorable features during the three years ended December 31, 2023.

An analysis of the activity with respect to such loans to related parties is as follows:

	<i>In Thousands</i>	
	December 31,	2023
Balance, January 1	\$ 6,859	\$ 5,725
New loans and renewals during the year	9,860	13,379
Repayments (including loans paid by renewal) during the year	(8,951)	(12,245)
Balance, December 31	\$ 7,768	\$ 6,859

In 2023, 2022 and 2021, Wilson Bank originated mortgage loans for sale into the secondary market of \$73,984,000, \$106,601,000 and \$215,813,000, respectively. The fees and gain on sale of these loans totaled \$2,635,000, \$2,973,000 and \$9,997,000 in 2023, 2022 and 2021, respectively.

In some instances, Wilson Bank sells loans that contain provisions which permit the buyer to seek recourse against Wilson Bank in certain circumstances. At December 31, 2023 and 2022, total mortgage loans sold with recourse in the secondary market aggregated \$69,308,000 and \$84,162,000, respectively. At December 31, 2023, Wilson Bank has not been required to repurchase a significant amount of the mortgage loans originated by Wilson Bank and sold in the secondary market. Management expects no significant losses to result from these recourse provisions.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(3) Debt Securities

Debt securities have been classified in the consolidated balance sheet according to management's intent. Debt securities at December 31, 2023 consist of the following:

	Securities Available-For-Sale			
	<i>In Thousands</i>			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. government agencies	\$ 4,901	—	472	4,429
U.S. Government-sponsored enterprises (GSEs)	167,738	—	23,570	144,168
Mortgage-backed securities	480,759	230	63,959	417,030
Asset-backed securities	51,183	193	1,403	49,973
Corporate bonds	2,500	—	77	2,423
Obligations of states and political subdivisions	223,358	397	30,697	193,058
	<u>\$ 930,439</u>	<u>820</u>	<u>120,178</u>	<u>811,081</u>

The Company's classification of securities at December 31, 2022 was as follows:

	Securities Available-For-Sale			
	<i>In Thousands</i>			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. government agencies	\$ 7,353	—	856	6,497
U.S. Government-sponsored enterprises (GSEs)	177,261	—	32,049	145,212
Mortgage-backed securities	518,727	1	74,290	444,438
Asset-backed securities	47,538	—	2,288	45,250
Corporate bonds	2,500	—	97	2,403
Obligations of states and political subdivisions	218,936	—	39,924	179,012
	<u>\$ 972,315</u>	<u>1</u>	<u>149,504</u>	<u>822,812</u>

As of December 31, 2023, there was no allowance for credit losses on available-for-sale securities.

Included in mortgage-backed securities are collateralized mortgage obligations totaling \$145,179,000 (fair value of \$124,005,000) and \$148,460,000 (fair value of \$126,190,000) at December 31, 2023 and 2022, respectively.

The amortized cost and estimated market value of debt securities at December 31, 2023, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities of mortgage and asset-backed securities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<i>In Thousands</i>	
	Amortized Cost	Fair Value
Securities Available-For-Sale		
Due in one year or less	\$ 308	302
Due after one year through five years	99,749	90,059
Due after five years through ten years	279,313	243,984
Due after ten years	551,069	476,736
	<u>\$ 930,439</u>	<u>811,081</u>

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(3) Debt Securities, Continued

Results from sales of debt securities are as follows:

	<i>In Thousands</i>		
	2023	2022	2021
Gross proceeds	\$ 32,740	42,728	39,652
Gross realized gains	\$ 17	—	137
Gross realized losses	(1,026)	(1,620)	(109)
Net realized gains (losses)	\$ (1,009)	(1,620)	28

Securities carried on the balance sheet of approximately \$500,046,000 (approximate market value of \$429,705,000) and \$477,051,000 (approximate market value of \$405,043,000) were pledged to secure public deposits and for other purposes as required or permitted by law at December 31, 2023 and 2022, respectively.

At December 31, 2023, there were no holdings of securities of any one issuer, other than U.S. Government and its agencies, in an amount greater than 10% of shareholders' equity.

Included in the securities above are \$116,000,000 (approximate market value of \$99,000,000) and \$111,505,000 (approximate market value of \$90,008,000) at December 31, 2023 and 2022, respectively, in obligations of political subdivisions located within the states of Tennessee, Alabama, and Texas.

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale securities with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2023 and 2022.

2023	<i>In Thousands, Except Number of Securities</i>							
	Less than 12 Months			12 Months or More			Total	
	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses
Available-for-Sale Securities:								
Debt securities:								
U.S. Treasury and other U.S. government agencies	\$ —	\$ —	—	\$ 4,429	\$ 472	2	\$ 4,429	\$ 472
U.S. Government-sponsored enterprises (GSEs)	—	—	—	144,169	23,569	55	144,169	23,569
Mortgage-backed securities	8,889	63	7	390,557	63,897	221	399,446	63,960
Asset-backed securities	2,500	44	1	30,666	1,359	26	33,166	1,403
Corporate bonds	—	—	—	2,423	77	1	2,423	77
Obligations of states and political subdivisions	5,375	14	2	171,157	30,683	193	176,532	30,697
	<u>\$ 16,764</u>	<u>\$ 121</u>	<u>10</u>	<u>\$743,401</u>	<u>\$ 120,057</u>	<u>498</u>	<u>\$760,165</u>	<u>\$ 120,178</u>

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(3) Debt Securities, Continued

2022	<i>In Thousands, Except Number of Securities</i>								Total	
	Less than 12 Months			12 Months or More			Number of Securities Included	Fair Value	Unrealized Losses	
	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses	Number of Securities Included				
Available-for-Sale Securities:										
Debt securities:										
U.S. Treasury and other U.S. government agencies	\$ —	\$ —	—	\$ 6,497	\$ 856	—	\$ 6,497	\$ 856		
U.S. Government-sponsored enterprises (GSEs)	9,747	872	4	135,465	31,177	54	145,212	32,049		
Mortgage-backed securities	148,441	14,601	113	295,431	59,689	136	443,872	74,290		
Asset-backed securities	35,276	1,607	21	9,974	681	11	45,250	2,288		
Corporate bonds	2,403	97	1	—	—	—	2,403	97		
Obligations of states and political subdivisions	<u>58,567</u>	<u>6,056</u>	<u>76</u>	<u>120,445</u>	<u>33,868</u>	<u>128</u>	<u>179,012</u>	<u>39,924</u>		
	<u>\$ 254,434</u>	<u>\$ 23,233</u>	<u>215</u>	<u>\$ 567,812</u>	<u>\$ 126,271</u>	<u>332</u>	<u>\$ 822,246</u>	<u>\$ 149,504</u>		

The applicable date for determining when securities are in an unrealized loss position is December 31, 2023 and 2022. As such, it is possible that a security had a market value less than its amortized cost on other days during the twelve-month periods ended December 31, 2023 and 2022, but is not in the "Investments with an Unrealized Loss of less than 12 months" category above.

As shown in the tables above, at December 31, 2023 and 2022, the Company had unrealized losses of \$120.2 million and \$149.5 million on \$760.2 million and \$822.2 million, respectively, of securities in an unrealized loss position at those dates. As described in Note 1. Summary of Significant Accounting Policies, for any security classified as available-for-sale that is in an unrealized loss position at the balance sheet date, the Company assesses whether or not it intends to sell the security, or more-likely-than-not will be required to sell the security, before recovery of its amortized cost basis which would require a write-down to fair value through net income. Because the Company currently does not intend to sell those securities that have an unrealized loss at December 31, 2023, and it is likely that the Company will not be required to sell the securities before recovery of their amortized cost bases, which may be maturity, the Company has determined that no write-down is necessary. In addition, the Company evaluates whether any portion of the decline in fair value is the result of credit deterioration, which would require the recognition of an allowance for credit losses. Such evaluations consider the extent to which the amortized cost of the security exceeds its fair value, changes in credit ratings and any other known adverse conditions related to the specific security. The unrealized losses associated with securities at December 31, 2023 are driven by changes in interest rates and not due to the credit quality of the securities, and accordingly, no allowance for credit losses is considered necessary related to available-for- sale securities at December 31, 2023. These securities will continue to be monitored as a part of the Company's ongoing evaluation of credit quality.

Mortgage-Backed Securities

At December 31, 2023, approximately 97% of the mortgage-backed securities held by the Company were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is largely attributable to interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired (OTTI) at December 31, 2023.

The Company's mortgage-backed securities portfolio includes non-agency collateralized mortgage obligations with a fair value of \$11.5 million which had unrealized losses of approximately \$1.5 million at December 31, 2023. These non-agency mortgage-backed securities were rated A or higher at December 31, 2023. The Company monitors to ensure it has adequate credit support and as of December 31, 2023, the Company believes there is no OTTI and does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery. The issuers continue to make timely principal and interest payments on the bonds.

Obligations of States and Political Subdivisions

Unrealized losses on municipal bonds have not been recognized into income because the issuers' bonds are of high credit quality (rated A or higher), management does not intend to sell the securities and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuers continue to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bonds approach maturity.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(3) Debt Securities, Continued

Asset-Backed Securities

The Company's asset-backed securities portfolio includes agency and non-agency asset backed and other amortizing debt securities with a fair value of \$50.0 million which had unrealized losses of approximately \$1.4 million at December 31, 2023. The Company monitors these securities to ensure it has adequate credit support and as of December 31, 2023, the Company believes there is no OTTI and does not have the intent to sell these securities and it is not more likely than not that it will be required to sell the securities before their anticipated recovery. The issuers continue to make timely principal and interest payments on the bonds.

Corporate Bonds

The Company's lone corporate debt security with a fair value of \$2.4 million had an unrealized loss of approximately \$0.1 million at December 31, 2023. The Company monitors this security to ensure it has adequate credit support and as of December 31, 2023, the Company believes there is no OTTI and does not have the intent to sell this security and it is not more likely than not that it will be required to sell the security before its anticipated recovery. The issuer continues to make timely principal and interest payments on the bond.

(4) Restricted Equity Securities

Restricted equity securities consists of stock of the FHLB of Cincinnati amounting to \$3,436,000 and \$4,357,000 at December 31, 2023 and 2022, respectively. The stock can be sold back only at par or a value as determined by the issuing institution and only to the respective financial institution or to another member institution. These securities are recorded at cost.

(5) Premises and Equipment

The detail of premises and equipment at December 31, 2023 and 2022 is as follows:

	<i>In Thousands</i>	
	2023	2022
Land	\$ 20,822	\$ 20,822
Buildings	49,784	46,579
Leasehold improvements	1,710	1,621
Furniture and equipment	16,524	14,858
Automobiles	345	373
Construction-in-progress	2,469	2,711
	<hr/> 91,654	<hr/> 86,964
Less accumulated depreciation	(29,256)	(24,933)
	<hr/> \$ 62,398	<hr/> \$ 62,031

During 2023, 2022 and 2021, payments of \$1,442,000, \$379,000 and \$1,227,000, respectively, were made to an entity owned by a director for the construction of buildings utilized by Wilson Bank and repair work on existing buildings utilized by Wilson Bank.

Depreciation expense was \$4,221,000, \$4,370,000 and \$4,235,000 for the years ended December 31, 2023, 2022 and 2021, respectively.

(6) Goodwill

The Company's intangible assets result from the excess of purchase price over the applicable book value of the net assets acquired related to outside ownership of two previously 50% owned subsidiaries that the Company acquired 100% of in 2005.

	<i>In Thousands</i>	
	2023	2022
Goodwill:		
Balance at January 1,	\$ 4,805	4,805
Goodwill acquired during year	—	—
Impairment loss	—	—
Balance at December 31,	<hr/> \$ 4,805	<hr/> 4,805

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(7) Leases

Lessee Accounting

The majority of leases in which the Company is the lessee are comprised of real estate property for branches and office space and are recorded as operating leases with terms extending beyond 2028. The Company has one finance lease, which it entered into in 2022, with a lease term through 2046. These leases are classified as operating or finance leases at commencement. Right-of-use assets representing the right to use the underlying asset and lease liabilities representing the obligation to make future lease payments are recognized on the balance sheet. These assets and liabilities are estimated based on the present value of future lease payments discounted using the Company's incremental secured borrowing rates as of the commencement date of the lease. Certain lease agreements contain renewal options which are considered in the determination of the lease term if they are deemed reasonably certain to be exercised. The Company has elected not to recognize leases with an original term of less than 12 months on the balance sheet.

The following table represents lease assets and lease liabilities as of December 31, 2023 and 2022 (in thousands).

Lease right-of-use assets	Classification	December 31, 2023	December 31, 2022
Operating lease right-of-use assets	Other Assets	\$ 3,542	4,519
Finance lease right-of-use assets	Other Assets	2,123	2,215
Lease liabilities	Classification	December 31, 2023	December 31, 2022
Operating lease liabilities	Other Liabilities	\$ 3,736	4,671
Finance lease liabilities	Other Liabilities	2,251	2,281

The total lease cost related to operating leases and short term leases is recognized on a straight-line basis over the lease term. For finance leases, right-of-use assets are amortized on a straight-line basis over the lease term and interest imputed on the lease liability is recognized using the effective interest method. The components of the Bank's total lease cost were as follows for the years ended December 31, 2023 and 2022.

	<i>In Thousands</i>	
	2023	2022
Operating lease cost	\$ 637	563
Finance lease cost	158	159
Short-term lease cost	—	—
Net lease cost	<u>795</u>	<u>722</u>

The weighted average remaining lease term and weighted average discount rate for operating leases at December 31, 2023 and 2022 were as follows:

	2023	2022
Operating Leases		
Weighted average remaining lease term (in years)	10.10	10.53
Weighted average discount rate	4.31%	4.25%

The weighted average remaining lease term and weighted average discount rate for finance leases at December 31, 2023 and 2022 were as follows:

	2023	2022
Finance Leases		
Weighted average remaining lease term (in years)	23.34	24.35
Weighted average discount rate	2.90%	2.90%

Cash flows related to operating and finance leases during the year ended December 31, 2023 and 2022 were as follows:

	<i>In Thousands</i>	
	2023	2022
Operating cash flows related to operating leases	\$ 595	547
Operating cash flows related to finance leases	66	66
Financing cash flows related to finance leases	30	26

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(7) Leases, Continued

Future undiscounted lease payments for operating leases with initial terms of more than 12 months at December 31, 2023 and 2022 were as follows:

	<i>In Thousands</i>	
	2023	2022
Operating Leases		
2024	\$ 553	595
2025	560	635
2026	568	642
2027	576	649
2028	547	657
Thereafter	1,854	2,686
Total undiscounted lease payments	4,658	5,864
Less: imputed interest	(922)	(1,193)
Net lease liabilities	<u><u>\$ 3,736</u></u>	<u><u>\$ 4,671</u></u>

Future undiscounted lease payments for finance leases with initial terms of more than 12 months at December 31, 2023 and 2022 were as follows:

	<i>In Thousands</i>	
	2023	2022
Finance Leases		
2024	\$ 98	96
2025	101	98
2026	105	101
2027	108	105
2028	111	108
Thereafter	2,676	2,787
Total undiscounted lease payments	3,199	3,295
Less: imputed interest	(948)	(1,014)
Net lease liabilities	<u><u>\$ 2,251</u></u>	<u><u>\$ 2,281</u></u>

(8) Mortgage Servicing Rights

During the first quarter of 2022, the Company began selling a portfolio of residential mortgage loans to a third party, while retaining the rights to service the loans. Mortgage loans serviced for others are not reported as assets. The principal balances of these loans as of December 31, 2023 and December 31, 2022 are as follows:

	<i>In Thousands</i>	
	December 31, 2023	December 31, 2022
Mortgage loan portfolios serviced for: FHLMC	\$ 99,441	85,742

For the years ended December 31, 2023 and 2022, the change in carrying value of the Company's mortgage servicing rights accounted for under the amortization method was as follows:

	<i>In Thousands</i>	
	December 31, 2023	December 31, 2022
Balance at beginning of period	\$ 1,065	—
Servicing rights retained from loans sold	245	1,597
Amortization	(227)	(532)
Valuation Allowance Provision	—	—
Balance at end of period	<u><u>\$ 1,083</u></u>	<u><u>1,065</u></u>
Fair value, end of period	<u><u>\$ 1,398</u></u>	<u><u>1,252</u></u>

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(8) Mortgage Servicing Rights, Continued

The key data and assumptions used in estimating the fair value of the Company's mortgage servicing rights as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Prepayment speed	7.92%	7.18%
Weighted-average life (in years)	8.55	8.98
Weighted-average note rate	4.73%	4.34%
Weighted-average discount rate	9.00%	9.00%

(9) Deposits

Deposits at December 31, 2023 and 2022 are summarized as follows:

	<i>In Thousands</i>	
	2023	2022
Demand deposits	\$ 389,725	414,905
Savings accounts	320,301	338,963
Negotiable order of withdrawal accounts	934,709	1,070,629
Money market demand accounts	1,156,694	1,301,349
Certificates of deposit \$250,000 or greater	548,269	230,408
Other certificates of deposit	942,346	471,249
Individual retirement accounts \$250,000 or greater	11,018	7,727
Other individual retirement accounts	64,044	57,475
Total	\$ 4,367,106	3,892,705

Principal maturities of certificates of deposit and individual retirement accounts at December 31, 2023 are as follows:

<u>Maturity</u>	<i>(In Thousands)</i>	
	Total	
2024	\$ 1,228,675	
2025	258,962	
2026	38,934	
2027	22,734	
2028	15,579	
Thereafter	793	
	\$ 1,565,677	

The aggregate amount of overdrafts reclassified as loans receivable was \$858,000 and \$1,453,000 at December 31, 2023 and 2022, respectively. The aggregate balances of related party deposits at December 31, 2023 and 2022 were \$15,640,000 and \$11,823,000, respectively.

As of December 31, 2023 and 2022, Wilson Bank was not required to maintain a cash balance with the Federal Reserve.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(10) Non-Interest Income and Non-Interest Expense

The significant components of non-interest income and non-interest expense for the years ended December 31, 2023, 2022 and 2021 are presented below:

	<i>In Thousands</i>		
	2023	2022	2021
Non-interest income:			
Service charges on deposits	\$ 7,890	7,382	6,137
Brokerage income	7,184	6,929	6,368
Debit and credit card interchange income, net	8,490	8,416	7,783
Other fees and commissions	1,408	1,653	1,446
BOLI and annuity earnings	1,667	1,346	1,109
Gain (loss) on sale of securities, net	(1,009)	(1,620)	28
Fees and gains on sales of mortgage loans	2,635	2,973	9,997
Mortgage servicing income (loss), net	9	(28)	—
Loss on sale of other real estate, net	—	—	(15)
Gain (loss) on sale of fixed assets, net	(55)	291	(43)
Gain (loss) on sale of other assets, net	(10)	8	6
Other income (loss)	80	(69)	34
	<u>\$ 28,289</u>	<u>27,281</u>	<u>32,850</u>
Non-interest expense:			
Employee salaries and benefits	\$ 59,501	56,707	52,722
Equity-based compensation	1,528	1,864	1,428
Occupancy expenses	6,532	5,563	5,473
Furniture and equipment expenses	3,202	3,389	3,323
Data processing expenses	8,810	7,337	5,780
Advertising expenses	3,714	3,455	2,736
Accounting, legal & consulting expenses	1,789	1,409	1,287
FDIC insurance	3,120	1,527	1,130
Directors' fees	713	650	686
Other operating expenses	12,042	11,069	10,927
	<u>\$ 100,951</u>	<u>92,970</u>	<u>85,492</u>

(11) Income Taxes

The components of the net deferred tax asset at December 31, 2023 and 2022 were as follows:

	<i>In Thousands</i>	
	2023	2022
Deferred tax asset:		
Federal	\$ 36,034	40,690
State	11,641	13,095
	<u>47,675</u>	<u>53,785</u>
Deferred tax liability:		
Federal	(1,654)	(1,850)
State	(548)	(612)
	<u>(2,202)</u>	<u>(2,462)</u>
Net deferred tax asset	\$ 45,473	51,323

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(11) Income Taxes, Continued

The tax effects of each type of significant item that gave rise to deferred tax assets (liabilities) at December 31, 2023 and 2022 were:

	<i>In Thousands</i>	
	2023	2022
Financial statement allowance for credit losses in excess of tax allowance	\$ 11,509	10,128
Excess of depreciation deducted for tax purposes over the amounts deducted in the financial statements	(1,546)	(1,801)
Financial statement deduction for deferred compensation in excess of deduction for tax purposes	1,487	1,464
Financial statement income on FHLB stock dividends not recognized for tax purposes	(327)	(327)
Financial statement off-balance sheet exposure allowance for credit losses in excess of tax allowance	822	1,604
Unrealized loss on securities available-for-sale	31,195	39,073
Equity based compensation	1,355	1,224
Other items, net	978	(42)
Net deferred tax asset	\$ 45,473	51,323

The components of income tax expense (benefit) at December 31, 2023, 2022 and 2021 are summarized as follows:

	<i>In Thousands</i>		
	<i>Federal</i>	<i>State</i>	<i>Total</i>
2023			
Current	\$ 14,023	1,945	15,968
Deferred	(1,458)	(571)	(2,029)
Total	\$ 12,565	1,374	13,939
2022			
Current	\$ 15,096	2,011	17,107
Deferred	(1,565)	(486)	(2,051)
Total	\$ 13,531	1,525	15,056
2021			
Current	\$ 13,580	2,084	15,664
Deferred	(698)	(234)	(932)
Total	\$ 12,882	1,850	14,732

A reconciliation of actual income tax expense of \$13,939,000, \$15,056,000 and \$14,732,000 for the years ended December 31, 2023, 2022 and 2021, respectively, to the “expected” tax expense (computed by applying the statutory rate of 21% for 2023, 2022 and 2021 to earnings before income taxes) is as follows:

	<i>In Thousands</i>		
	2023	2022	2021
Computed “expected” tax expense	\$ 13,204	14,301	13,473
State income taxes, net of Federal income tax benefit	1,120	1,117	1,584
Tax exempt interest, net of interest expense exclusion	(190)	(274)	(237)
Earnings on cash surrender value of life insurance	(344)	(273)	(205)
Expenses not deductible for tax purposes	74	23	12
Equity based compensation	(46)	(55)	(28)
Other	121	217	133
Total	\$ 13,939	15,056	14,732

Total income tax expense (benefit) for 2023, 2022 and 2021, includes \$(264,000), \$(423,000) and \$7,000 of expense (benefit) related to the realized gain and loss on sale of securities, respectively.

As of December 31, 2023, 2022 and 2021 the Company has not accrued or recognized interest or penalties related to uncertain tax positions. It is the Company’s policy to recognize interest and/or penalties related to income tax matters in income tax expense.

No valuation allowance for deferred tax assets was recorded at December 31, 2023 and 2022 as management believes it is more likely than not that all of the deferred tax assets will be realized against deferred tax liabilities and projected future taxable income. There were no unrecognized tax benefits during any of the reported periods.

The Company and Wilson Bank file income tax returns in the United States (“U.S.”), as well as in the State of Tennessee. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2020.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(12) *Commitments and Contingent Liabilities*

The Company is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's consolidated financial position.

At December 31, 2023 and 2022, respectively, the Company has lines of credit with other correspondent banks totaling \$102,485,000 and \$101,208,000. At December 31, 2023 and 2022, respectively, there was no balance outstanding under these lines of credit.

The Company also has a Cash Management Advance ("CMA") Line of Credit agreement. The CMA is a component of the Company's Blanket Agreement for advances with the FHLB of Cincinnati. The purpose of the CMA is to assist with short-term liquidity management. Under the terms of the CMA, the Company may borrow a maximum of \$25,000,000, selecting a variable rate of interest for up to 90 days or a fixed rate for a maximum of 30 days. There were no borrowings outstanding under the CMA at December 31, 2023 or December 31, 2022.

(13) *Financial Instruments with Off-Balance-Sheet Risk*

The Company is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist primarily of commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual notional amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	<i>In Thousands</i>	
	Contract or Notional Amount	2023
	2023	2022
Financial instruments whose contract amounts represent credit risk:		
Unused commitments to extend credit	\$ 1,010,899	1,217,963
Standby letters of credit	106,420	118,064
Total	\$ 1,117,319	1,336,027

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to be drawn upon, the total commitment amounts generally represent future cash requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral normally consists of real property.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most guarantees extend from one to two years. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The fair value of standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, the likelihood of the counterparties drawing on such financial instruments and the present creditworthiness of such counterparties. Such commitments have been made on terms which are competitive in the markets in which the Company operates; thus, the fair value of standby letters of credit equals the carrying value for the purposes of this disclosure. The maximum potential amount of future payments that the Company could be required to make under the guarantees totaled \$106,420,000 at December 31, 2023.

Allowance For Credit Losses - Off-Balance-Sheet Credit Exposures. The allowance for credit losses on off-balance-sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if we have the unconditional right to cancel the obligation. Off-balance-sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit detailed in the table above. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance-sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment.

Estimating credit losses on amounts expected to be funded uses the same methodology as described for loans in Note 2 - Loans and Allowance for Credit Losses as if such commitments were funded.

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Notes to Consolidated Financial Statements, Continued
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(13) *Financial Instruments with Off-Balance-Sheet Risk, Continued*

The following table details activity in the allowance for credit losses on off-balance-sheet credit exposures for the years ended December 31, 2023, 2022 and 2021.

	<i>(In Thousands)</i>		
	2023	2022	2021
Beginning balance, January 1	\$ 6,136	955	693
Impact of adopting ASC 326	—	6,195	—
Credit loss expense (benefit)	(2,989)	(1,014)	262
Ending balance, December 31,	<u><u>\$ 3,147</u></u>	<u><u>6,136</u></u>	<u><u>955</u></u>

The Bank originates residential mortgage loans, sells them to third-party purchasers, and may or may not retain the servicing rights. These loans are originated internally and are primarily to borrowers in the Company's geographic market footprint. These sales are typically to investors that follow guidelines of conventional government sponsored entities ("GSE") and the Department of Housing and Urban Development/U.S. Department of Veterans Affairs ("HUD/VA"). Generally, loans held for sale are underwritten by the Company, including HUD/VA loans. The Bank participates in a mandatory delivery program that requires the Bank to deliver a particular volume of mortgage loans by agreed upon dates. A majority of the Bank's secondary mortgage volume is delivered to the secondary market via mandatory delivery with the remainder done on a best efforts basis. The Bank does not realize any exposure delivery penalties as the mortgage department only bids loans post-closing to ensure that 100% of the loans are deliverable to the investors.

Each purchaser has specific guidelines and criteria for sellers of loans, and the risk of credit loss with regard to the principal amount of the loans sold is generally transferred to the purchasers upon sale. While the loans are sold without recourse, the purchase agreements require the Bank to make certain representations and warranties regarding the existence and sufficiency of file documentation and the absence of fraud by borrowers or other third parties such as appraisers in connection with obtaining the loan. If it is determined that the loans sold were in breach of these representations or warranties or the loan had an early payoff or payment default, the Bank has obligations to either repurchase the loan for the unpaid principal balance and related investor fees or make the purchaser whole for the economic benefits of the loan.

To date, repurchase activity pursuant to the terms of these representations and warranties or due to early payoffs or payment defaults has been insignificant and has resulted in insignificant losses to the Company.

Based on information currently available, management believes that the Bank does not have significant exposure to contingent losses that may arise relating to the representations and warranties that it has made in connection with its mortgage loan sales or for early payoffs or payment defaults of such mortgage loans.

Various legal claims also arise from time to time in the normal course of business. In the opinion of management, the resolution of these claims outstanding at December 31, 2023 will not have a material impact on the Company's consolidated financial statements.

(14) *Concentration of Credit Risk*

Practically all of the Company's loans, commitments, and commercial and standby letters of credit have been granted to customers in the Company's market area. Practically all such customers are depositors of Wilson Bank. The concentrations of credit by type of loan are set forth in Note 2 - Loans and Allowance for Credit Losses.

Interest bearing deposits totaling \$63,870,000 were deposited with five commercial banks at December 31, 2023. In addition, the Bank has funds deposited with the FHLB of Cincinnati in the amount of \$902,000. Funds deposited with the FHLB of Cincinnati are not insured by the FDIC.

Federal funds sold in the amount of \$10,159,000 were deposited with one commercial bank at December 31, 2023.

(15) *Employee Benefit Plan*

Wilson Bank has in effect a 401(k) plan (the "401(k) Plan") which covers eligible employees. To be eligible an employee must have obtained the age of 18. The provisions of the 401(k) Plan provide for both employee and employer contributions. For the years ended December 31, 2023, 2022 and 2021, Wilson Bank contributed \$3,662,000, \$3,309,000, and \$3,120,000, respectively, to the 401(k) Plan.

(16) *Dividend Reinvestment Plan*

Under the terms of the Company's dividend reinvestment plan (the "DRIP") holders of common stock may elect to automatically reinvest cash dividends in additional shares of common stock. The Company may elect to sell original issue shares or to purchase shares in the open market for the account of participants in the DRIP. Original issue shares of 189,471 in 2023, 250,365 in 2022 and 186,583 in 2021 were sold to participants under the terms of the DRIP.

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(17) *Regulatory Matters and Restrictions on Dividends*

Banks and bank holding companies are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes as of December 31, 2023, the Bank and the Company met all capital adequacy requirements to which they are subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If an institution is classified as adequately capitalized or lower, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is growth and expansion, and capital restoration plans are required. As of December 31, 2023 and 2022, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

The Company's and Wilson Bank's actual capital amounts and ratios as of December 31, 2023 and 2022 are presented in the following tables. The capital conservation buffer of 2.5% is not included in the required minimum ratios of the tables presented below.

	For Classification Under Corrective Action Plan as Well Capitalized					
	Actual Amount	Actual Ratio	Minimum Capital Adequacy Amount	Minimum Capital Adequacy Ratio	Actual Amount	Actual Ratio
December 31, 2023						
Total capital to risk weighted assets:						
Consolidated	\$ 560,757	14.5%	\$ 308,449	8.0%	\$ 385,562	10.0%
Wilson Bank	559,224	14.5	308,333	8.0	385,417	10.0
Tier 1 capital to risk weighted assets:						
Consolidated	512,762	13.3	231,337	6.0	308,449	8.0
Wilson Bank	511,229	13.3	231,250	6.0	308,334	8.0
Common equity Tier 1 capital to risk weighted assets:						
Consolidated	512,693	13.3	173,503	4.5	N/A	N/A
Wilson Bank	511,160	13.3	173,438	4.5	250,521	6.5
Tier 1 capital to average assets:						
Consolidated	512,762	10.6	193,564	4.0	N/A	N/A
Wilson Bank	511,229	10.6	193,492	4.0	241,865	5.0
December 31, 2022						
Total capital to risk weighted assets:						
Consolidated	\$ 512,025	13.5%	\$ 303,440	8.0%	\$ 379,300	10.0%
Wilson Bank	509,169	13.4	303,334	8.0	379,168	10.0
Tier 1 capital to risk weighted assets:						
Consolidated	466,076	12.3	227,580	6.0	303,440	8.0
Wilson Bank	463,220	12.2	227,500	6.0	303,333	8.0
Common equity Tier 1 capital to risk weighted assets:						
Consolidated	466,061	12.3	170,685	4.5	N/A	N/A
Wilson Bank	463,205	12.2	170,625	4.5	246,458	6.5
Tier 1 capital to average assets:						
Consolidated	466,076	11.2	166,712	4.0	N/A	N/A
Wilson Bank	463,220	11.1	166,648	4.0	208,310	5.0

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
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(17) Regulatory Matters and Restrictions on Dividends, Continued

Dividend Restrictions

The Company and the Bank are subject to dividend restrictions set forth by the Tennessee Department of Financial Institutions and federal banking agencies, as applicable. Additional restrictions may be imposed by the Tennessee Department of Financial Institutions and federal banking agencies under the powers granted to them by law.

(18) Salary Deferral Plans

The Company provides some of its officers non-qualified pension benefits through an Executive Salary Continuation Plan ("the Plan") and Supplemental Executive Retirement Plan (SERP) Agreements ("SERP Agreements"). The Plan and SERP Agreements were established by the Board of Directors to reward executive management for past performance and to provide additional incentive to retain the service of executive management. The Plan and SERP Agreements generally provide executives with benefits of a portion of their salary beginning at retirement through life. As a result, the Company has accrued a liability for future obligations under the Plan and SERP Agreements. At December 31, 2023 and 2022, the liability related to the Plan totaled \$1,475,000 and \$1,575,000, respectively. At December 31, 2023 and 2022 the liability related to the SERP Agreements totaled \$4,219,000 and \$4,026,000 respectively. The expense incurred for these plans totaled \$547,000, \$789,000 and \$705,000 for the year ended December 31, 2023, 2022 and 2021, respectively.

The Company has purchased life insurance policies to provide the benefits related to the Plan, which at December 31, 2023 and 2022 had an aggregate cash surrender value of \$6,462,000 and \$6,306,000, respectively, and an aggregate face value of insurance policies in force of \$16,407,000 and \$16,377,000, respectively. The life insurance policies remain the sole property of the Company and are payable to the Company.

The Company has also purchased bank owned life insurance policies on some of its current and former officers. The insurance policies remain the sole property of the Company and are payable to the Company. The cash surrender value of the life insurance contracts totaled \$53,183,000 and \$51,701,000 and the face amount of the insurance policies in force approximated \$122,010,000 and \$121,634,000 at December 31, 2023 and 2022, respectively.

The Company has also purchased Flexible Premium Indexed Deferred Annuity Contracts ("Annuity Contracts") to provide benefits related to the SERP Agreements. The Annuity Contracts remain the sole property of the Company and are payable to the Company. Included in other assets at December 31, 2023 and 2022 are the Annuity Contracts with an aggregate value of \$23,745,000 and \$24,135,000, respectively.

(19) Equity Incentive Plan

In April 2009, the Company's shareholders approved the Wilson Bank Holding Company 2009 Stock Option Plan (the "2009 Stock Option Plan"). The 2009 Stock Option Plan was effective as of April 14, 2009. Under the 2009 Stock Option Plan, awards could be in the form of options to acquire common stock of the Company. Subject to adjustment as provided by the terms of the 2009 Stock Option Plan, the maximum number of shares of common stock with respect to which awards could be granted under the 2009 Stock Option Plan was 100,000 shares. The 2009 Stock Option Plan terminated on April 13, 2019, and no additional awards may be issued under the 2009 Stock Option Plan. The awards granted under the 2009 Stock Option Plan prior to the Plan's expiration will remain outstanding until exercised or otherwise terminated. As of December 31, 2023, the Company had outstanding 2,433 options under the 2009 Stock Option Plan with a weighted average exercise price of \$35.96.

During the second quarter of 2016, the Company's shareholders approved the Wilson Bank Holding Company 2016 Equity Incentive Plan, which authorizes awards of up to 750,000 shares of common stock. The 2016 Equity Incentive Plan was approved by the Board of Directors and effective as of January 25, 2016 and approved by the Company's shareholders on April 12, 2016. On September 26, 2016, the Board of Directors approved an amendment and restatement of the 2016 Equity Incentive Plan (as amended and restated the "2016 Equity Incentive Plan") to make clear that directors who are not also employees of the Company may be awarded stock appreciation rights. The primary purpose of the 2016 Equity Incentive Plan is to promote the interest of the Company and its shareholders by, among other things, (i) attracting and retaining key officers, employees and directors of, and consultants to, the Company and its subsidiaries and affiliates, (ii) motivating those individuals by means of performance-related incentives to achieve long-range performance goals, (iii) enabling such individuals to participate in the long-term growth and financial success of the Company, (iv) encouraging ownership of stock in the Company by such individuals, and (v) linking their compensation to the long-term interests of the Company and its shareholders. Except for certain limitations, awards can be in the form of stock options (both incentive stock options and non-qualified stock options), stock appreciation rights, restricted shares and restricted share units, performance awards and other stock-based awards. As of December 31, 2023, the Company had 175,045 shares remaining available for issuance under the 2016 Equity Incentive Plan. As of December 31, 2023, the Company had outstanding under the 2016 Equity Incentive Plan 212,541 stock options with a weighted average exercise price of \$57.32, 157,020 cash-settled stock appreciation rights with a weighted average exercise price of \$54.88, and 15,866 restricted share awards, restricted share unit awards, and performance share unit awards.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
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(19) *Equity Incentive Plan, Continued*

Stock Options and Stock Appreciation Rights

As of December 31, 2023, the Company had outstanding 214,974 stock options with a weighted average exercise price of \$57.08 and 157,020 cash-settled stock appreciation rights with a weighted average exercise price of \$54.88. Included in other liabilities at December 31, 2023 and 2022 were \$3,297,000 and \$3,020,000 in accrued cash-settled stock appreciation rights, respectively.

The fair value of each stock option and cash-settled SAR grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants in 2023, 2022 and 2021:

	2023	2022	2021
Expected dividends	2.38%	1.85%	1.53%
Expected term (in years)	8.25	7.78	9.13
Expected stock price volatility	38%	37%	36%
Risk-free rate	3.54%	3.03%	1.45%

The expected stock price volatility is based on historical volatility adjusted for consideration of other relevant factors. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The dividend yield and forfeiture rate assumptions are based on the Company's history and expectation of dividend payouts and forfeitures.

A summary of the stock option and cash-settled SAR activity for 2023, 2022 and 2021 is as follows:

	2023		2022		2021	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	414,778	\$ 55.13	357,254	\$ 50.18	284,591	\$ 43.71
Granted	5,000	69.00	117,665	64.13	121,830	61.48
Exercised	(42,617)	47.23	(58,841)	43.27	(48,867)	40.76
Forfeited or expired	(5,167)	60.35	(1,300)	45.50	(300)	37.60
Outstanding at end of year	<u>371,994</u>	<u>\$ 56.15</u>	<u>414,778</u>	<u>\$ 55.13</u>	<u>357,254</u>	<u>\$ 50.18</u>
Options and cash-settled SARs exercisable at year end	<u>186,431</u>	<u>\$ 50.22</u>	<u>167,918</u>	<u>\$ 46.09</u>	<u>159,560</u>	<u>\$ 41.93</u>

The weighted average fair value at the grant date of options and cash-settled SARs granted during the years 2023, 2022 and 2021 was \$24.76, \$22.64 and \$22.10, respectively. The total intrinsic value of options and cash-settled SARs exercised during the years 2023, 2022 and 2021 was \$959,000, \$1,310,000 and \$962,000, respectively.

The following table summarizes information about outstanding and exercisable stock options and cash-settled SARs at December 31, 2023:

	Options and Cash-Settled SARs Outstanding				Options and Cash-Settled SARs Exercisable			
	Number Outstanding at 12/31/23	Weighted Average Exercise Price	Remaining Contractual Term (In Years)	Number Outstanding at 12/31/23	Weighted Average Exercise Price	Remaining Contractual Term (In Years)	Weighted Average	
Range of Exercise Prices								
\$34.31 - \$54.75	112,500	\$ 42.30	3.27	108,368	\$ 42.14	3.24		
\$55.75 - \$69.00	259,494	\$ 62.16	7.62	78,063	\$ 61.43	7.00		
	<u>371,994</u>			<u>186,431</u>				
Aggregate intrinsic value (in thousands)	<u>\$ 5,710</u>			<u>\$ 3,968</u>				

As of December 31, 2023, there was \$3,497,000 of total unrecognized cost related to non-vested stock options and cash-settled SARs granted under the Company's equity incentive plans. The cost is expected to be recognized over a weighted-average period of 2.88 years.

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Notes to Consolidated Financial Statements, Continued
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(19) Equity Incentive Plan, Continued

Time-Based Vesting Restricted Shares and Restricted Share Units

A summary of restricted share awards and restricted shares unit awards activity for the twelve months ended December 31, 2023 is as follows:

	Restricted Share Awards			Restricted Share Units		
	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value		
December 31, 2022	1,075	\$ 64.03				
Granted	—	—	14,833	\$ 69.00		
Vested	(774)	62.99	—	—		
Forfeited	—	—	(375)	69.00		
Outstanding at December 31, 2023	<u>301</u>	<u>\$ 66.70</u>	<u>14,458</u>	<u>\$ 69.00</u>		

The restricted shares and restricted share units vest over various time periods. As of December 31, 2023, there was \$18,000 of unrecognized compensation cost related to non-vested restricted share awards. The cost is expected to be expensed over a weighted-average period of 1.88 years. As of December 31, 2023, the fair value of restricted share awards vested totaled \$55,000. As of December 31, 2023, there was \$805,000 of unrecognized compensation cost related to non-vested restricted share units, all of which were granted to employees of the Bank in the second quarter of 2023. The cost is expected to be expensed over a weighted-average period of 4.38 years.

Performance-Based Vesting Restricted Stock Units ("PSUs")

The Company awards performance-based restricted stock units to officers and other employees of the Bank. Under the terms of the awards, the number of units that will be earned and thereafter settled in shares of common stock will be based on the employee's performance against certain performance metrics over a fixed three-year performance period. Compensation expense for PSUs is estimated each period based on the fair value of the Company's common stock at the grant date and the most probable outcome of the performance condition, adjusted for the passage of time within the performance period of the awards.

The following tables detail the PSUs outstanding at December 31, 2023.

	Performance Stock Units Outstanding	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2022	—	\$ —
Granted	1,107	67.85
Vested	—	—
Forfeited or expired	—	—
Outstanding at December 31, 2023	<u>1,107</u>	<u>\$ 67.85</u>

Grant Year	Grant Price	Applicable Performance Period	Period in which units to be settled	PSUs Outstanding
		2023-2025	2024-2026	2023-2025
2023	\$ 67.85			1,107

As of December 31, 2023, there was \$50,000 of total unrecognized cost related to non-vested performance based restricted share units. The cost is expected to be expensed over a weighted-average period of 2.09 years.

WILSON BANK HOLDING COMPANY
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(20) Earnings Per Share

The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share for the Company begins with the basic earnings per share plus the effect of common shares contingently issuable from stock options, restricted share units and performance share units.

The following is a summary of the components comprising basic and diluted earnings per share ("EPS"):

	<i>Years Ended December 31,</i>		
	<i>2023</i>	<i>2022</i>	<i>2021</i>
Basic EPS Computation:			
Numerator – Earnings available to common shareholders	\$ 48,938	53,042	49,426
Denominator – Weighted average number of common shares outstanding	11,611,690	11,377,617	11,131,897
Basic earnings per common share	<u>4.21</u>	<u>4.66</u>	<u>4.44</u>
Diluted EPS Computation:			
Numerator – Earnings available to common shareholders	\$ 48,938	53,042	49,426
Denominator – Weighted average number of common shares outstanding	11,611,690	11,377,617	11,131,897
Dilutive effect of stock options, RSUs and PSUs	29,676	31,307	31,059
Diluted earnings per common share	<u>11,641,366</u>	<u>11,408,924</u>	<u>11,162,956</u>
	<u><u>\$ 4.20</u></u>	<u><u>4.65</u></u>	<u><u>4.43</u></u>

(21) Derivatives

Derivatives Designated as Fair Value Hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged asset or liability attributable to the hedged risk are recognized in current earnings. The gain or loss on the derivative instrument is presented on the same income statement line item as the earnings effect of the hedged item. The Company utilizes interest rate swaps designated as fair value hedges to mitigate the effect of changing interest rates on the fair values of fixed rate loans. The hedging strategy on loans converts the fixed interest rates to variable interest rates tied to the applicable reference rate. These derivatives are designated as partial term hedges of selected cash flows covering specified periods of time prior to the maturity dates of the hedged loans.

During the second quarter of 2020, the Company entered into one swap transaction with a notional amount of \$30,000,000 pursuant to which the Company paid the counter-party a fixed interest rate and received a floating rate, which until August 31, 2023 equaled 1 month LIBOR. On September 1, 2023, the Company began receiving a daily compounded SOFR rate plus a spread adjustment in lieu of 1 month LIBOR as part of the LIBOR transition event. The derivative transaction was designated as a fair value hedge.

During the fourth quarter of 2023 the Company voluntarily terminated the interest rate swap as the market indicated that rates had peaked, further rate increases were unlikely, and the Company's balance sheet could support the market's current demand for fixed rate loans without the interest rate swap. The termination of the fair value hedge resulted in an unrealized gain totaling \$3,747,000 which is being reclassified to increase interest income over the original term of the swap contract.

A summary of the Company's fair value hedge relationships as of December 31, 2023 and December 31, 2022 are as follows (in thousands):

<u><u>December 31, 2023</u></u>	<u><u>Weighted</u></u>	<u><u>Average</u></u>	<u><u>Remaining</u></u>	<u><u>Weighted</u></u>	<u><u>Receive</u></u>	<u><u>Notional</u></u>	<u><u>Estimated</u></u>
	<u><u>Balance Sheet</u></u>	<u><u>Location</u></u>	<u><u>Maturity</u></u>	<u><u>Pay Rate</u></u>	<u><u>Rate</u></u>	<u><u>Amount</u></u>	<u><u>Fair Value</u></u>
	<u><u>Location</u></u>	<u><u>Location</u></u>	<u><u>(In Years)</u></u>	<u><u>%</u></u>	<u><u>%</u></u>	<u><u>\$</u></u>	<u><u>—</u></u>
Interest rate swap agreements - loans		Other assets	—	—%	—%	—	—
<u><u>December 31, 2022</u></u>	<u><u>Weighted</u></u>	<u><u>Average</u></u>	<u><u>Remaining</u></u>	<u><u>Weighted</u></u>	<u><u>Receive</u></u>	<u><u>Notional</u></u>	<u><u>Estimated</u></u>
	<u><u>Balance Sheet</u></u>	<u><u>Location</u></u>	<u><u>Maturity</u></u>	<u><u>Pay Rate</u></u>	<u><u>Rate</u></u>	<u><u>Amount</u></u>	<u><u>Fair Value</u></u>
	<u><u>Location</u></u>	<u><u>Location</u></u>	<u><u>(In Years)</u></u>	<u><u>%</u></u>	<u><u>%</u></u>	<u><u>\$</u></u>	<u><u>—</u></u>
Interest rate swap agreements - loans		Other assets	7.42	0.65%	1 month LIBOR	\$ 30,000	4,520

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(21) *Derivatives, Continued*

The effects of fair value hedge relationships reported in interest income on loans on the consolidated statements of income for the twelve months ended December 31, 2023 and 2022 were as follows (in thousands):

Gain (loss) on fair value hedging relationship	Twelve Months Ended December 31,		
	2023	2022	2021
Interest rate swap agreements - loans:			
Hedged items	\$ —	(3,265)	(1,125)
Derivative designated as hedging instruments	—	3,328	1,243

The following amounts were recorded on the balance sheet related to cumulative basis adjustments for fair value hedges at December 31, 2023 and December 31, 2022 (in thousands):

Line item on the balance sheet	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets			
	Carrying Amount of the Hedged Assets		in the Carrying Amount of the Hedged Assets	
	December 31, December 31, December 31, December 31,	2023	2022	2023
Loans	\$ —	25,452	—	(4,548)

The following table presents the net effects of derivative hedging instruments on the Company's consolidated statements of income for twelve months ended December 31, 2023 and 2022. The effects are presented as an increase to income before taxes in the relevant caption of the Company's consolidated statements of income.

Location in the Consolidated Statements of Income	In Thousands		
	2023	2022	2021
Interest income	\$ 271	63	118
Net increase (decrease) to income before taxes	<u>\$ 271</u>	<u>63</u>	<u>118</u>

Mortgage Banking Derivatives

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors are considered derivatives. It is the Company's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates resulting from its commitments to fund the loans. At December 31, 2023 and December 31, 2022, the Company had approximately \$2,265,000 and \$6,923,000, respectively, of interest rate lock commitments and approximately \$2,500,000 and \$6,250,000, respectively, of forward commitments for the future delivery of residential mortgage loans. The fair value of these mortgage banking derivatives was reflected by derivative assets of \$65,000 and \$123,000 and a derivative liability of \$13,000 and derivative asset of \$62,000, respectively, at December 31, 2023 and December 31, 2022. Changes in the fair values of these mortgage banking derivatives are included in net gains on sale of loans.

The net gains (losses) relating to free-standing derivative instruments used for risk management is summarized below:

	In Thousands	
	2023	2022
Interest rate contracts for customers	\$ (58)	(535)
Forward contracts related to mortgage loans held for sale and interest rate contracts	(75)	56

The following table reflects the amount and fair value of mortgage banking derivatives included in the consolidated balance sheet as of December 31, 2023 and December 31, 2022:

	In Thousands			
	2023	2022	Notional Amount	Fair Value
Included in other assets (liabilities):				
Interest rate contracts for customers	\$ 2,265	65	6,923	123
Forward contracts related to mortgage loans held-for-sale	2,500	(13)	6,250	62

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(22) Disclosures About Fair Value of Financial Instruments

Fair Value of Financial Instruments

FASB ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), which defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosures about fair value measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date. The statement emphasizes that fair value is a market-based measurement; not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Valuation Hierarchy

FASB ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets
- Level 2 - inputs to the valuation methodology include all prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Asset

Securities available-for-sale - Where quoted prices are available for identical securities in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other financial products. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation and more complex pricing models or discounted cash flows are used, securities are classified within Level 3 of the valuation hierarchy. Quarterly, the Company will validate prices supplied by its third party vendor by comparison to prices obtained from third parties.

Hedged loans - The fair value of the Company's hedged loan portfolio is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction.

Collateral dependent loans - Collateral dependent loans are measured at the fair value of the collateral securing the loan less estimated selling costs. The fair value of real estate collateral is determined based on real estate appraisals which are generally based on recent sales of comparable properties which are then adjusted for property specific factors. Non-real estate collateral is valued based on various sources, including third party asset valuations and internally determined values based on cost adjusted for depreciation and other judgmentally determined discount factors. Collateral dependent loans are classified within Level 3 of the valuation hierarchy due to the unobservable inputs used in determining their fair value such as collateral values and the borrower's underlying financial condition.

Other real estate owned - Other real estate owned ("OREO") represents real estate foreclosed upon by the Company through loan defaults by customers or acquired in lieu of foreclosure. Upon acquisition, the property is recorded at the lower of cost or fair value, based on appraised value, less selling costs estimated as of the date acquired with any loss recognized as a charge-off through the allowance for credit losses. Additional OREO losses for subsequent valuation downward adjustments are determined on a specific property basis and are included as a component of noninterest expense along with holding costs. Any gains or losses realized at the time of disposal are also reflected in noninterest income. OREO is included in Level 3 of the valuation hierarchy due to the lack of observable market inputs into the determination of fair value. Appraisal values are property-specific and sensitive to the changes in the overall economic environment.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(22) *Disclosures About Fair Value of Financial Instruments, Continued*

Mortgage loans held for sale - Mortgage loans held for sale are carried at fair value, and are classified within Level 2 of the valuation hierarchy. The fair value of mortgage loans held for sale is determined using quoted prices for similar assets, adjusted for specific attributes of that loan.

Derivative instruments - The fair values of derivatives are based on valuation models using observable market data as of the measurement date (Level 2).

Other investments - Included in other investments are investments recorded at fair value primarily in certain nonpublic investments and funds. The valuation of these nonpublic investments requires management judgment due to the absence of observable quoted market prices, inherent lack of liquidity and the long-term nature of such assets. These investments are valued initially based upon transaction price. The carrying values of other investments are adjusted either upwards or downwards from the transaction price to reflect expected exit values as evidenced by financing and sale transactions with third parties. These investments are included in Level 3 of the valuation hierarchy if the entities and funds are not widely traded and the underlying investments are in privately-held and/or start-up companies for which market values are not readily available.

The following tables present the financial instruments carried at fair value as of December 31, 2023 and December 31, 2022, by caption on the consolidated balance sheet and by FASB ASC 820 valuation hierarchy (as described above) (in thousands):

	Measured on a Recurring Basis			
	Total Carrying Value in the Consolidated Balance Sheet	Quoted Market Prices in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
<u>December 31, 2023</u>				
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agencies	\$ 4,429	4,429	—	—
U.S. Government sponsored enterprises	144,168	—	144,168	—
Mortgage-backed securities	417,030	—	417,030	—
Asset-backed securities	49,973	—	49,973	—
Corporate bonds	2,423	—	2,423	—
State and municipal securities	193,058	—	193,058	—
Total investment securities available-for-sale	811,081	4,429	806,652	—
Mortgage loans held for sale	2,294	—	2,294	—
Derivative instruments	52	—	52	—
Other investments	2,045	—	—	2,045
Total assets	\$ 815,472	4,429	808,998	2,045
Derivative instruments	\$ —	—	—	—
Total liabilities	\$ —	—	—	—

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(22) *Disclosures About Fair Value of Financial Instruments, Continued*

	Measured on a Recurring Basis			
	Total Carrying Value in the Consolidated Balance Sheet	Quoted Market Prices in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
<u>December 31, 2022</u>				
Hedged Loans	\$ 25,452	—	25,452	—
Investment securities available-for-sale:				
U.S. Treasury and other U.S. government agencies	6,497	6,497	—	—
U.S. Government sponsored enterprises	145,212	—	145,212	—
Mortgage-backed securities	444,438	—	444,438	—
Asset-backed securities	45,250	—	45,250	—
Corporate bonds	2,403	—	2,403	—
State and municipal securities	179,012	—	179,012	—
Total investment securities available-for-sale	822,812	6,497	816,315	—
Mortgage loans held for sale	3,355	—	3,355	—
Derivative instruments	4,705	—	4,705	—
Other investments	1,965	—		1,965
Total assets	\$ 858,289	6,497	849,827	1,965
Derivative instruments	—	—	—	—
Total liabilities	\$ —	—	—	—

	Measured on a Non-Recurring Basis			
	Total Carrying Value in the Consolidated Balance Sheet	Quoted Market Prices in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
<u>December 31, 2023</u>				
Other real estate owned	\$ —	—	—	—
Collateral dependent loans (1)	4,838	—	—	4,838
Total	\$ 4,838	—	—	4,838
<u>December 31, 2022</u>				
Other real estate owned	\$ —	—	—	—
Collateral dependent loans (1)	638	—	—	638
Total	\$ 638	—	—	638

(1) As of December 31, 2023 and December 31, 2022 no reserve was recorded on collateral dependent loans.

The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to determine fair value at December 31, 2023 and 2022:

	Valuation Techniques (2)	Range (Weighted Average)	
		Significant Unobservable Inputs	Appraisal
Collateral dependent loans		Estimated costs to sell	10%
Other real estate owned		Estimated costs to sell	10%

(1) The fair value is generally determined through independent appraisals of the underlying collateral, which may include Level 3 inputs that are not identifiable, or by using the discounted cash flow method if the loan is not collateral dependent.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(22) Disclosures About Fair Value of Financial Instruments, Continued

In the case of its investment securities portfolio, the Company monitors the valuation technique utilized by various pricing agencies to ascertain when transfers between levels have been affected. The nature of the remaining assets and liabilities is such that transfers in and out of any level are expected to be rare. For the twelve months ended December 31, 2023, there were no transfers between Levels 1, 2 or 3.

The table below includes a rollforward of the balance sheet amounts for the year ended December 31, 2023 and 2022 (including the change in fair value) for financial instruments classified by the Company within Level 3 of the valuation hierarchy for assets and liabilities measured at fair value on a recurring basis. When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, since Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources), the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology (in thousands):

	For the Year Ended December 31,	
	2023	2022
	Other Assets	Other Assets
Fair value, January 1	\$ 1,965	\$ 2,034
Total realized gains (losses) included in income	80	(69)
Change in unrealized gains/losses included in other comprehensive income for assets and liabilities still held at December 31	—	—
Purchases, issuances and settlements, net	—	—
Transfers out of Level 3	—	—
Fair value, December 31	<u>\$ 2,045</u>	<u>\$ 1,965</u>
Total realized gains (losses) included in income related to financial assets and liabilities still on the consolidated balance sheet at December 31	\$ 80	\$ (69)

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments that are not measured at fair value. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow models. Those models are significantly affected by the assumptions used, including the discount rates, estimates of future cash flows and borrower creditworthiness. The fair value estimates presented herein are based on pertinent information available to management as of December 31, 2023 and December 31, 2022. Such amounts have not been revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Cash and cash equivalents - The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Loans - The fair value of the Company's loan portfolio includes a credit risk factor in the determination of the fair value of its loans. This credit risk assumption is intended to approximate the fair value that a market participant would realize in a hypothetical orderly transaction. The Company's loan portfolio is initially fair valued using a segmented approach. The Company divides its loan portfolio into the following categories: variable rate loans, collateral dependent loans and all other loans. The results are then adjusted to account for credit risk.

For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values approximate carrying values. Fair values for collateral dependent loans are estimated using discounted cash flow models or based on the fair value of the underlying collateral. For other loans, fair values are estimated using discounted cash flow models, using current market interest rates offered for loans with similar terms to borrowers of similar credit quality. The values derived from the discounted cash flow approach for each of the above portfolios are then further discounted to incorporate credit risk to determine the exit price.

Mortgage servicing rights - The fair value of servicing rights is based on the present value of estimated future cash flows of mortgages sold, stratified by rate and maturity date. Assumptions that are incorporated in the valuation of servicing rights include assumptions about prepayment speeds on mortgages and the cost to service loans.

Deposits and Federal Home Loan Bank advances - Fair values for deposits and Federal Home Loan Bank advances are estimated using discounted cash flow models, using current market interest rates offered on deposits with similar remaining maturities.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(22) *Disclosures About Fair Value of Financial Instruments, Continued*

Off-balance sheet instruments - The fair values of the Company's off-balance-sheet financial instruments are based on fees charged to enter into similar agreements. However, commitments to extend credit do not represent a significant value to the Company until such commitments are funded.

The following table presents the carrying amounts, estimated fair value and placement in the fair value hierarchy of the Company's financial instruments at December 31, 2023 and December 31, 2022. This table excludes financial instruments for which the carrying amount approximates fair value. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization.

				Quoted Market Prices in an Active Market (Level 1)	Estimated Fair Value ⁽¹⁾		Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
<i>(in Thousands)</i>		Carrying/Notional Amount						
<u>December 31, 2023</u>								
<i>Financial assets:</i>								
Cash and cash equivalents	\$	252,635	252,635	252,635	—		—	
Loans, net		3,550,675	3,372,666	—	—		3,372,666	
Mortgage servicing rights		1,083	1,398	—	1,398		—	
<i>Financial liabilities:</i>								
Deposits		4,367,106	3,885,724	—	—		3,885,724	
<u>December 31, 2022</u>								
<i>Financial assets:</i>								
Cash and cash equivalents	\$	104,789	104,789	104,789	—		—	
Loans, net		3,088,344	2,992,161	—	—		2,992,161	
Mortgage servicing rights		1,065	1,252	—	1,252		—	
<i>Financial liabilities:</i>								
Deposits		3,892,705	3,210,581	—	—		3,210,581	

(1) Estimated fair values are consistent with an exit-price concept. The assumptions used to estimate the fair values are intended to approximate those that a market-participant would realize in a hypothetical orderly transaction.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

**(23) Wilson Bank Holding Company -
Parent Company Financial Information**

WILSON BANK HOLDING COMPANY
(Parent Company Only)
Balance Sheets
December 31, 2023 and 2022

	<i>Dollars In Thousands</i>	
	2023	2022
ASSETS		
Cash	\$ 3,134	* 4,241
Investment in wholly-owned commercial bank subsidiary	427,872	* 357,596
Deferred income taxes	1,356	1,223
Refundable income taxes	485	538
Total assets	<u><u>\$ 432,847</u></u>	<u><u>363,598</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	\$ 3,442	3,146
Total liabilities	<u><u>3,442</u></u>	<u><u>3,146</u></u>
Shareholders' equity:		
Common stock, par value \$2.00 per share, authorized 50,000,000 shares, 11,686,363 and 11,472,181 shares issued and outstanding, respectively	23,373	22,944
Additional paid-in capital	136,866	122,298
Retained earnings	357,260	325,625
Noncontrolling interest in consolidated subsidiary	69	15
Accumulated other comprehensive losses, net of taxes of \$31,195 and \$39,073, respectively	<u>(88,163)</u>	<u>(110,430)</u>
Total shareholders' equity	429,405	360,452
Total liabilities and shareholders' equity	<u><u>\$ 432,847</u></u>	<u><u>363,598</u></u>

* Eliminated in consolidation.

WILSON BANK HOLDING COMPANY
(Parent Company Only)
Statements of Earnings
Three Years Ended December 31, 2023

	<i>Dollars In Thousands</i>		
	2023	2022	2021
Income:			
Dividends from Wilson Bank (commercial bank subsidiary)	\$ 2,500	* 4,200	* 4,300
Other income	—	—	—
	<u><u>2,500</u></u>	<u><u>4,200</u></u>	<u><u>4,300</u></u>
Expenses:			
Directors' fees	387	355	341
Other	1,747	2,187	1,575
	<u><u>2,134</u></u>	<u><u>2,542</u></u>	<u><u>1,916</u></u>
Income before Federal income tax benefits and equity in undistributed earnings of Wilson Bank	366	1,658	2,384
Federal income tax benefits	617	733	475
	<u><u>983</u></u>	<u><u>2,391</u></u>	<u><u>2,859</u></u>
Equity in undistributed earnings of Wilson Bank	47,955	* 50,651	* 46,567
Net earnings	<u><u>\$ 48,938</u></u>	<u><u>53,042</u></u>	<u><u>49,426</u></u>

* Eliminated in consolidation.

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(23) Wilson Bank Holding Company -
Parent Company Financial Information, Continued

WILSON BANK HOLDING COMPANY
(Parent Company Only)
Statements of Cash Flows
Three Years Ended December 31, 2023
Increase (Decrease) in Cash and Cash Equivalents

	<i>Dollars In Thousands</i>		
	2023	2022	2021
Cash flows from operating activities:			
Net earnings	\$ 48,938	53,042	49,426
Adjustments to reconcile net earnings to net cash used in operating activities:			
Equity in earnings of commercial bank subsidiary	(50,455)	(54,851)	(50,867)
Decrease (increase) in refundable income taxes	53	(176)	(120)
Increase in deferred taxes	(133)	(195)	(174)
Share based compensation expense	1,528	1,866	1,428
Increase in other liabilities	19	14	113
Total adjustments	<u>(48,988)</u>	<u>(53,342)</u>	<u>(49,620)</u>
Net cash used in operating activities	<u>(50)</u>	<u>(300)</u>	<u>(194)</u>
Cash flows from investing activities:			
Dividends received from commercial bank subsidiary	2,500	4,200	4,300
Net cash provided by investing activities	<u>2,500</u>	<u>4,200</u>	<u>4,300</u>
Cash flows from financing activities:			
Payments made to stock appreciation rights holders	(277)	(644)	(515)
Dividends paid	(17,303)	(20,880)	(14,909)
Proceeds from sale of stock pursuant to dividend reinvestment plan	12,979	16,117	11,188
Proceeds from exercise of stock options	1,044	635	862
Net cash used in financing activities	<u>(3,557)</u>	<u>(4,772)</u>	<u>(3,374)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,107)</u>	<u>(872)</u>	<u>732</u>
Cash and cash equivalents at beginning of year	4,241	5,113	4,381
Cash and cash equivalents at end of year	<u>\$ 3,134</u>	<u>4,241</u>	<u>5,113</u>

WILSON BANK HOLDING COMPANY
Notes to Consolidated Financial Statements, Continued
December 31, 2023, 2022 and 2021

(24) *Quarterly Financial Data (Unaudited)*

Selected quarterly results of operations for the four quarters ended December 31 are as follows:

	<i>(In Thousands, except per share data)</i>											
	2023				2022				2021			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Interest income	\$ 61,809	57,857	53,987	48,930	\$ 44,920	42,024	37,097	33,499	\$ 33,810	33,719	31,570	30,742
Interest expense	26,548	23,697	19,934	13,500	7,855	3,894	2,240	2,144	2,507	2,840	3,031	3,258
Net interest income	35,261	34,160	34,053	35,430	37,065	38,130	34,857	31,355	31,303	30,879	28,539	27,484
Provision for credit losses - loans	619	1,641	2,078	1,962	2,596	2,543	1,625	1,892	131	130	55	827
Earnings before income taxes	14,220	14,745	16,039	17,927	15,342	19,706	18,484	14,544	17,512	17,405	14,449	14,792
Net earnings attributable to												
Wilson Bank Holding Company	11,222	11,486	12,389	13,841	12,340	15,190	14,139	11,373	13,801	13,342	11,139	11,144
Basic earnings per common												
share	0.96	0.99	1.07	1.20	1.08	1.33	1.25	1.01	1.23	1.19	1.00	1.01
Diluted earnings per common												
share	0.95	0.98	1.07	1.20	1.07	1.33	1.24	1.00	1.23	1.19	1.00	1.00

(25) *Revenue from Contracts with Customers*

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of non-interest income for the periods presented. Items outside the scope of ASC Topic 606 are noted as such.

	Years ended December 31,		
	2023		2021
	(dollars in thousands)		
Fees and gains on sales of mortgage loans ⁽¹⁾	\$ 2,635	\$ 2,973	\$ 9,997
Service charges on deposits	7,890	7,382	6,137
Debit and credit card interchange income, net	8,490	8,416	7,783
Brokerage income	7,184	6,929	6,368
BOLI and annuity earnings ⁽¹⁾	1,667	1,346	1,109
Security gain (loss), net ⁽¹⁾	(1,009)	(1,620)	28
Other non-interest income	1,432	1,855	1,428
Total non-interest income	\$ 28,289	\$ 27,281	\$ 32,850

(1) Not within the scope of ASC Topic 606.

A description of the Company's revenue streams accounted for under ASC Topic 606 follows:

Service charges on deposit accounts - The Company earns fees on its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM usage fees, stop payment charges, statement rendering, and ACH fees are recognized at the time the transaction is executed and the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Account maintenance fees are recognized in the same month the Company earns and satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Debit and credit card interchange income, net - The Company earns interchange fees from debit and credit cardholder transactions conducted through the Mastercard payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder. Certain expenses directly associated with the debit and credit cards are recorded on a net basis with the interchange income.

Brokerage income - The Company earns fees from investment brokerage services provided to its customers by a third-party service provider. The Company receives commissions from the third-party service provider on a bi-monthly basis based upon customer activity for the month. The fees are recognized monthly when the Company satisfies the performance obligation. Because the Company (1) acts as an agent in arranging the relationship between the customer and third-party service provider and (2) does not control the services rendered to the customer, investment brokerage fees are presented net of related servicing and administration costs.

This financial information has not been reviewed for accuracy or relevance by the FDIC.

WILSON BANK AND TRUST

Executive Management



Seated, left to right: **John McDearman**, Chief Executive Officer; **Kayla Hawkins**, Chief Financial Officer; **John Foster**, President Back Row, left to right: **Stephen Jaquish**, Chief Information Officer; **Rachel Fischer**, Chief Risk Officer; **Scott Jasper**, Chief Administration Officer; **Lisa Pominski**, Former Chief Financial Officer; **Taylor Walker**, Chief Credit Officer; **Amelia Vance**, Service & Support Executive; **Clark Oakley**, Chief Operating Officer

WILSON BANK HOLDING COMPANY

Board of Directors



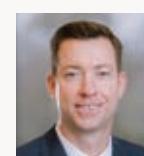
Randall Clemons
Retired Wilson
Bank & Trust Chief
Executive Officer



Will Jordan
Real Estate Investor
Farming
Operations Partner



**James Anthony
Patton**
C & T Farms



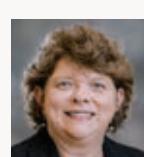
Clint Swain
Fakes & Hooker
Lumber



Jack Bell
Jack W. Bell
Builders, Inc.



Mike Maynard
Retired Four Star
Paving Executive



Lisa Pominski
Former Chief
Financial Officer;
Executive Vice
President Wilson
Bank Holding
Company



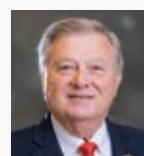
Deborah Varallo
Varallo Public
Relations



Jimmy Comer
Comerica
Enterprises



John McDearman
Chief Executive
Officer
Wilson Bank
Holding Company



Elmer Richerson
Retired Wilson
Bank & Trust
President

WILSON BANK AND TRUST

Regional Presidents by Market



Curt Baker
Regional President
Wilson County



Chad Colwell
Regional President
Dekalb, Putnam,
Smith and Trousdale
Counties



John Goodman
Regional President
Davidson and
Williamson Counties



Keith Hatley
Regional President
Sumner County



Andy Jakes
Regional President
Hamilton and
Rutherford Counties

Locations by County

Wilson County

Main Office
623 West Main Street
Lebanon, TN 37087
(615) 444-BANK (2265)

1444 Baddour Pkwy. W.
Lebanon, TN 37087
(615) 444-7560

1130 Castle Heights Ave. N.
Lebanon, TN 37087
(615) 443-0492

440 Hwy. 109 N.
Lebanon, TN 37090
(615) 453-1086

200 Tennessee Blvd.
Lebanon, TN 37087
(615) 443-6178

1476 N. Mt. Juliet Rd.
Mt. Juliet, TN 37122
(615) 754-0600

8875 Stewarts Ferry Pike
Gladeville, TN 37071
(615) 443-6522

11835 Lebanon Rd.
Mt. Juliet, TN 37122
(615) 773-7841

709 S. Mt. Juliet Rd.
Mt. Juliet, TN 37122
(615) 773-7900

402 Public Square
Watertown, TN 37184
(615) 237-3302

Davidson County

2930 West End Ave.
Nashville, TN 37203
(615) 600-0700

217 Donelson Pike
Nashville, TN 37214
(615) 232-5925

4736 Andrew Jackson Pkwy.
Hermitage, TN 37076
(615) 885-0040

DeKalb County

576 W. Broad St.
Smithville, TN 37166
(615) 597-4663

306 Brush Creek Rd.
Alexandria, TN 37012
(615) 529-4663

Hamilton County

Chattanooga-Loan
Production Office
1300 Broad Street
Suite 200B
Chattanooga, TN 37402
(423) 671-7216

Putnam County

320 S. Jefferson Ave.
Cookeville, TN 38501
(931) 528-4928

Rutherford County

4195 Franklin Rd.
Murfreesboro, TN 37128
(615) 904-6340

Sumner County

455 West Main St.
Gallatin, TN 37066
(615) 442-1470

175 East Main St.
Hendersonville, TN 37075
(615) 447-2990

1630 Nashville Pike
Suite 100
Gallatin, TN 37066
(615) 442-1480

Trousdale County

127 McMurry Blvd.
Hartsville, TN 37074
(615) 374-4133

Williamson County

9200 Carothers Pkwy.
Suite 108
Franklin, TN 37067
(615) 600-0928

5029 Harpeth Drive
Brentwood, TN 37027
(615) 695-8880

3110 Memorial Blvd.
Murfreesboro, TN 37129
(615) 904-6350

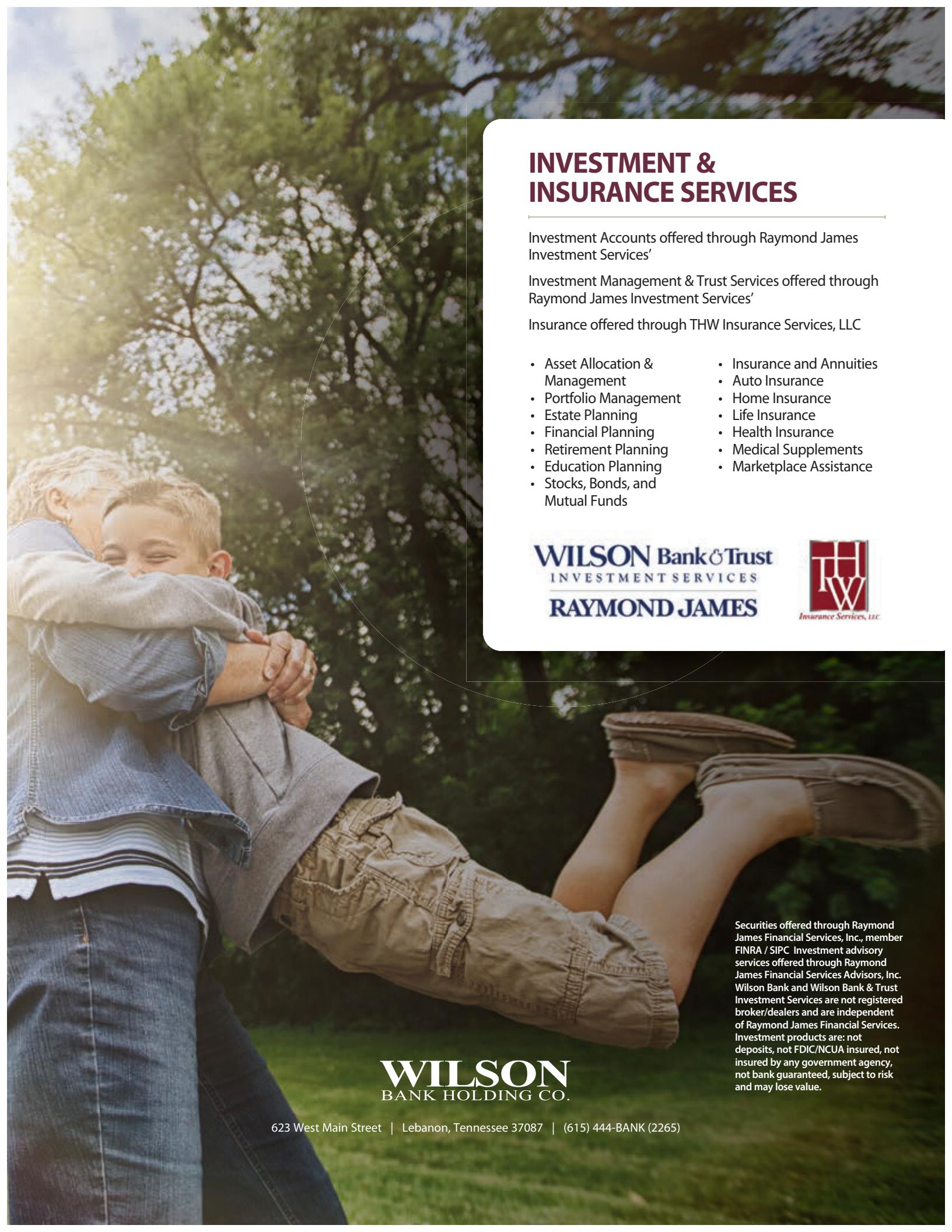
710 N.W. Broad St.
Murfreesboro, TN 37129
(615) 867-7777

2640 S. Church St.
Murfreesboro, TN 37127
(615) 904-6330

Smith County

1300 Main St. N.
Carthage, TN 37030
(615) 735-3990

7 New Middleton Hwy.
Gordonsville, TN 38563
(615) 683-3990



INVESTMENT & INSURANCE SERVICES

Investment Accounts offered through Raymond James Investment Services'

Investment Management & Trust Services offered through Raymond James Investment Services'

Insurance offered through THW Insurance Services, LLC

- Asset Allocation & Management
- Portfolio Management
- Estate Planning
- Financial Planning
- Retirement Planning
- Education Planning
- Stocks, Bonds, and Mutual Funds
- Insurance and Annuities
- Auto Insurance
- Home Insurance
- Life Insurance
- Health Insurance
- Medical Supplements
- Marketplace Assistance

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