



WILSON BANK HOLDING CO
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WILSON
 Bank & Trust
ANNUAL
REPORT

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 FINANCIAL



2003 Annual Report

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Mission Statement

The mission of Wilson Bank Holding Company is to maximize its sustainable earnings while being a responsible business that renders high quality service to customers through the efforts of fairly treated employees.

The company will offer banking services to meet the needs of the community it serves while assuring equal access to credit for everyone. The management and staff of the bank are to operate the bank in a sound manner to provide a proper return on assets. Great things happen when management, employees and directors work together as a team.

**For more information:
Wilson Bank & Trust
623 West Main Street
Lebanon, TN 37087
(615) 444-BANK (2265)**



WILSON

BANK HOLDING CO.
Home Owned

These numbers were
important in 2003:

Return On Average Assets

1.31%

Return On Average Equity

16.00%

Increase In Assets

13.26%

Basic Earnings Per Share

\$2.20

Book Value Per Share

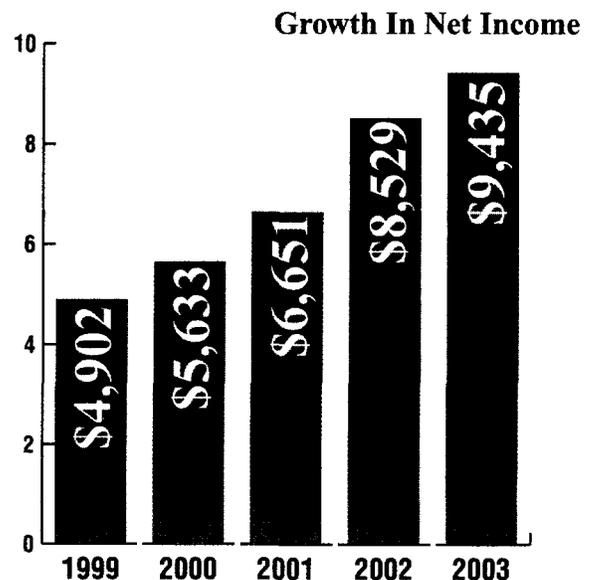
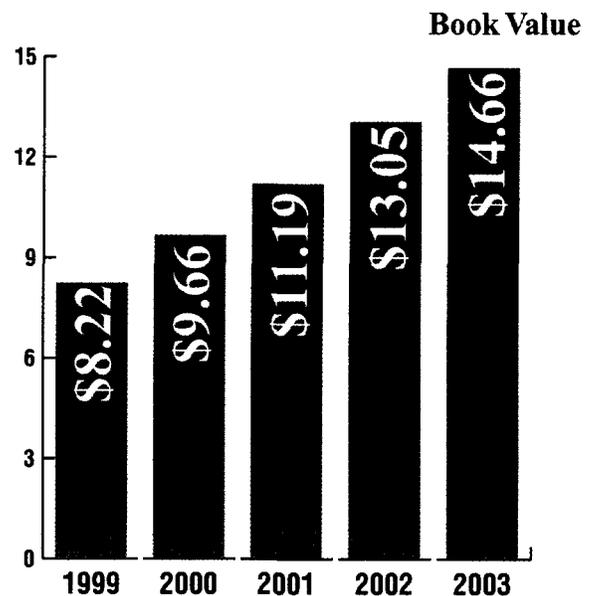
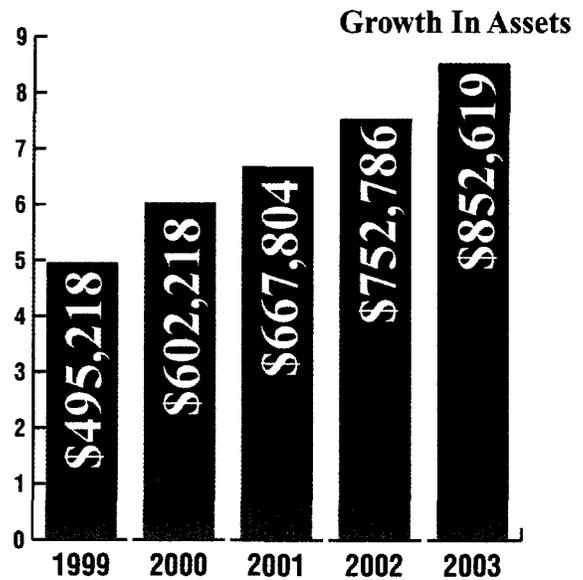
\$14.66

Member
FDIC

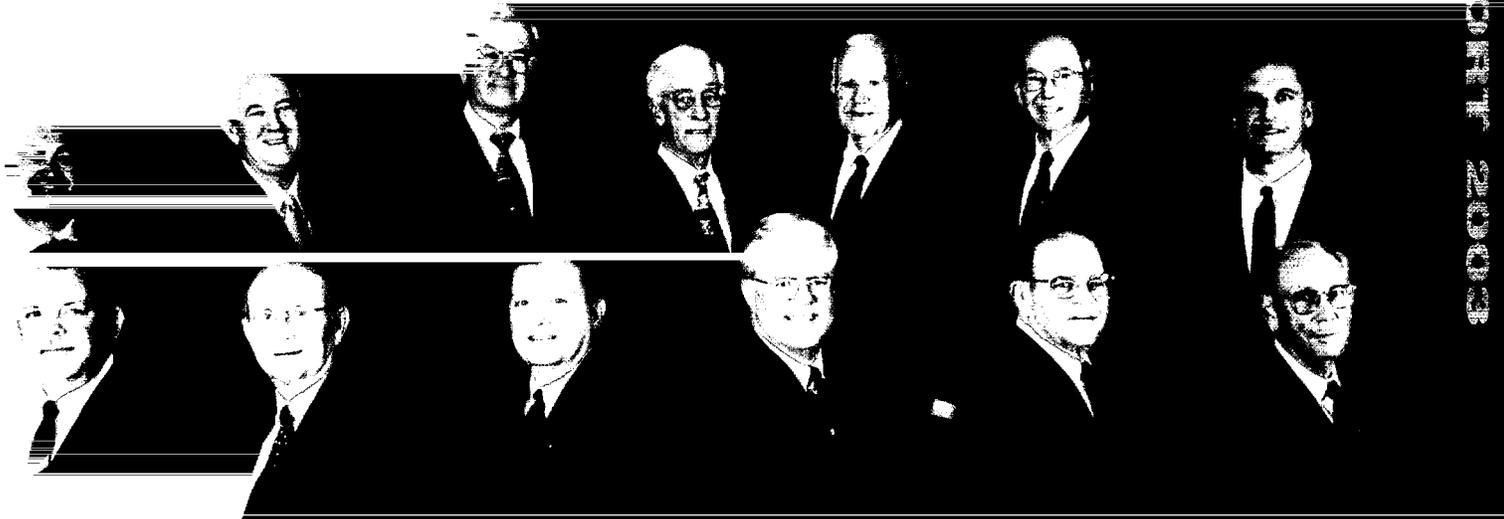


Visit us on the internet at:
www.wilsonbank.com

The Five Year Trend



*The information set forth above has been adjusted to reflect a 2-for-1 stock split paid by the Company on October 30, 2003.



Charles Bell
Horn Springs Angus Farm

Jack Bell
Jack W. Bell Builders, Inc.

Mackey Bentley
Bentley's Air Conditioning, Inc.

Randall Clemons
CEO/President-
Wilson Bank Holding Company
Chairman/CEO -
Wilson Bank & Trust

Jimmy Comer
Farmer/Businessman

Jerry Franklin
Ponderosa Family Steakhouse

John Freeman
Retired Businessman

Marshall Griffith
Evergreen Company

Harold Patton
Retired Businessman

James Anthony Patton
Mid-Tenn Chemicals

Elmer Richerson
Executive Vice President -
Wilson Bank Holding Company
President - Wilson Bank & Trust

John R. Trice
Businessman/Farmer

Bob VanHooser
Retired Banker
Chairman -
Wilson Bank Holding Company

To Our Shareholders



The year of 2003 was an exceptional period of growth, profits and expansion for Wilson Bank Holding Company. Our total assets reached \$852 million representing an increase of \$100 million, making this our second largest year of growth. Last year we experienced our greatest increase in profits by \$906,000. The growth of your investment remained strong with the book value increasing \$1.61. This resulted in a 16% return on equity and a "2-for-1" stock split during the year.

Future growth for Wilson Bank Holding Company is anticipated and expected as we will open, in 2004, our Leeville-109 Office, Murfreesboro Loan Office and our

Highway 70-Mt. Juliet Office. The opening of these offices will bring us to "seventeen" locations in six counties which will definitely enhance our growth.

A major focus for our bank during 2003 was to prepare for the future by improving technology. We now have an imaging process in place for both deposits and loans.

"Customer Service" will remain our main focus as we continue to expand our financial services. Our dedication and ultimate goal is to remain an independent, hometown bank.

Sincerely,

A handwritten signature in cursive script that reads "Randall Clemons".

Randall Clemons
President/CEO – Wilson Bank Holding Company
Chairman/CEO – Wilson Bank & Trust

A handwritten signature in cursive script that reads "Elmer Richerson".

Elmer Richerson
Executive Vice President – Wilson Bank Holding Company
President – Wilson Bank & Trust

The logo for Wilson Bank & Trust. It features the word "WILSON" in a large, serif font at the top. Below it, "Bank & Trust" is written in a smaller, serif font. At the bottom, "EST. 1987" is written in a small, sans-serif font. The logo is centered within a dark rectangular frame.



Front Row- Lisa Pominski, Senior Vice President/CFO;
Christy Norton, Senior Vice President/Operations;
Becky Taylor, Senior Vice President

Second Row- Gary Whitaker, Executive Vice
President/Sr. Lender; Elmer Richerson, President;
Randall Clemons, CEO and Chairman of the Board;
John Goodman, Senior Vice President/West Division

Back Row- Larry Squires, Senior Vice
President/Investments; John McDearman, Senior Vice
President/Commercial Loan Officer

Senior Officers



Front Row- Tiffy Tucker, Vice President Marketing & Sales; Sue Ann Bragg, Vice President/Personnel; Lynn Agee, Vice President/Mortgage Loans; Paula Evans, Vice President/Regulatory Department.

Back Row- Rick Spruill, Assistant Vice President/Internal Auditor; Ken Dill, Vice President/Commercial Loan Officer; Bernie Christian, Vice President/Residential Lending; Mark duBarry, Vice President/Technology Director



Front Row- Carolyn Swain, Assistant Vice President/Gladeville Office Manager; Janice Dernberger, Assistant Vice President/Mt. Juliet Hwy 70 Office Manager; Maliea Oakley, Vice President/Loan Officer/Main Office Manager; Katha Wrye, Assistant Vice President/TN Blvd. Office Manager

Second Row- Steven Ford, Assistant Vice President/Mt. Juliet Office Manager; Will Van Dyke, Leeville- 109 Office Manager; Tom Hines, Assistant Vice President/Baddour Parkway Office Manager; Andy Head, Wal-Mart Office Manager; Gary Morse, Assistant Vice President/Castle Heights Ave. North Office Manager

Back Row- Clark Oakley, Assistant Vice President/Watertown Office Manager; Glen Haynes, Divisional President/Hartsville Office Manager; Stan Hayes, Vice President/Murfreesboro Office Manager; Doug Gold, Assistant Vice President/Hermitage Office Manager

West Division Officers



Front Row- Carolyn Swain, Assistant Vice President/Gladeville Office Manager; Jody Hill, Assistant Vice President/Assistant Hermitage Office Manager; Janice Dernberger, Assistant Vice President/Mt. Juliet Hwy 70 Office Manager; Kay Davis, Consumer Loan Officer; Darlene Dickens, Personal Banker Officer; Beverley Watson, Assistant Leeville/109 Office Manager; Juanita Levis, Mortgage Loan Officer

Second Row- Steven Ford, Assistant Vice President/Mt. Juliet Office Manager; Gary Smith, Loan Officer; Doug Gold, Assistant Vice President/Hermitage Office Manager; Alex Dowdy, Mortgage Loan Officer; John Foster, Assistant Vice President/Assistant Gladeville Office Manager; John Goodman, Senior Vice President, West Division

Back Row- Will Van Dyke, Leeville/109 Office Manager; Jim Whatley, Investment Officer; Jason Loggins, Assistant Mt. Juliet Office Manager

Officers



Front Row- Joyce Smith, Loan Review Officer; Kathy Hesson, Training Officer; Sherry Payne, Overdraft Collections Officer; Dana Jones, Assistant Vice President/Loan Services Officer; Tiffanie Littlefield, Loan Officer

Second Row- Veronica Babcock, Investment Center Officer; Debbie Callis, Assistant Vice President/ Information Systems Officer; Juanita Ramsey, Personal Banker Officer; Norma Walker, Mortgage Loan Officer/Underwriter

Back Row- Glen Cross, Assistant Vice President/ Electronic Banking Officer; Kent Moreland, Collections Officer; Terry White, Loan Review Officer; Scott Jasper, Assistant Vice President/Loan Officer/Security Officer; Jeff Vaught, Collections Supervisor Officer

Officers



Front Row- Theda Rose, Loan Review Officer; Kay Johnson, Assistant Vice President/
Bookkeeping Services Officer; Amelia Vance, Mortgage Loan Officer; Brenda Eubanks,
Senior Floater Officer

Second Row- Charlie Stiles, Collections Officer; Audrey Joyner, CIF Officer; Shirley Carlile,
Personal Banker Officer; Nancy Spears, Compliance Officer; Mike Flanagan, Investment
Officer

Back Row- Rick Cate, Loan Officer; David Walden, Investment Officer



Front Row- Rita Bryan, Loan Officer; Alyson Atchley, Assistant Baddour Office Manager;
Lisa Beal, Personal Banker Officer; Laura Martin, Assistant Castle Heights Office Manager

Second Row- Jon Bell, Assistant Watertown Office Manager;
Nathan Walker, Consumer Loan Officer; Marilyn Carr, Assistant TN Blvd. Office Manager;
Margaret Kilgore, Administrative Assistant Officer; Dale Dies, Vice President/Assistant
Hartsville Office Manager; Robert Huttchson, Maintenance Director Officer

Not Pictured- Sherry Escobar, Assistant Wal-Mart Office Manager

2003 Service & Achievement Award Winners

These individuals were selected by their fellow employees for these awards.



2003 Whatever It Takes Award
Andrew Head
Linda Highers



2003 Commitment to Quality
Amanda Watkins
Jon Bell



2003 Commitment to Excellence
Carolyn Cathey
Jim Whatley

These individuals were selected by management for the following awards.



**Mike Baker Community Service Award
Presented to the 2003 Oktoberfest
Committee**



**2003 Sales Person of the Year
Christy Doyle
Jill Booker**



**Sue Talley Community Service Award
Presented to the Wilson Bank & Trust
Gladeville Office**



**2003 Insurance Sales Award
THW Insurance Services, LLC
recognizes Alex Dowdy**

2003 Office of the Year

Hermitage Office



2003 Production Leader Award

Tennessee Boulevard Office



Trousdale Bank & Trust Community Board, WBT Community Council & Hermitage Community Board



TROUSDALE Bank & Trust

Office of Wilson Bank & Trust
Lebanon, TN

Trousdale Bank & Trust Community Board

Mark Beeler	Jerry Helm
Mike Cornwell	Kenny Linville
Sandy Ford	Ron Moreland
Glen Haynes	Dale Dies

Wilson Bank & Trust Community Council

Lebanon

Jeff Ledford
Rick Bell
Dr. John Gallaher
Dr. Bill Nave
Dr. Roger McKinney
Lane Martin
Margaret A. Jones
Ronnie Kelley
Harold Edwards
Sue Comer
Dr. Tom Roberson
Brenda McFarlin
Danny Stewart
Tim Edwards
John Turner
Judy Cox
Jackie Gaither

Watertown

Betty Pryor
Anthony Hall
Cheryl Ellison
B. D. Kane
Myra Malone
Kim Vastola

Leeville

Kevin Cook
John McGee
Eddie Tomlinson
Raymond Lasater
Ann B. Sloan
Randy Hall
Pam J. Ash

Gladeville

Larry Kernagis
Lon Mires
Dwight Norrod
Gene Jones
Marilyn Williams
Carole Towns
Carrie Lannom
William T. Thornton
Johnny Ricketts
Jeff Hall

Mt. Juliet

Bob DeSalvo
Lex Cook
Harold Sutton
Sheila Luckett
Judy Hughes
Mac McCluskey
Marlene Denson
Dean Robinson
Andy Bond
John Sloan
Cindy Todd

Hermitage Community Board

Frank Batson	Mike Primm
Don Bass	George Thomas
Doug Raines	Brad Upchurch
Don Henderson	Jody Hill
Doug Gold	





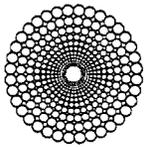
DeKalb Community Bank

Smithville & Alexandria Offices

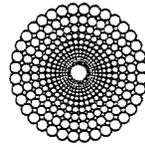
DeKalb Community Bank

Board of Directors

- Bryna Ashford
- Gentry Barnes, President
- Jack Bell
- Philip Cantrell
- Randall Clemons, CEO
- W. Michael Corley
- Eddie Evins, Emeritus
(not pictured)
- Mike Foster
- Deloy Kirby
- Larry Knowles
- Jeff McMillen, Chairman
- John Trice
- Bob VanHooser



Community Bank of Smith County



Community Bank of Gordonsville

Office of Community Bank of Smith County, Carthage, TN

Carthage & Gordonsville Offices

Community Bank of Smith County Board of Directors



- Charles Bell
- Randall Clemons, CEO
- Jimmy Comer
- Phyllis Eckel
- Charlie Bob Hughes
- Ben Lynch
- Jimmy Owen
- Donny Kemp
- Richard Rutherford, MD
- Joe Vance, President
- Steve Wilmore, Chairman

Committed To Your Financial Future

More than a quarter of a century ago, Raymond James Financial Services, Inc. was founded with the mission to help our clients achieve their financial goals and dreams.

We accomplish this through a comprehensive review of our clients' investment objectives, combined with a conservative, long-term approach to asset allocation and a selection of superior financial products and services which include:

College Plans

Portfolio Reviews

Retirement Services

Trust Services

Stocks

Bonds

Mutual Funds

Annuities

Asset Management

Comprehensive

Financial and Estate

Planning

It is our commitment to excellence that has made Raymond James Financial Services one of the nation's premier investment management firms.

RAYMOND JAMES

FINANCIAL SERVICES, INC.

Member NASD / SIPC



Standing left to right: Dan Kane, Financial Advisor; Beth Williams, Administrative Asst; Larry Squires, Certified Financial Planner™, Branch Manager; Karen Martin, Registered Administrative Assistant; Veronica Babcock, Financial Advisor
Seated left to right: David Walden, Certified Financial Planner™; Mike Flanagan, Certified Financial Planner™; Jim Whatley, Financial Advisor

The Investment Center located at

WILSON
Bank & Trust

623 West Main Street
Lebanon, TN 37087

4736 Andrew Jackson Pkwy.
Hermitage, TN 37076

1476 N. Mt. Juliet Road
Mt. Juliet, TN. 37122

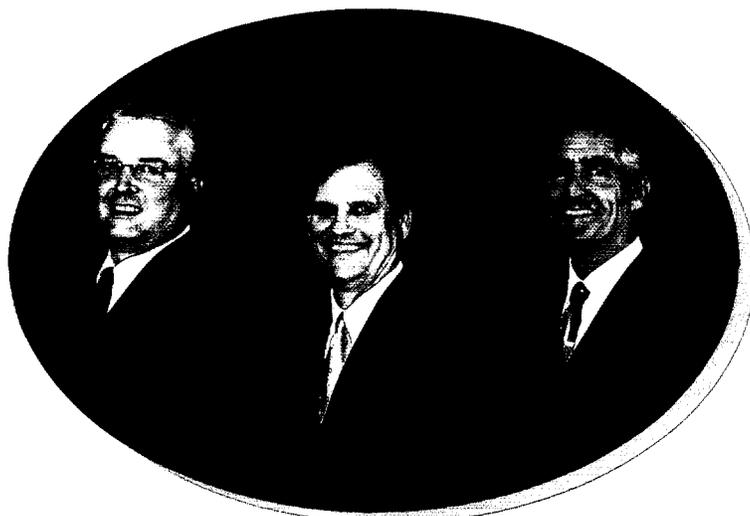
127 McMurry Blvd.
Hartsville, TN 37074

Securities are exclusively through Raymond James Financial Services, Inc., Member NASD/SPIC, an independent broker/dealer, and are not insured by FDIC or any other bank insurances, are not deposits or obligations of the bank, are not guaranteed by the bank, and are subject to risk, including the possible loss of principal.

Full Service Insurance in a convenient location



Since 1999, Wilson Bank & Trust and THW have combined to provide a full range of insurance services to bank customers and the community. The addition of another licensed agent has been necessary due to rapid growth of the joint venture. Jeff Lea is new to the team and works at the Mt. Juliet office on Monday, Tuesday, Thursday & Friday and in the Hermitage office on Wednesday.



Left to right:
Richard Whitener,
Commercial, Auto/Home & Life
Rick Thorne,
Life, Health & Long-Term Care
Brownie Hall
Accident, Cancer, Section 125 &
Employee Benefits

Carl Ragland; Licensed Insurance Agent conveniently located in the lobby of the Main office.
Auto/Home, & Life

Jeff Lea; Licensed Insurance Agent conveniently located in the lobby of the Mt. Juliet office.
Auto/Home, & Life



Insurance products are not FDIC insured, are not deposits of the bank, are not guaranteed by the bank, may go down in value and are not insured by any government agency.

Expansion Highlights for 2003



Trousdale Bank & Trust
Grand Opening of the
New Addition
September 28, 2003

Community Bank of Gordonsville
Grand Opening
November 16, 2003



Watertown Office
Grand Opening of the New Drive-
Thru & Drive-Up ATM Facility
December 2, 2003

Leeville/109 Office
Grand Opening
January 2, 2004

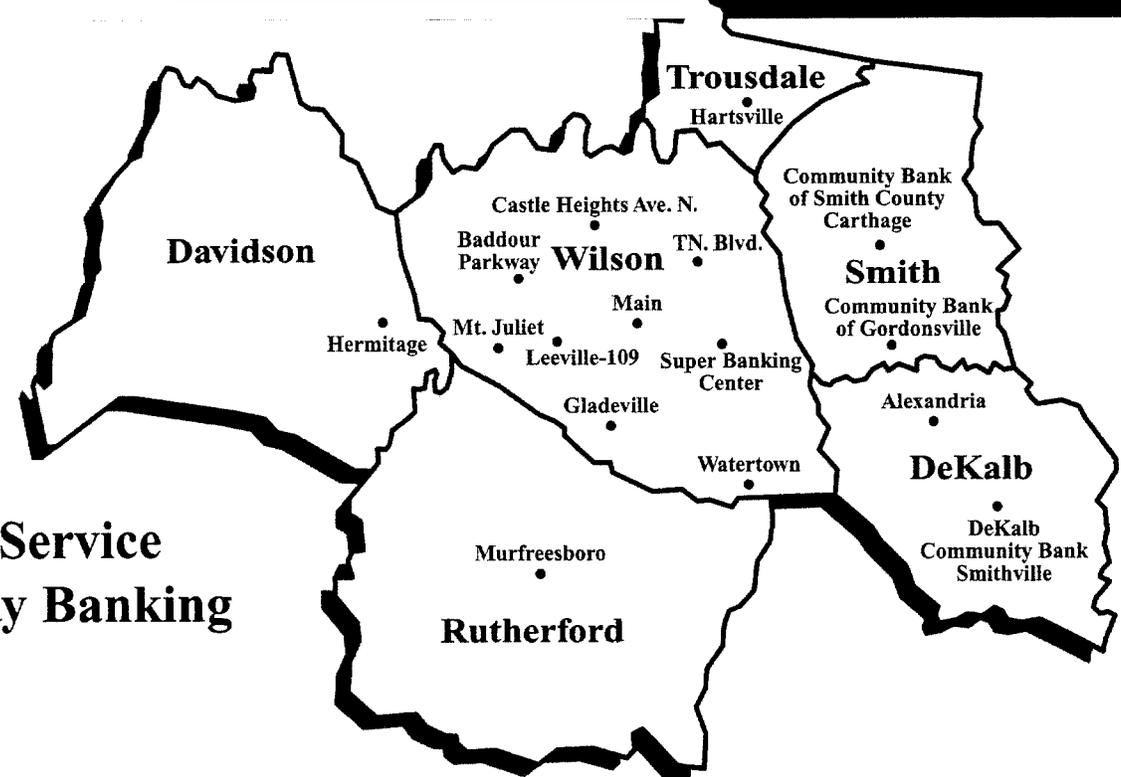


Future projects:

The Murfreesboro Loan Office opened February 2, 2004

During 2003, two lots were acquired for new office development.
One lot is located at 11755 Highway 70 in Mt. Juliet.
This office is scheduled to open March of 2004.

The second lot is located on the newly developed Lebanon Market Place
commercial property on South Hartman Drive.
This office opening date is currently slated as a future development.



**Full Service
Saturday Banking**

Main Office
623 West Main Street
Lebanon, TN 37087
444-2265

Baddour Office
1444 Baddour Parkway
Lebanon, TN 37087
444-7560

Tennessee Boulevard Office
200 Tennessee Boulevard
Lebanon, TN 37087
443-6178

Super Banking Center
Wal-Mart Supercenter
Lebanon, TN 37087
443-6293

Castle Heights Avenue North Office
1130 Castle Heights Ave North
Lebanon, TN 37087
443-0492

Watertown Office
Public Square
Watertown, TN 37184
237-3302

Gladeville Office
8875 Stewarts Ferry Pike
Gladeville, TN 37071
443-6522

Mt. Juliet Office
1476 North Mt. Juliet Road
Mt. Juliet, TN 37122
754-0600

Hwy 70-Mt. Juliet
11755 Hwy 70
Mt. Juliet, TN
773-7841

Hermitage Office
4736 Andrew Jackson Parkway
Hermitage, TN 37076
885-0040

Leeville-109
440 Hwy 109 North
Lebanon, TN 37090
453-1086

Murfreesboro Loan Office
151 Heritage Park Drive
Jackson Sq. Suite 102
Murfreesboro, TN 37129
867-7777

Internet Office
www.wilsonbank.com

Trousdale Bank & Trust
127 McMurry Blvd.
Hartsville, TN 37074
374-4133
Office of Wilson Bank & Trust
Lebanon, Tennessee

DeKalb Community Bank
Main Office
576 West Broad Street
Smithville, TN 37166
615-597-4663

Alexandria Office
306 Brush Creek Road
Alexandria, TN 37012
615-529-4663

**Community Bank of
Smith County**
Main Office
1300 Main Street North
Carthage, TN 37030
615-735-3990

**Community Bank of
Gordonsville**
7 New Middleton Hwy
Gordonsville, TN 38563
Office of Community Bank of
Smith County
Carthage, Tennessee
615-683-3990

Wilson Bank & Trust

**Wilson
Bank & Trust
makes the dream of
home ownership
come true**

For Wilson Bank & Trust it was a record year for mortgage lending with almost \$131 million in home mortgage loans closed. Many of these loans were refinances that helped consumers reduce their monthly housing cost or dramatically reduce the amount of interest paid by shortening the term of the loan. In addition home equity loans helped consumers fund college cost or finance home improvements, among many financial goals.



Our many types of home mortgages make borrowing feasible for people with different financial profiles and long term goals. Fixed and adjustable rate mortgages,

special programs for first time home buyers and affordable programs for people with low to moderate income are among some of the options that are available.

Wilson Bank & Trust makes the dream of home ownership come true. Well trained mortgage representatives simplify the process of applying for a mortgage and result in highly satisfied customers. Customer satisfaction remains high for both new mortgages and home equity customers.



Wilson Bank & Trust was very pleased to have had the opportunity in 2003 to assist in making the dream of new home construction, local church expansion and new commercial construction come true for local individuals and businesses.

Investing In Our Community



Community Involvement

Voted The Best Bank In Wilson County for 2003



WILSON BANK HOLDING COMPANY FINANCIAL HIGHLIGHTS (UNAUDITED)

*In Thousands, Except Per Share Information
As Of December 31,*

	2003	2002	2001	2000	1999
CONSOLIDATED					
<u>BALANCE SHEETS:</u>					
Total assets end of year	\$852,619	752,786	667,804	602,218	495,218
Loans, net	\$584,714	543,658	489,277	427,764	354,758
Securities	\$152,095	118,342	98,561	91,064	83,780
Deposits	\$770,419	679,408	602,576	543,583	447,792
Stockholders' equity	\$ 63,323	55,031	45,971	38,735	32,250
CONSOLIDATED STATEMENTS					
<u>OF EARNINGS:</u>					
	2003	2002	2001	2000	1999
Interest income	\$ 44,115	45,090	47,883	42,426	35,193
Interest expense	15,217	18,215	25,633	22,860	17,457
Net interest income	28,898	26,875	22,250	19,566	17,736
Provision for possible loan losses	1,904	2,344	1,976	1,417	1,103
Net interest income after provision for possible loan losses	26,994	24,531	20,274	18,149	16,633
Non-interest income	9,060	8,076	7,732	5,752	4,350
Non-interest expense	20,377	18,685	17,314	14,871	13,265
Earnings before income taxes	15,677	13,922	10,692	9,030	7,718
Income taxes	6,242	5,393	4,041	3,397	2,816
Net earnings	\$ 9,435	8,529	6,651	5,633	4,902
Minority interest in net earnings of subsidiaries	\$ 916	866	587	460	271
Cash dividends declared	\$ 2,651	2,378	1,920	1,579	1,447
<u>PER SHARE DATA: (1)</u>					
Basic earnings per common share	\$ 2.20	2.04	1.63	1.42	1.26
Diluted earnings per common share	\$ 2.20	2.04	1.63	1.42	1.26
Cash dividends	\$ 0.63	0.58	0.48	0.40	0.38
Book value	\$ 14.66	13.05	11.19	9.66	8.22
<u>RATIOS:</u>					
Return on average stockholders' equity	16.00 %	16.98 %	15.70 %	16.39 %	16.04 %
Return on average assets (2)	1.31 %	1.33 %	1.14 %	1.14 %	1.12 %
Capital to assets (3)	8.19 %	8.08 %	7.61 %	7.13 %	7.25 %
Dividends declared per share as percentage of basic earnings per share	26.36 %	28.19 %	29.14 %	28.27 %	29.76 %

(1) Per share data has been retroactively adjusted to reflect a 2 for 1 split which occurred effective October 31, 2003.

(2) Includes minority interest earnings of consolidated subsidiaries in numerator.

(3) Includes minority interest of consolidated subsidiaries in numerator.

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

General

This report includes certain forward-looking statements (any statement other than those made solely with respect to historical fact) based upon management's beliefs, as well as assumptions made by and data currently available to management. This information has been, or in the future may be, included in reliance on the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The words "expect," "anticipate," "intend," "should," "may," "could," "plan," "believe," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements, but other statements not based on historical information may also be considered forward-looking. All forward-looking statements are subject to risks, uncertainties and other facts that may cause the actual results, performance or achievements of Wilson Bank Holding Company (the "Company") to differ materially from any results expressed or implied by such forward-looking statements. Such factors include, without limitation, (i) increased competition with other financial institutions, (ii) lack of sustained growth in the economy in the Company's market area, (iii) rapid fluctuations in interest rates, (iv) significant downturns in the businesses of one or more large customers, (v) changes in the legislative and regulatory environment, (vi) inadequate allowance for loan losses, and (vii) loss of key personnel. Many of such factors are beyond the Company's ability to control or predict, and readers are cautioned not to put undue reliance on such forward-looking statements. The Company disclaims any obligation to update or revise any forward-looking statements contained in this discussion, whether as a result of new information, future events or otherwise.

The Company is a registered bank holding company that owns 100% of the common stock of Wilson Bank and Trust, a state bank headquartered in Lebanon, Tennessee. The Company was formed in 1992.

During 1996, the Company and other organizers consisting primarily of residents of DeKalb and Smith Counties, Tennessee formed DeKalb Community Bank and Community Bank of Smith County. The Company acquired 50% of the common stock of each bank. Each of the banks were capitalized with \$3,500,000; and accordingly, the Company's initial investment in each bank was \$1,750,000. Each of the banks have a dividend reinvestment plan whereby the stockholders are given the opportunity to reinvest all or

a portion of their dividends in the bank's stock. The Company reinvests its dividends in the amount necessary to maintain a 50% ownership interest. DeKalb Community Bank and Community Bank of Smith County are accounted for as consolidated subsidiaries of the Company and their accounts are included in the consolidated financial statements. The equity and earnings applicable to the minority stockholders are shown as minority interest in the consolidated financial statements.

The Company's three subsidiary banks are community banks headquartered in Lebanon, Smithville and Carthage, Tennessee, respectively, serving Wilson County, DeKalb County, Smith County, Trousdale County, and the eastern part of Davidson County, Tennessee as their primary market areas. The subsidiary banks have fourteen locations including their three main offices. Davidson, DeKalb, Smith and Trousdale Counties adjoin Wilson County. Management believes that these counties offer an environment for continued growth, and the Company's target market is local consumers, professionals and small businesses. The banks offer 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 custodial and trust services and an investment center which offers a full line of investment services to its customers.

The following discussion and analysis is designed to assist readers in their analysis of the Company's consolidated financial statements and must be read in conjunction with such consolidated financial statements. The Company's Board of Directors voted a 2 for 1 stock split for stockholders of record as of October 1, 2003 payable October 30, 2003. Each stockholder received one (1) additional share for each one (1) share owned with allowance for fractional shares. Per share data included in these consolidated financial statements has been restated to give effect to the stock split.

Critical Accounting Policies

The accounting principles we follow and our methods of applying these principles conform with accounting principles generally accepted in the United States and with general practices within the banking industry. In connection with the application of those principles to the determination of our allowance for loan losses (ALL), we have made judgments and estimates

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

which have significantly impacted our financial position and results of operations.

Our management assesses the adequacy of the ALL on a regular basis. This assessment includes procedures to estimate the ALL and test the adequacy and appropriateness of the resulting balance. The ALL consists of two portions (1) an allocated amount representative of specifically identified credit exposure and exposures readily predictable by historical or comparative experience, and (2) an unallocated amount representative of inherent loss which is not readily identifiable. Even though the ALL is composed of two components, the entire allowance is available to absorb any credit losses.

We establish the allocated amount separately for two different risk groups (1) unique loans (commercial loans, including those loans considered impaired); and (2) homogenous loans (generally consumer loans). We base the allocation for unique loans primarily on risk rating grades assigned to each of these loans as a result of our loan management and review processes. Each risk-rating grade is assigned an estimated loss ratio, which is determined based on the experience of management, discussions with banking regulators, historical and current economic conditions and our independent loan review process. We estimate losses on impaired loans based on estimated cash flows discounted at the loan's original effective interest rate or the underlying collateral value. We also assign estimated loss ratios to our consumer portfolio. However, we base the estimated loss ratios for these homogenous loans on the category of consumer credit (e.g., automobile, residential mortgage, home equity) and not on the results of individual loan reviews.

The unallocated amount is particularly subjective and does not lend itself to the exact mathematical calculation. We use the unallocated amount to absorb inherent losses which may exist as of the balance sheet date for such matters as changes in the local or national economy, the depth or experience of the lending staff, any concentrations of credit in any particular industry group, and new banking laws or regulations. After we assess applicable factors, we evaluate the aggregate unallocated amount based on our management's experience.

We then test the resulting ALL balance by comparing the balance in the allowance account to historical trends and peer information. Our management then evaluates the result of the procedures performed,

including the result of our testing, and concludes on the appropriateness of the balance of the ALL in its entirety. The loan review and the finance committee of our board of directors review the assessment prior to the filing of financial information.

Results of Operations

Net earnings for the year ended December 31, 2003 were \$9,435,000, an increase of \$906,000, or 10.6%, over 2002. Net earnings for the year ended December 31, 2002 were \$8,529,000, an increase of \$1,878,000, or 28.2%, over 2001. On a per share basis, net income equaled \$2.20 in 2003, compared with \$2.04 in 2002 and \$1.63 in 2001.

Net Interest Income

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 2003 was \$44,115,000, compared with \$45,090,000 in 2002 and \$47,833,000 in 2001. The decrease in total interest income in 2003 was primarily due to a decrease in the average interest rate of .9% offset by a \$85 million or 12.7% increase in average earning assets over 2002. Average earning assets increased \$69 million from December 31, 2001 to December 31, 2002. The average interest rate earned on earning assets was 5.88% in 2003 compared with 6.78% in 2002 and 8.03% in 2001.

Interest earned on earning assets does not include any interest income which would have been recognized on non-accrual loans if such loans were performing. The amount of interest not recognized on nonaccrual loans totaled \$8,000 in 2003, compared with \$12,000 in 2002 and \$12,000 in 2001.

Total interest expense for 2003 was \$15,217,000, a decrease of \$2,998,000, or 16.5%, compared to total interest expense of \$18,215,000 in 2002. The decrease in total interest expense was due to a decrease in the weighted average cost of funds from 2.83% to 2.11%, offset by an increase in average interest bearing deposits of approximately \$69,218,000. Interest expense decreased from \$25,633,000 in 2001 to \$18,215,000 in 2002 or a decrease of \$7,418,000, or 28.9%. The decrease in 2002 was due to a decrease in the weighted average cost of funds from 4.39% to

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2.83% net of the effect of a \$60,718,000 increase in average interest bearing deposits.

Net interest income for 2003 totaled \$28,898,000 as compared to \$26,875,000 and \$22,250,000 in 2002 and 2001, 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 3.77% from 3.94% in 2002. The net interest spread was 3.64% in 2001. The net interest yield, which is net interest income expressed as a percentage of average earning assets, decreased to 3.87% for 2003 compared to 4.07% in 2002 and 3.77% in 2001. Interest rates decreased in 2003 as a result of the Federal Reserve Bank's decision to lower the discount rate to stimulate the economy. The Company believes that interest rates will remain stable in 2004. The Company is in a position to reprice its liabilities faster than the assets are repricing. However, due to the very low interest rate environment, the Company may have to pay more for deposits to compete with the customers' other investment opportunities. Management also believes that growth in 2004 will generally approximate the growth experienced in 2003. A significant increase in interest rates could have an adverse impact on net interest yields and earnings.

Provision for Possible Loan Losses

The provision for loan losses represents a charge to earnings necessary to establish an allowance for possible loan losses that, in management's evaluation, should be adequate to provide coverage for estimated losses on outstanding loans and to provide for uncertainties in the economy. The 2003 provision for loan losses was \$1,904,000, a decrease of \$440,000 from the provision of \$2,344,000 in 2002. The decrease in the provision was primarily a result of smaller increases in loans, a decrease in net charge-offs, and the Company's perception that the general economic conditions were improving. The provision for loan losses was \$1,976,000 in 2001. Net charge-offs decreased to \$770,000 in 2003 from \$890,000 in 2002. Net charge-offs in 2001 totaled \$1,012,000. The ratio of net charge-offs to average total outstanding loans in 2003 was .14% and in 2002 was .17% and in 2001 was .22%. The provision for loan losses in 2003 exceeded net charge-offs by \$1,134,000 compared to \$1,454,000 in 2002 and \$964,000 in 2001.

The provision for loan losses raised the allowance for possible loan losses (net of charge-offs and recoveries) to \$8,077,000 at December 31, 2003 from \$6,943,000 and \$5,489,000 at December 31, 2002 and 2001, respectively. This represents a 16.3% increase in the allowance at December 31, 2003 over December 31, 2002 as compared to a 7.7% increase in total loans. The allowance for possible loan losses was 1.36% of total loans outstanding at December 31, 2003 compared to 1.26% at December 31, 2002 and 1.11% at December 31, 2001. Additionally, as a percentage of nonperforming loans at year end 2003, 2002 and 2001, the allowance for possible loan losses represented 363%, 564% and 725%, respectively. Although net charge-offs decreased, the level of nonperforming loans increased as discussed under "Loans".

The level of the allowance and the amount of the provision involve evaluation of uncertainties and matters of judgment. The Company maintains an allowance for loan losses which management believes is adequate to absorb losses inherent in the loan portfolio. A formal review is prepared bi-monthly by the Loan Review Officer to assess the risk in the portfolio and to determine the adequacy of the allowance for loan losses. The review includes analysis of historical performance, the level of non-performing and adversely rated loans, specific analysis of certain problem loans, loan activity since the previous assessment, reports prepared by the Loan Review Officer, consideration of current economic conditions, and other pertinent information. The level of the allowance to net loans outstanding will vary depending on the overall results of this bi-monthly assessment. The review is presented to the Finance Committee and subsequently approved by the Board of Directors. See the discussion under "Critical Accounting Policies" for more information. Management believes the allowance for possible loan losses at December 31, 2003 to be adequate.

Non-Interest Income

The components of the Company's non-interest income include service charges on deposit accounts, other fees, gains on sales of loans, gains on sales of fixed assets and other income. Total non-interest income for 2003 was \$9,060,000 compared with \$8,076,000 in 2002 and \$7,732,000 in 2001. The 12.2% increase over 2002 was primarily due to increases in the volume of service charges on deposit accounts (which increased \$199,000) and gains on sales of loans (which increased \$741,000). The Company has entered into a commission participation arrangement with a local

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insurance agency to sell insurance products. Management does not anticipate that this arrangement will materially impact 2004 non-interest income.

Non-Interest Expenses

Non-interest expenses consist primarily of employee costs, occupancy expenses, furniture and equipment expenses and other operating expenses. Total non-interest expenses for 2003 increased 9.1% to \$20,377,000 from \$18,685,000 in 2002. The 2002 non-interest expense was up 7.3% over non-interest expense in 2001 which totaled \$17,314,000. The increases in non-interest expenses in 2003 resulted primarily from increases in employee salaries and related benefits. This increase was principally due to an increase in the number of employees necessary to support the Company's expanded operations. Other operating expenses increased to \$4,868,000 in 2003 from \$4,854,000 in 2002. These expenses included data processing, supplies and general operating expenses, which increased as a result of continued growth of the Company.

Income Taxes

The Company's income tax expense was \$6,242,000 for 2003 an increase of \$849,000 from \$5,393,000 for 2002. The percentage of income tax expense

to earnings before taxes increased to 39.8% in 2003 from 38.7% in 2002. The percentage was 37.8% in 2001. The percentage for 2003 as compared to 2002 increased primarily as a result of a decrease in the percentage of interest income exempt from Federal income taxes to earnings before taxes from 5.7% in 2002 to 4.6% in 2003 and an increase in the Federal income tax rate from 34% to 35% for taxable earnings over \$10 million. The increase from 2001 to 2002 is also due to a decrease in the percentage of interest income exempt from Federal

income taxes from 7.9% in 2001 to 5.7% in 2002 and an increase in the state tax rate from 6% to 6.5% in 2002.

Financial Condition

Balance Sheet Summary. The Company's total assets increased \$99,833,000 or 13.3% to \$852,619,000 at December 31, 2003, after increasing 12.7% in 2002 to \$752,786,000 at December 31, 2002. Loans, net of allowance for possible loan losses, totaled \$584,714,000 at December 31, 2003, a 7.6% increase compared to December 31, 2002. Investment securities increased in 2003, primarily as a result of increased deposits in excess of funds necessary to fund loan growth. At year end 2003 securities totaled \$152,095,000, an increase of 28.5% from \$118,342,000 at December 31, 2002. The increase in securities in 2003 includes a \$1,663,000 decrease in unrealized gains and losses on securities available-for-sale.

Total liabilities increased \$90,761,000 at December 31, 2003 to \$782,747,000 compared to \$691,986,000 at December 31, 2002. This increase was composed primarily of the \$91,011,000 increase in total deposits to \$770,419,000 (a 13.4% increase) which was offset by a decrease in advances from the Federal Home Loan Bank from \$997,000 at December 31, 2002 to \$712,000 at December 31, 2003. Securities sold under repurchase agreements increased to \$8,606,000 from \$7,868,000 at the respective year ends 2003 and 2002.

Stockholders' equity increased \$8,292,000 or 15.1% due to net earnings and sales of stock pursuant to the Company's Dividend Reinvestment Plan, net of dividends paid on the Company's common stock. The increase includes a \$915,000 increase in unrealized gains and losses on available-for-sale securities, net of taxes. A more detailed discussion of assets, liabilities and capital follows.

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Loans:

Loan category amounts and the percentage of loans in each category to total loans are as follows:

<i>(In Thousands)</i>	2003		2002	
	<u>AMOUNT</u>	<u>PERCENTAGE</u>	<u>AMOUNT</u>	<u>PERCENTAGE</u>
Commercial, financial and agricultural	\$ 174,235	29.4%	\$ 192,945	35.1%
Installment	64,880	10.9	59,721	10.8
Real estate – mortgage	314,168	53.0	267,145	48.5
Real estate – construction	<u>39,508</u>	<u>6.7</u>	<u>30,794</u>	<u>5.6</u>
TOTAL	<u>\$ 592,791</u>	<u>100.0%</u>	<u>\$ 550,605</u>	<u>100.0%</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 possible loan losses, increased 7.6% as of year end 2003. The loan portfolio is composed of four primary loan categories: commercial, financial and agricultural; installment; real estate-mortgage; and real estate-construction. The table above sets forth the loan categories and the percentage of such loans in the portfolio at December 31, 2003 and 2002.

As represented in the table, primary loan growth was in real estate mortgage loans and installment loans. Real estate mortgage loans increased 17.6% in 2003 and at December 31, 2003 comprised 53.0% of total loans compared to 48.5% of total loans at December 31, 2002. Management believes this increase was primarily due to the favorable interest rate environment and the Company's ability to increase its market share of such loans while maintaining its loan underwriting standards. Installment loans increased 8.6% in 2003 and comprised 10.9% of the total loan portfolio at December 31, 2003, compared to 10.8% at December 31, 2002.

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, 2003, the Company had no highly leveraged transactions, and there were no foreign loans outstanding during any of the reporting periods.

Non-performing loans, which include non-accrual loans, loans 90 days past due, and renegotiated

loans totaled \$2,228,000 at December 31, 2003, an increase from \$1,230,000 at December 31, 2002. Non-accrual loans are loans on which interest is no longer accrued because management believes collection of such interest is doubtful due to management's evaluation of the borrower's financial condition, collateral liquidation value, economic and business conditions and other factors affecting the borrower's ability to pay. Non-accrual loans totaled \$462,000 at December 31, 2003 compared to \$483,000 at December 31, 2002. Loans 90 days past due, as a component of non-performing loans, increased to \$1,766,000 at December 31, 2003 from \$747,000 at December 31, 2002. This increase is primarily a result of increases in installment loans and real estate mortgage loans that are 90 days past due. The Company had no renegotiated loans, which would have been included in non-performing loans.

The Company also internally classifies loans about which management questions the borrower's ability to comply with the present repayment terms of the loan agreement. These internally classified loans, inclusive of certain non-performing loans, totaled \$6,656,000 at December 31, 2003 as compared to \$4,038,000 at December 31, 2002. Of the internally classified loans at December 31, 2003, \$5,280,000 are real estate related loans and \$1,376,000 are various other types of loans. The internally classified loans as a percentage of the allowance for possible loan losses were 82.4% and 58.2%, respectively, at December 31, 2003 and 2002.

The allowance for possible loan losses is discussed under "Critical Accounting Policies" and "Provision for Possible Loan Losses." The Company

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maintains its allowance for possible loan losses at an amount believed by management to be adequate to provide for the possibility of loan losses in the loan portfolio.

Essentially all of the Company's loans were from Wilson, DeKalb, Smith, Trousdale and adjacent counties. The Company seeks to exercise prudent risk management in lending, including diversification by loan category and industry segment as well as by identification of credit risks. At December 31, 2003 no single industry segment accounted for more than 10% of the Company's portfolio other than real estate loans.

The Company's management believes there is a significant opportunity to continue to increase the loan portfolio in the Company's primary market area which was expanded in 1999 to include eastern Davidson County, Tennessee. The Company has targeted commercial business lending, commercial and residential real estate lending and consumer lending. Although it is the Company's objective to achieve a loan portfolio equal to approximately 85% of deposit balances, various factors, including demand for loans which meet its underwriting standards, will likely determine the size of the loan portfolio in a given economic climate. This loan demand is reflected in the past two years when the Company's average loan to average deposit ratio was 79.9% and 82.7%, respectively, despite significant deposit growth. As a practice, the Company generates its own loans and does not buy participations from other institutions. The Company may sell some of the loans it generates to other financial institutions if the transaction profits the Company and improves the liquidity of the loan portfolio. The subsidiary banks also sell loan participations to other banks within the consolidated group.

Securities

Securities increased 28.5% to \$152,095,000 at year end 2003 from \$118,342,000 at December 31, 2002, and comprised the second largest and other primary component of the Company's earning assets. This increase followed a 20.1% securities portfolio increase from year end 2001 to 2002. The growth in securities

resulted from continued deposit growth in excess of funds necessary to fund loan growth.

The primary increase in the Company's securities portfolio was in U.S. Treasury and other U.S. Government agencies which increased \$24,172,000 or 24.1% in 2003 and in mortgage backed securities which increased \$8,252,000 or 487% in 2003. The average yield of the securities portfolio at December 31, 2003 was 3.51% with an average maturity of 3.92 years, as compared to an average yield of 4.18% and an average maturity of 3.92 years at December 31, 2002. Due to falling interest rates in 2003, payoffs in the securities portfolio increased. Management reinvested in lower yielding securities, with shorter maturities, which resulted in the decrease in both average yields and average maturities from 2002 to 2003.

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 115 (SFAS No. 115), "Accounting for Certain Investments in Debt and Equity Securities". Under the provisions of the Statement, securities are to be classified in three categories and accounted for as follows:

- Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost.
- Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value with unrealized gains and losses included in earnings.
- Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value with unrealized gains and losses excluded from earnings and reported in a separate component of shareholders' equity.

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The Company's classification of securities as of December 31, 2003 is as follows:

<i>(In Thousands)</i>	<u>Held-To-Maturity</u>		<u>Available-For-Sale</u>	
	<u>Amortized Cost</u>	<u>Estimated Market Value</u>	<u>Amortized Cost</u>	<u>Estimated Market Value</u>
U.S. Treasury and other				
U.S. Government agencies and Corporations	\$ -	-	124,605	124,340
Obligations of states and political Subdivisions	15,851	16,534	1,380	1,461
Corporate bonds	-	-	500	499
Mortgage-backed securities	792	792	9,191	9,152
	<u>\$ 16,643</u>	<u>17,326</u>	<u>135,676</u>	<u>135,452</u>

No securities have been classified as trading securities.

The classification of a portion of the securities portfolio as available-for-sale was made to provide for more flexibility in asset/liability management and capital management.

Deposits

The increases in assets in 2003 and 2002 were funded primarily by increases in deposits. Total deposits, which are the principal source of funds for the Company, totaled \$770,419,000 at December 31, 2003 compared to \$679,408,000 and \$602,576,000 at December 31, 2002 and 2001, respectively. 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 Wilson County, Davidson County, DeKalb County, Smith County and Trousdale County areas are growing economic markets offering growth opportunities for the Company; however, the Company competes with several of the larger bank holding companies that have bank offices in these counties; and therefore, no assurances of market growth or maintenance of current market share can be given. Even though the Company is in a very competitive market, management currently believes that its market share can be maintained or expanded.

The \$91,011,000, or 13.4%, growth in deposits in 2003 consisted of changes in several deposit categories: savings accounts increased \$4,890,000(11.7%) to \$44,000,000, total certificates of deposit (including individual retirement accounts)

increased \$13,594,000 (3.8%) to \$374,940,000, NOW accounts increased \$10,886,000 (19.7%) to \$66,196,000, money market accounts increased \$40,509,000 (25.6%) to \$198,553,000 and demand deposits increased \$21,132,000 (32.2%) to \$86,730,000.

The average rate paid on average total interest-bearing deposits was 2.3% for 2003, compared to 3.1% for 2002. The average rate paid in 2001 was 4.9%.

The ratio of average loans to average deposits was 79.9% in 2003 compared with 82.7% and 80.7% in 2002 and 2001, respectively.

Contractual Obligations

The Company has the following contractual obligations as of December 31, 2003:

<i>(In Thousands)</i>	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Long-Term Debt	-	-	-	712	712
Capital	-	-	-	-	-
Leases					
Operating	51	10	-	-	61
Leases					
Purchases	-	-	-	-	-
Other Long- Term Liabilities	-	-	-	-	-
Total	<u>51</u>	<u>10</u>	<u>-</u>	<u>712</u>	<u>773</u>

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Long-term debt contractual obligations consist of advances from the Federal Home Loan Bank. The Company leases land for certain branch facilities and automatic teller machine locations. Future minimum rental payments required under the terms of these noncancellable leases are included in operating lease obligations.

Off Balance Sheet Arrangements

At December 31, 2003, the Company had unfunded loan commitments outstanding of \$74.7 million, unfunded lines of credit of \$23.9 million and outstanding standby letters of credit of \$4.8 million. Because these commitments generally have fixed expiration dates and many will expire without being drawn upon, the total commitment level does not necessarily represent future cash requirements. If needed to fund these outstanding commitments, the Company's bank subsidiary has the ability to 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 Company's bank subsidiary could sell participations in these or other loans to correspondent banks. As mentioned above, the Company's bank subsidiary has been able to fund its ongoing liquidity needs through its stable core deposit base, loan payments, its investment security maturities and short-term borrowings.

Liquidity and Asset Management

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 the ability to maintain sufficient cash levels necessary to fund operations, meet the requirements of depositors and borrowers and fund attractive investment opportunities. Higher levels of liquidity bear corresponding costs, measured in terms of lower yields on short-term, more liquid earning assets and higher interest expense associated with extending liability maturities. Liquid assets include cash and cash equivalents and investment securities and money market instruments that will mature within one year. At December 31, 2003, the Company's liquid assets approximated \$134.2 million.

The Company's primary source of liquidity is a stable core deposit base. In addition, short-term investments, loan payments and investment security maturities provide a secondary source.

At December 31, 2003, the Company had a liability sensitive position (a negative gap) for 2004. Liability sensitivity means that more of the Company's liabilities are capable of repricing over certain time frames than its assets. The interest rates associated with these liabilities may not actually change over this period but are capable of changing. The 2003 net earnings increased in the slightly declining rate environment primarily due to a \$2,998,000 reduction in interest cost which resulted from savings related to rate declines of \$5,208,000 net of additional interest cost of \$2,210,000 related to increased volume. The declining rates resulted in a reduction of interest income of \$6,791,000 which was offset by an increase in income related to volume of \$5,782,000. The 2002 and 2001 net earnings increased in the declining rate environment primarily due to a 11.5% growth in earning assets in 2002 and a 20.6% growth in earnings assets in 2001.

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 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.

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The following table shows the rate sensitivity gaps for different time periods as of December 31, 2003:

Interest Rate Sensitivity Gaps December 31, 2003 <i>(In Thousands)</i>	1-90 <u>Days</u>	91-180 <u>Days</u>	181-365 <u>Days</u>	One Year and <u>Longer</u>	<u>Total</u>
Interest-earning assets	\$ 175,677	51,546	89,977	485,567	802,767
Interest-bearing liabilities	<u>377,758</u>	<u>75,391</u>	<u>82,797</u>	<u>157,061</u>	<u>693,007</u>
Interest-rate sensitivity gap	<u>\$ (202,081)</u>	<u>(23,845)</u>	<u>7,180</u>	<u>328,506</u>	<u>109,760</u>
Cumulative gap	<u>\$ (202,081)</u>	<u>(225,926)</u>	<u>(218,746)</u>	<u>109,760</u>	

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At the present time there are no known trends or any known commitments, demands, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity changing in any material way.

Capital Position and Dividends

Capital. At December 31, 2003, total stockholders' equity was \$63,323,000, or 7.4% of total assets, which compares with \$55,031,000, or 7.3% of total assets at December 31, 2002, and \$45,971,000, or 6.9% of total assets, at December 31, 2001. The dollar increase in stockholders' equity during 2003 reflects (i) the Company's net income of \$9,435,000 less cash dividends of \$.58 per share totaling \$2,651,000, (ii) the issuance of 51,284 shares of common stock for \$2,392,000 in lieu of payment of cash dividends, (iii) the issuance of 1,275 shares of common stock pursuant to exercise of stock options for \$31,000 and (iv) the decrease in the net unrealized gain on available-for-sale securities of \$915,000. In addition the Company approved a two for one stock split effective October 30, 2003. Pursuant to this split 2,160,028 shares of stock were issued. All share and per share data have been restated to reflect this two for one stock split.

The Company's principal regulators have established minimum risk-based capital requirements and leverage capital requirements for the Company and its subsidiary banks. These guidelines classify capital into two categories of Tier I and Total risk-based capital. Total risk-based capital consists of Tier I (or core) capital (essentially common equity less intangible assets) and Tier II capital (essentially qualifying long-term debt, of which the Company and subsidiary banks have none, and a part of the allowance for possible loan losses). In determining risk-based capital requirements, assets are assigned risk-weights of 0% to 100%, depending on regulatory assigned levels of credit risk associated with such assets. The risk-based capital guidelines require the subsidiary banks and the Company to have a total risk-based capital ratio of 8.0% and a Tier I risk-based capital ratio of 4.0%. At December 31, 2003 the

Company's total risk-based capital ratio was 13.6% and its Tier I risk-based capital ratio was 12.4%, respectively, compared to ratios of 12.9% and 11.7%, respectively at December 31, 2002. The required Tier I leverage capital ratio (Tier I capital to average assets for the most recent quarter) for the Company is 4.0%. At December 31, 2003, the Company had a leverage ratio of 8.8% compared to 7.6% at December 31, 2002. Management believes it can adequately capitalize its growth for the next few years with earnings.

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 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 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. The following table provides information about the Company's financial instruments that are sensitive to changes in interest rates as of December 31, 2003.

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	(Dollars in Thousands)							Fair Value
	<u>Expected Maturity Date - Year Ending December 31,</u>							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>	<u>Total</u>	
Earning assets:								
Loans, net of unearned interest:								
Variable rate	\$ 23,544	4,606	4,326	5,292	10,808	249,032	297,608	297,608
Average interest rate	4.48%	6.16 %	6.24%	6.15%	5.78 %	6.92%	6.13 %	
Fixed rate	114,379	30,785	37,626	45,137	19,344	47,912	295,183	286,048
Average interest rate	5.90%	7.04%	6.97%	6.40%	6.35%	6.75%	6.51%	
Securities	4,314	15,786	25,839	35,933	27,040	43,183	152,095	152,778
Average interest rate	3.71%	3.25%	2.83 %	3.34 %	3.76 %	3.79%	3.35 %	
Loans held for sale	3,972	-	-	-	-	-	3,972	3,972
Average interest rate	5.39%	-	-	-	-	-	5.39%	
Federal funds sold	53,909	-	-	-	-	-	53,909	53,909
Average interest rate	1.04%	-	-	-	-	-	1.04%	
Interest-bearing deposits	570,663	47,241	47,231	9,115	9,349	-	683,689	690,208
Average interest rate	2.73%	3.39%	3.54%	3.95%	3.98%	-	2.33%	
Short-term borrowings	8,606	-	-	-	-	-	8,606	8,606
Average interest rate	1.92%	-	-	-	-	-	1.92%	
Advances from Federal Home Loan Bank	-	-	-	-	-	712	712	819
Average interest rate	-	-	-	-	-	7.13%	7.13%	

Impact of New Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Since the Company does not have any legal obligations as described above, this statement has not had any impact on the Company's financial position or results of operations.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, SFAS 144. This statement supersedes SFAS No. 121

Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of, and the accounting and reporting provisions of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years. This statement has not had a significant impact on the Company's financial position or results of operations.

In October 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 147, Acquisitions of Certain Financial Institutions. SFAS No. 147 amends SFAS No. 72 and FASB Interpretation No. 9 to eliminate all acquisitions of financial institutions other than transactions between mutual enterprises from their scope. Accordingly, the excess of the purchase price

WILSON BANK HOLDING COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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paid to acquire a financial institution over the fair value of the identifiable tangible and intangible assets and liabilities acquired now must be recorded as goodwill following SFAS No. 141 and assessed for impairment following SFAS No. 142, Goodwill and Other Intangible Assets. Furthermore, any previously recognized unidentifiable intangible assets resulting from prior business combinations that do not meet SFAS No. 141's criteria for separate recognition must be reclassified to goodwill. The Company has adopted SFAS 147, but it is not expected to have any current impact on the Company's financial position or results of operations.

In June 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard NO. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities, (SFAS 149). SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Under SFAS 149 loan commitments that relate to the origination of mortgage loans that will be held for sale, commonly referred to as interest rate lock commitments, must be accounted for as derivatives by the issuer of the commitment. Commitments to originate mortgage loans that will be held for investment purposes and commitments to originate other types of loans are not considered derivatives. The Company has adopted SFAS 149, but it is not expected to have any impact on the Company's financial position or results of operations.

In June 2003 the American Institute of Certified Public Accountants issued an exposure draft on a Proposed Statement of Position (SOP) on Allowance for Credit Losses. If approved the Proposed SOP would significantly change the way the allowance for possible loan losses is calculated. Under the Proposed SOP, any loans determined to be impaired, as defined in FASB Statement No. 114, would be assigned a specific reserve based on facts and circumstances surrounding the particular loan and no loss percentage would be assigned. If a loan is determined not to be impaired, it would be assigned to a pool of similar homogeneous loans. A loss percentage would then be assigned to the pool based on historical charge-offs adjusted for internal or external factors such as the economy, changes in underwriting standards, etc. Management

has not yet determined the impact this Proposed SOP would have on their consolidated financial statements, but anticipates that it could result in a significant reduction in the allowance for loan loss. Under the Proposal, any changes resulting from the initial application of this Proposed SOP would be treated as a change in accounting estimate.

Supervision and Regulation

Bank Holding Company Act of 1956. As a bank holding company, the Company is subject to regulation under the Bank Holding Company Act of 1956 (the "Act"), and the regulations adopted by the Board of Governors of the Federal Reserve System (the "Board") under the Act. The Company is required to file reports with, and is subject to examination by, the Board. The subsidiary banks are Tennessee state chartered non member banks, and are therefore subject to the supervision of and are regularly examined by the Tennessee Department of Financial Institutions (the "TDFI") and the Federal Deposit Insurance Corporation ("FDIC").

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

In November, 1999, the Gramm-Leach-Bliley Act of 1999 (the "GLB Act") became law. Under the GLB Act, a "financial holding company" may engage in activities the Board determines to be financial in nature or incidental to such financial activity or complementary to a financial activity and not a substantial risk to the safety and soundness of such depository institutions or the financial system. Generally, such companies may engage in a wide range of securities activities and insurance underwriting and agency activities.

Under the Tennessee Bank Structure Act, a bank holding company which controls 30% or more of the total deposits (excluding certain deposits) in all

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

federally insured financial institutions in Tennessee is prohibited from acquiring any bank in Tennessee. State banks and national banks in Tennessee may establish branches anywhere in the state and generally may branch across state lines either through interstate merger or branch acquisition, provided the other state's law affords reciprocity.

The Company and the subsidiary banks are subject to certain restrictions imposed by the Federal Reserve Act and the Federal Deposit Insurance Act, respectively, on any extensions of credit to the Company or the subsidiary banks, on investments in the stock or other securities of the Company or the subsidiary banks, and on taking such stock or other securities as collateral for loans of any borrower.

FDICIA. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the federal banking regulators have assigned each insured institution to one of five categories ("well capitalized," "adequately capitalized" or one of three under capitalized categories) based upon the three measures of capital adequacy discussed above, see "Capital Position and Dividends". Institutions which have a Tier I leverage capital ratio of 5%, a Tier I risk based capital ratio of 5% and a total risk based capital ratio of 10% are defined as "well capitalized". All institutions, regardless of their capital levels, are restricted from making any capital distribution or paying any management fees that would cause the institution to fail to satisfy the minimum levels for any of its capital requirements for "adequately capitalized" status. All of the subsidiary banks currently meet the requirements for "well capitalized" status.

An institution that fails to meet the minimum level for any relevant capital measure (an "undercapitalized institution") may be: (i) subject to increased monitoring by the appropriate federal banking regulator; (ii) required to submit an acceptable capital restoration plan within 45 days (which must be guaranteed by the institution's holding company); (iii) subject to asset growth limits; and (iv) required to obtain prior regulatory approval for acquisitions, branching and new lines of businesses. The bank regulatory agencies have discretionary authority to reclassify a "well capitalized" institution as "adequately capitalized" or to impose on an "adequately capitalized" institution requirements or actions specified for undercapitalized institutions if the agency determines that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice.

A "significantly undercapitalized" institution may be subject to a number of additional requirements and restrictions, including (1) orders to sell sufficient voting stock to become "adequately capitalized," (2) requirements to reduce total assets and (3) cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator.

Under FDICIA, bank regulatory agencies have prescribed safety and soundness guidelines for all insured depository institutions relating to internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation.

The subsidiary banks are assessed quarterly at the rate of .00385% of insured deposits for deposit insurance.

Management is not aware of any current recommendations by the regulatory authorities which, if implemented, would have a material effect on the Company's liquidity, capital resources or operations.

Monetary Policy. The subsidiary banks are affected by commercial bank credit policies of regulatory authorities, including the Board. An important function of the Board is to regulate the national supply of bank credit in order to attempt to combat recessionary and curb inflationary pressures. Among the instruments of monetary policy used by the Board to implement these objectives are: open market operations in U.S. Government securities, changes in discount rates on member borrowings, changes in reserve requirements against bank deposits and limitations on interest rates which member banks may pay on time and savings deposits. The monetary policies of the Board have had a significant effect on the operating results of commercial banks, including nonmembers (such as the Company's bank subsidiaries) as well as members, in the past and are expected to continue to do so in the future.

Impact of Inflation

Although interest rates are significantly affected by inflation, the inflation rate is believed to be material when reviewing the Company's results of operations.

WILSON BANK HOLDING COMPANY

Quarterly Financial Data

December 31, 2003 and 2002

(UNAUDITED)

	<u>Interest Income</u>	<u>Net Interest Income</u>	<u>Provision For Loan Losses</u>	<u>Net Earnings</u>	<u>Earnings Basic</u>	<u>Per Share Fully Diluted</u>
2003						
First Quarter	11,546	7,664	581	2,360	.56	.56
Second Quarter	11,308	7,488	471	2,400	.56	.56
Third Quarter	11,760	7,943	466	2,420	.57	.56
Fourth Quarter	9,501	5,803	386	2255	.51	.52
2002						
First Quarter	11,686	6,941	533	2,047	.50	.50
Second Quarter	11,848	7,291	512	2,129	.51	.51
Third Quarter	11,891	7,313	652	2,233	.53	.53
Fourth Quarter	9,665	5,330	647	2,120	.50	.50

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Wilson Bank Holding Company:

We have audited the accompanying consolidated balance sheets of Wilson Bank Holding Company and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, comprehensive earnings, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wilson Bank Holding Company and Subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
January 9, 2004

Maguire & Associates, P.C.

WILSON BANK HOLDING COMPANY

Consolidated Balance Sheets

December 31, 2003 and 2002

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Loans, net of allowance for possible loan losses of \$8,077,000 and \$6,943,000, respectively	\$ 584,714	543,658
Securities:		
Held-to-maturity, at amortized cost (market value \$17,326,000 and \$14,838,000, respectively)	16,643	14,213
Available-for-sale, at market (amortized cost \$135,676,000 and \$102,690,000, respectively)	<u>135,452</u>	<u>104,129</u>
Total securities	152,095	118,342
Loans held for sale	3,972	10,859
Federal funds sold	<u>53,909</u>	<u>27,366</u>
Total earning assets	<u>794,690</u>	<u>700,225</u>
Cash and due from banks	28,414	27,797
Premises and equipment, net	19,166	15,409
Accrued interest receivable	4,740	4,625
Deferred income taxes	2,483	1,582
Other real estate	417	818
Other assets	<u>2,709</u>	<u>2,330</u>
Total assets	<u>\$ 852,619</u>	<u>752,786</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Deposits	\$ 770,419	679,408
Securities sold under repurchase agreements	8,606	7,868
Advances from Federal Home Loan Bank	712	997
Accrued interest and other liabilities	<u>3,010</u>	<u>3,713</u>
Total liabilities	<u>782,747</u>	<u>691,986</u>
Minority interest	<u>6,549</u>	<u>5,769</u>
Stockholders' equity:		
Common stock, par value \$2.00 per share, authorized 5,000,000 shares, 4,320,606 and 2,108,019 shares issued and outstanding, respectively	8,642	4,216
Additional paid-in capital	11,928	13,931
Retained earnings	42,838	36,054
Net unrealized gains (losses) on available-for-sale securities, net of income taxes of \$53,000 and \$514,000, respectively	<u>(85)</u>	<u>830</u>
Total stockholders' equity	<u>63,323</u>	<u>55,031</u>
COMMITMENTS AND CONTINGENCIES		
Total liabilities and stockholders' equity	<u>\$ 852,619</u>	<u>752,786</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY

Consolidated Statements of Earnings

Three Years Ended December 31, 2003

	<i>In Thousands (except per share data)</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Interest income:			
Interest and fees on loans	\$ 38,687	39,120	40,262
Interest and dividends on securities:			
Taxable securities	3,755	4,390	5,136
Exempt from Federal income taxes	731	798	850
Interest on loans held for sale	358	197	182
Interest on Federal funds sold	<u>584</u>	<u>585</u>	<u>1,453</u>
Total interest income	<u>44,115</u>	<u>45,090</u>	<u>47,883</u>
Interest expense:			
Interest on negotiable order of withdrawal accounts	234	378	515
Interest on money market accounts and other savings accounts	2,920	3,879	4,610
Interest on certificates of deposit	11,799	13,621	20,000
Interest on securities sold under repurchase agreements	203	249	392
Interest on advances from Federal Home Loan Bank	59	82	112
Interest on Federal funds purchased	<u>2</u>	<u>6</u>	<u>4</u>
Total interest expense	<u>15,217</u>	<u>18,215</u>	<u>25,633</u>
Net interest income before provision for possible loan losses	28,898	26,875	22,250
Provision for possible loan losses	<u>(1,904)</u>	<u>(2,344)</u>	<u>(1,976)</u>
Net interest income after provision for possible loan losses	26,994	24,531	20,274
Non-interest income	9,060	8,076	7,732
Non-interest expense	<u>(20,377)</u>	<u>(18,685)</u>	<u>(17,314)</u>
Earnings before income taxes	15,677	13,922	10,692
Income taxes	<u>6,242</u>	<u>5,393</u>	<u>4,041</u>
Net earnings	<u>\$ 9,435</u>	<u>8,529</u>	<u>6,651</u>
Basic earnings per common share	<u>\$ 2.20</u>	<u>2.04</u>	<u>1.63</u>
Diluted earnings per common share	<u>\$ 2.20</u>	<u>2.04</u>	<u>1.63</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY

Consolidated Statements of Comprehensive Earnings

Three Years Ended December 31, 2003

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Net earnings	\$ <u>9,435</u>	<u>8,529</u>	<u>6,651</u>
Other comprehensive earnings (losses), net of tax:			
Net unrealized gains (losses) on available-for-sale securities arising during period, net of taxes of \$567,000 \$445,000 and \$442,000, respectively	(915)	717	724
Less: reclassification adjustment for net gains included in net earnings, net of taxes	<u>-</u>	<u>(1)</u>	<u>-</u>
Other comprehensive earnings (losses)	<u>(915)</u>	<u>716</u>	<u>724</u>
Comprehensive earnings	<u>\$ 8,520</u>	<u>\$ 9,245</u>	<u>7,375</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY

Consolidated Statements of Changes in Stockholders' Equity

Three Years Ended December 31, 2003

	<i>In Thousands</i>				
	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Gain (Loss) On Available-For- Sale Securities	Total
Balance December 31, 2000	\$ 4,012	10,162	25,172	(611)	38,735
Cash dividends declared, \$.48 per share	-	-	(1,920)	-	(1,920)
Issuance of 93,730 shares of stock pursuant to dividend reinvestment plan	94	1,649	-	-	1,743
Issuance of 2,532 shares of stock pursuant to exercise of stock options	2	36	-	-	38
Net change in unrealized gain (loss) on available-for-sale securities during the year, net of taxes of \$442,000	-	-	-	724	724
Net earnings for the year	-	-	6,651	-	6,651
Balance December 31, 2001	4,108	11,847	29,903	113	45,971
Cash dividends declared, \$.58 per share	-	-	(2,378)	-	(2,378)
Issuance of 105,194 shares of stock pursuant to dividend reinvestment plan	105	2,046	-	-	2,151
Issuance of 2,666 shares of stock pursuant to exercise of stock options	3	38	-	-	41
Net change in unrealized gain on available-for-sale securities during the year, net of taxes of \$445,000	-	-	-	717	717
Net earnings for the year	-	-	8,529	-	8,529
Balance December 31, 2002	4,216	13,931	36,054	830	55,031
Cash dividends declared, \$.63 per share	-	-	(2,651)	-	(2,651)
Issuance of 102,568 shares of stock pursuant to dividend reinvestment plan	103	2,289	-	-	2,392
Issuance of 2,000 shares of stock pursuant to exercise of stock options	3	28	-	-	31
Issuance of 2,160,028 shares of stock pursuant to a 2 for 1 stock split	4,320	(4,320)	-	-	-
Net change in unrealized gain (loss) on available-for-sale securities during the year, net of taxes of \$567,000	-	-	-	(915)	(915)
Net earnings for the year	-	-	9,435	-	9,435
Balance December 31, 2003	<u>\$ 8,642</u>	<u>11,928</u>	<u>42,838</u>	<u>(85)</u>	<u>63,323</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY

Consolidated Statements of Cash Flows

Three Years Ended December 31, 2003

Increase (Decrease) in Cash and Cash Equivalents

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:			
Interest received	\$ 43,901	45,010	48,046
Fees received	6,924	6,697	6,692
Proceeds from sales of loans	129,706	84,817	62,005
Origination of loans held for sale	(120,704)	(89,933)	(64,039)
Interest paid	(15,499)	(18,967)	(26,027)
Cash paid to suppliers and employees	(18,206)	(16,678)	(15,193)
Income taxes paid	<u>(7,108)</u>	<u>(5,815)</u>	<u>(4,422)</u>
Net cash provided by operating activities	<u>19,014</u>	<u>5,131</u>	<u>7,062</u>
Cash flows from investing activities:			
Purchase of available-for-sale securities	(166,265)	(100,513)	(96,899)
Proceeds from maturities of available-for-sale securities	133,378	79,668	89,893
Proceeds from sale of available-for-sale securities	-	501	-
Purchase of held-to-maturity securities	(5,211)	(1,076)	(1,475)
Proceeds from maturities of held-to-maturity securities	2,781	2,993	2,394
Loans made to customers, net of repayments	(43,980)	(58,135)	(64,379)
Purchase of bank premises and equipment	(5,160)	(1,504)	(870)
Proceeds from sales of fixed assets	137	3	-
Proceeds from sales of other assets	188	105	-
Proceeds from sales of other real estate	<u>1,067</u>	<u>761</u>	<u>875</u>
Net cash used in investing activities	<u>(83,065)</u>	<u>(77,197)</u>	<u>(70,461)</u>
Cash flows from financing activities:			
Net increase in non-interest bearing, savings, NOW and money market deposit accounts	77,416	48,349	44,361
Net increase in time deposits	13,595	28,483	14,632
Proceeds from (purchase of) sale of securities under agreements to repurchase	738	(683)	(1,159)
Repayments to Federal Home Loan Bank, net	(285)	(373)	(487)
Dividends paid	(2,651)	(2,378)	(1,920)
Dividends paid to minority shareholders	(249)	(207)	(120)
Proceeds from sale of stock to minority shareholders	224	186	105
Proceeds from sale of common stock dividend reinvestment	2,392	2,151	1,743
Proceeds from sale of common stock pursuant to exercise of stock options	<u>31</u>	<u>41</u>	<u>38</u>
Net cash provided by financing activities	<u>91,211</u>	<u>75,569</u>	<u>57,193</u>
Net increase (decrease) in cash and cash equivalents	27,160	3,503	(6,206)
Cash and cash equivalents at beginning of year	<u>55,163</u>	<u>51,660</u>	<u>57,866</u>
Cash and cash equivalents at end of year	<u>\$ 82,323</u>	<u>55,163</u>	<u>51,660</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY

Consolidated Statements of Cash Flows, Continued

Three Years Ended December 31, 2003

Increase (Decrease) in Cash and Cash Equivalents

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Reconciliation of net earnings to net cash provided by operating activities:			
Net earnings	\$ 9,435	8,529	6,651
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	1,287	1,234	1,230
Provision for possible loan losses	1,904	2,344	1,976
Provision for deferred taxes	(266)	(482)	(512)
Loss on sales of other real estate	112	68	27
Loss on sales of other assets	35	21	-
Security gains	-	(1)	-
Gain on sales of fixed assets	(21)	(3)	-
FHLB dividend reinvestment	(99)	(103)	(123)
Decrease (increase) in loans held for sale	6,887	(6,490)	(3,074)
Increase (decrease) in taxes payable	(602)	60	131
Decrease (increase) in accrued interest receivable	(115)	23	286
Decrease in interest payable	(282)	(752)	(394)
Increase in other assets	(358)	(122)	(342)
Increase (decrease) in accrued expenses	181	(61)	619
Net gains of minority interests of commercial bank subsidiaries	<u>916</u>	<u>866</u>	<u>587</u>
Total adjustments	<u>9,579</u>	<u>(3,398)</u>	<u>411</u>
Net cash provided by operating activities	<u>\$ 19,014</u>	<u>5,131</u>	<u>7,062</u>

Supplemental Schedule of Non-Cash Activities:

Unrealized gain (loss) in value of securities available-for-sale, net of taxes of \$567,000 in 2003, \$445,000 in 2002, and \$442,000 in 2001	<u>\$ (915)</u>	<u>717</u>	<u>724</u>
Non-cash transfers from loans to other real estate	<u>\$ 778</u>	<u>1,232</u>	<u>890</u>
Non-cash transfers from loans to other assets	<u>\$ 242</u>	<u>178</u>	<u>-</u>

See accompanying notes to consolidated financial statements.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements

December 31, 2003, 2002 and 2001

(1) **Summary of Significant Accounting Policies**

The accounting and reporting policies of Wilson Bank Holding Company and Subsidiaries ("the Company") are in accordance with accounting principles generally accepted in the United States of America 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 & Trust, DeKalb Community Bank, a 50% owned subsidiary, and Community Bank of Smith County, a 50% owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) **Nature of Operations**

Wilson Bank & Trust, DeKalb Community Bank and Community Bank of Smith County operate under state bank charters and provide full banking services. As state banks, the subsidiary banks are subject to regulations of the Tennessee Department of Financial Institutions and the Federal Deposit Insurance Corporation. The areas served by the banks include Wilson County, DeKalb County, Smith County and Trousdale County, Tennessee and surrounding counties in Middle Tennessee. Services are provided at the three main offices and eleven branch locations.

(c) **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the 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 determination of the allowance for possible loan losses and the valuation of debt and equity securities and the related deferred taxes.

(d) **Loans**

Loans are stated at the principal amount outstanding. Unearned discount, deferred loan fees net of loan acquisition costs, and the allowance for possible loan losses are shown as reductions of loans. Loan origination and commitment fees and certain loan-related costs are being deferred and the net amount amortized as an adjustment of the related loan's yield over the contractual life of the loan. Unearned discount represents the unamortized amount of finance charges, principally related to certain installment loans. Interest income on most loans is accrued based on the principal amount outstanding.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(1) Summary of Significant Accounting Policies, Continued

(d) Loans, Continued

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 114, "Accounting by Creditors for Impairment of a Loan" and SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." These pronouncements apply to impaired loans except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment including residential mortgage and installment loans.

A loan is impaired when 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. Impaired loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, the Company shall recognize an impairment by creating a valuation allowance with a corresponding charge to the provision for possible loan losses or by adjusting an existing valuation allowance for the impaired loan with a corresponding charge or credit to the provision for possible loan losses.

The Company's installment loans are divided into various groups of smaller-balance homogeneous loans that are collectively evaluated for impairment and, thus, are not subject to the provisions of SFAS Nos. 114 and 118. Substantially all other loans of the Company are evaluated for impairment under the provisions of SFAS Nos. 114 and 118.

The Company considers all loans on nonaccrual status that are subject to the provisions of SFAS Nos. 114 and 118 to be impaired. Loans are placed on nonaccrual status when doubt as to timely collection of principal or interest exists, or when principal or interest is past due 90 days or more unless such loans are well-secured and in the process of collection. Delays or shortfalls in loan payments are evaluated along with various other factors to determine if a loan is impaired. Generally, delinquencies under 90 days are considered insignificant unless certain other factors are present which indicate impairment is probable. The decision to place a loan on nonaccrual status is also based on an evaluation of the borrower's financial condition, collateral, liquidation value, and other factors that affect the borrower's ability to pay.

Generally, at the time a loan is placed on nonaccrual status, all interest accrued and uncollected on the loan in the current fiscal year is reversed from income, and all interest accrued and uncollected from the prior year is charged off against the allowance for possible loan losses. Thereafter, interest on nonaccrual loans is recognized as interest income only to the extent that cash is received and future collection of principal is not in

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(1) Summary of Significant Accounting Policies, Continued

(d) Loans, Continued

doubt. If the collectibility of outstanding principal is doubtful, such cash received is applied as a reduction of principal. A nonaccrual loan may be restored to an accruing status when principal and interest are no longer past due and unpaid and future collection of principal and interest on a timely basis is not in doubt.

Loans not on nonaccrual status are classified as impaired in certain cases when there is inadequate protection by the current net worth and financial capacity of the borrower or of the collateral pledged, if any. In those cases, such loans 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.

Generally, the Company also classifies as impaired any loans the terms of which have been modified in a troubled debt restructuring. Interest is generally accrued on such loans that continue to meet the modified terms of their loan agreements.

The Company's charge-off policy for impaired loans is similar to its charge-off policy for all loans in that loans are charged off in the month when they are considered uncollectible.

(e) Allowance for Possible Loan Losses

The provision for possible loan losses represents a charge to earnings necessary, after loan charge-offs and recoveries, to maintain the allowance for possible loan losses at an appropriate level which is adequate to absorb estimated losses inherent in the loan portfolio. Such estimated losses arise primarily from the loan portfolio but may also be derived from other sources, including commitments to extend credit and standby letters of credit. The level of the allowance is determined on a quarterly basis using procedures which include: (1) categorizing commercial and commercial real estate loans into risk categories to estimate loss probabilities based primarily on the historical loss experience of those risk categories and current economic conditions; (2) analyzing significant commercial and commercial real estate credits and calculating specific reserves as necessary; (3) assessing various homogeneous consumer loan categories to estimate loss probabilities based primarily on historical loss experience; (4) reviewing unfunded commitments; and (5) considering various other factors, such as changes in credit concentrations, loan mix, and economic conditions which may not be specifically quantified in the loan analysis process.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(1) Summary of Significant Accounting Policies, Continued

(e) Allowance for Possible Loan Losses, Continued

The allowance for possible loan losses consists of an allocated portion and an unallocated, or general portion. The allocated portion is maintained to cover estimated losses applicable to specific segments of the loan portfolio. The unallocated portion is maintained to absorb losses which probably exist as of the evaluation date but are not identified by the more objective processes used for the allocated portion of the allowance due to risk of errors or imprecision. While the total allowance consists of an allocated portion and an unallocated portion, these terms are primarily used to describe a process. Both portions of the allowance are available to provide for inherent loss in the entire portfolio.

The allowance for possible loan losses is increased by provisions for possible loan losses charged to expense and is reduced by loans charged off net of recoveries on loans previously charged off. The provision is based on management's determination of the amount of the allowance necessary to provide for estimated loan losses based on its evaluation of the loan portfolio. Determining the appropriate level of the allowance and the amount of the provision involves uncertainties and matters of judgment and therefore cannot be determined with precision.

(f) Debt and Equity Securities

The Company applies the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities". Under the provisions of the Statement, securities are classified in three categories and accounted for as follows:

- Securities Held-to-Maturity

Debt securities that the enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Amortization of premiums and accretion of discounts are recognized by the interest method.

- Trading Securities

Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in earnings.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(1) Summary of Significant Accounting Policies, Continued

(f) Debt and Equity Securities, Continued

• Securities Available-for-Sale

Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at estimated fair value, with unrealized gains and losses excluded from earnings and reported in a separate component of stockholders' equity. Premiums and discounts are recognized by the interest method.

No securities have been classified as trading securities.

Realized gains or losses from the sale of debt and equity securities are recognized based upon the specific identification method.

(g) Loans Held for Sale

Mortgage loans held for sale are reported at the lower of cost or market value determined by outstanding commitments from investors at the balance sheet date. These loans are valued on an aggregate basis.

(h) 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. Gain or loss on items retired and otherwise disposed of is credited or charged to operations and cost and related accumulated depreciation are removed from the asset and accumulated depreciation accounts.

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

(i) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, 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 considers to be financially sound.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(1) Summary of Significant Accounting Policies, Continued

(j) Securities Sold Under Agreements to Repurchase

Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

(k) 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.

(l) Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) and deferred taxes on temporary differences between the amount of taxable and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax asset and liabilities are expected to be realized or settled as prescribed in Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company and its wholly-owned subsidiaries file a consolidated Federal income tax return. The 50% owned subsidiaries file a separate Federal income tax return but are included in the Company's consolidated state income tax return. Each subsidiary provides for income taxes on a separate-return basis.

(m) Stock Options

The Company uses the fair value method to calculate the compensation reported in the proforma earnings in note 17 to the consolidated financial statements.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(1) Summary of Significant Accounting Policies, Continued

(n) Advertising Costs

Advertising costs are expensed when incurred by the Company.

(o) Stock Split

The Company's Board of Directors voted a 2 for 1 stock split for stockholders of record as of October 1, 2003 payable October 31, 2003. Each stockholder received one (1) additional share for each one (1) share owned with no allowance for fractional shares. Per share data included in these consolidated financial statements has been restated to give effect to the stock split.

(p) Other Real Estate

Real estate acquired in settlement of loans is initially recorded at the lower of cost (loan value of real estate acquired in settlement of loans plus incidental expense) or estimated fair value, less estimated cost to sell. Based on periodic evaluations by management, the carrying values are reduced by a direct charge to earnings when they exceed net realizable value. Costs relating to the development and improvement of the property are capitalized, while holding costs of the property are charged to expense in the period incurred.

(q) Reclassifications

Certain reclassifications have been made to the 2002 and 2001 figures to conform to the presentation for 2003.

(r) Off-Balance-Sheet Financial Instruments

In the ordinary course of business the subsidiary banks have 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.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(2) Loans and Allowance for Possible Loan Losses

The classification of loans at December 31, 2003 and 2002 is as follows:

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
Commercial, financial and agricultural	\$ 174,235	192,945
Installment	64,880	59,721
Real estate – construction	39,508	30,794
Real estate – mortgage	<u>314,168</u>	<u>267,145</u>
	592,791	550,605
Unearned interest	-	(4)
Allowance for possible loan losses	<u>(8,077)</u>	<u>(6,943)</u>
	<u>\$ 584,714</u>	<u>543,658</u>

The principal maturities on loans at December 31, 2003 are as follows:

	<i>In Thousands</i>				
	Commercial, Financial and <u>Agricultural</u>	<u>Installment</u>	Real Estate - <u>Construction</u>	Real Estate- <u>Mortgage</u>	<u>Total</u>
3 months or less	\$ 30,162	4,662	18,885	3,337	57,046
3 to 12 months	67,983	4,481	19,262	3,559	95,285
1 to 5 years	53,249	51,468	1,361	51,205	157,283
Over 5 Years	<u>22,841</u>	<u>4,269</u>	<u>-</u>	<u>256,067</u>	<u>283,177</u>
	<u>\$ 174,235</u>	<u>64,880</u>	<u>39,508</u>	<u>314,168</u>	<u>592,791</u>

At December 31, 2003, variable rate loans were \$297,608,000 and fixed rate loans totaled \$295,183,000. At December 31, 2002, variable rate and fixed rate loans total \$255,229,000 and \$295,376,000, respectively.

In the normal course of business, the Company's subsidiaries have 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 \$14,092,000 and \$11,589,000 at December 31, 2003 and 2002, respectively. As of December 31, 2003 none of these loans were restructured, nor were any related party loans charged-off during the past three years.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(2) Loans and Allowance for Possible Loan Losses, Continued

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

	<u><i>In Thousands</i></u>	
	<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>
Balance, January 1	\$ 11,589	12,471
New loans during the year	19,112	13,756
Repayments during the year	<u>(16,609)</u>	<u>(14,638)</u>
Balance, December 31	<u>\$ 14,092</u>	<u>11,589</u>

A director of the Company performs appraisals related to certain loan customers. Fees paid to the director for these services were \$493,000 in 2003, \$314,000 in 2002 and \$208,000 in 2001.

Loans which had been placed on non-accrual status totaled \$462,000 and \$483,000 at December 31, 2003 and 2002, respectively. Had interest on these loans been accrued, interest income would have been increased by approximately \$8,000 in 2003 and \$12,000 in 2002. In 2001, interest income that would have been earned had there been no non-accrual loans totaled approximately \$12,000.

Transactions in the allowance for possible loan losses for the years ended December 31, 2003, 2002 and 2001 are summarized as follows:

	<u><i>In Thousands</i></u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Balance, beginning of year	\$ 6,943	5,489	4,525
Provision charged to operating expense	1,904	2,344	1,976
Loans charged off	(966)	(1,099)	(1,251)
Recoveries on losses	<u>196</u>	<u>209</u>	<u>239</u>
Balance, end of year	<u>\$ 8,077</u>	<u>6,943</u>	<u>5,489</u>

The Company's principal customers are basically in the Middle Tennessee area with a concentration in Wilson County, Tennessee. Credit is extended to businesses and individuals and is evidenced by promissory notes. The terms and conditions of the loans including collateral varies depending upon the purpose of the credit and the borrower's financial condition.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(2) Loans and Allowance for Possible Loan Losses, Continued

Impaired loans and related loan loss reserve amounts at December 31, 2003 and 2002 were as follows:

	<u>In Thousands</u>	
	<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>
Recorded investment	\$ 3,364	483
Loan loss reserve	\$ 121	108

The average recorded investment in impaired loans for the years ended December 31, 2003, 2002 and 2001 was \$1,006,000, \$133,000 and \$111,000, respectively. The related total amount of interest income recognized on the accrual basis for the period that such loans were impaired was \$69,000 during 2003. There was no interest income recognized on these loans during 2002 or 2001.

In 2003, 2002 and 2001, the Company originated and sold loans in the secondary market of \$120,704,000, \$89,933,000 and \$64,039,000, respectively. At December 31, 2003, the wholly-owned subsidiary Bank had not been required to repurchase any of the loans originated by the Bank and sold in the secondary market. The gain on sale of these loans totaled \$2,115,000, \$1,374,000 and \$1,040,000 in 2003, 2002 and 2001, respectively.

Of the loans sold in the secondary market, the recourse to the wholly-owned subsidiary Bank is limited. On loans sold to the Federal Home Loan Mortgage Corporation, the Bank has a recourse obligation for one year from the purchase date. At December 31, 2003, loans sold to the Federal Home Loan Mortgage Corporation with existing recourse totaled \$246,000. All other loans sold in the secondary market provide the purchase recourse to the Bank for a period of 90 days from the date of purchase and only in the event of a default by the borrower pursuant to the terms of the individual loan agreement. At December 31, 2003, total loans sold with recourse to the Bank, including those sold to the Federal Home Loan Mortgage Corporation, aggregated \$47,522,000. Management expects no loss to result from these recourse provisions.

(3) Debt and Equity Securities

Debt and equity securities have been classified in the consolidated balance sheet according to management's intent. Debt and equity securities at December 31, 2003 consist of the following:

	<u>Securities Held-To-Maturity</u>			
	<u>In Thousands</u>			
	<u>Amortized</u>	<u>Gross</u>	<u>Gross</u>	<u>Estimated</u>
	<u>Cost</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Market</u>
		<u>Gains</u>	<u>Losses</u>	<u>Value</u>
Obligations of states and political subdivisions	\$ 15,851	709	26	16,534
Mortgage-backed securities	792	1	1	792
	<u>\$ 16,643</u>	<u>710</u>	<u>27</u>	<u>17,326</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(3) Debt and Equity Securities, Continued

	Securities Available-For-Sale			
	<i>In Thousands</i>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
U.S. Treasury and other U.S. Government agencies and corporations	\$ 124,605	621	886	124,340
Obligations of states and political subdivisions	1,380	81	-	1,461
Corporate bonds	500	-	1	499
Mortgage-backed securities	<u>9,191</u>	<u>6</u>	<u>45</u>	<u>9,152</u>
	<u>\$ 135,676</u>	<u>708</u>	<u>932</u>	<u>135,452</u>

The Company's classification of securities at December 31, 2002 is as follows:

	Securities Held-To-Maturity			
	<i>In Thousands</i>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
Obligations of states and political subdivisions	\$ 12,877	626	-	13,503
Mortgage-backed securities	<u>1,336</u>	<u>3</u>	<u>4</u>	<u>1,335</u>
	<u>\$ 14,213</u>	<u>629</u>	<u>4</u>	<u>14,838</u>

	Securities Available-For-Sale			
	<i>In Thousands</i>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
U.S. Treasury and other U.S. Government agencies and corporations	\$ 98,835	1,359	26	100,168
Obligations of states and political subdivisions	1,804	80	-	1,884
Corporate bonds	1,705	16	-	1,721
Mortgage-backed securities	<u>346</u>	<u>10</u>	<u>-</u>	<u>356</u>
	<u>\$ 102,690</u>	<u>1,465</u>	<u>26</u>	<u>104,129</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(3) Debt and Equity Securities, Continued

The amortized cost and estimated market value of debt securities at December 31, 2003, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<u>Securities Held-To-Maturity</u>	<i>In Thousands</i>	
	Amortized Cost	Estimated Market Value
Due in one year or less	\$ 1,114	1,134
Due after one year through five years	3,241	3,420
Due after five years through ten years	7,644	7,921
Due after ten years	<u>3,852</u>	<u>4,059</u>
	15,851	16,534
Mortgage-backed securities	<u>792</u>	<u>792</u>
	<u>\$ 16,643</u>	<u>17,326</u>

<u>Securities Available-For-Sale</u>	<i>In Thousands</i>	
	Amortized Cost	Estimated Market Value
Due in one year or less	\$ 3,201	3,231
Due after one year through five years	101,031	101,201
Due after five years through ten years	19,196	18,798
Due after ten years	<u>498</u>	<u>511</u>
	123,926	123,741
Mortgage-backed securities	9,191	9,152
Federal Home Loan Bank stock	2,471	2,471
Bankers Bank stock	<u>88</u>	<u>88</u>
	<u>\$ 135,676</u>	<u>135,452</u>

The Company periodically applies the stress test to its securities portfolio. To satisfy the stress test a security's estimated market value should not decline more than certain percentages given certain assumed interest rate increases. The Company had no securities that failed to meet the stress test.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(3) Debt and Equity Securities, Continued

Results from sales of debt and equity securities are as follows:

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Gross proceeds	\$ -	501	-
Gross realized gains	\$ -	1	-
Gross realized losses	-	-	-
Net realized gains	<u>\$ -</u>	<u>1</u>	<u>-</u>

Securities carried in the balance sheet of approximately \$98,302,000 (approximate market value of \$98,802,000) and \$90,834,000 (approximate market value of \$92,681,000), were pledged to secure public deposits and for other purposes as required or permitted by law at December 31, 2003 and 2002, respectively.

Included in the securities above are \$16,695,000 (approximate market value of \$17,427,000) and \$13,724,000 (approximate market value of \$14,378,000) at December 31, 2003 and 2002, respectively, in obligations of political subdivisions located within the State of Tennessee. Management purchases only obligations of such political subdivisions it considers to be financially sound.

Securities that have rates that adjust prior to maturity totaled \$912,000 (approximate market value of \$912,000) and \$1,521,000 (approximate market value of \$1,525,000) at December 31, 2003 and 2002, respectively.

Included in the securities portfolio is stock of the Federal Home Loan Bank and Bankers Bank amounting to \$2,471,000 and \$88,000, respectively, at December 31, 2003. Included in the securities portfolio is stock of the Federal Home Loan Bank and Bankers Bank amounting to \$2,372,000 and \$88,000, respectively, at December 31, 2002. The stock can be sold back at par and only to the Federal Home Loan Bank or to another member institution or to Bankers Bank, respectively.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(4) Premises and Equipment

The detail of premises and equipment at December 31, 2003 and 2002 is as follows:

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
Land	\$ 4,522	3,413
Buildings	13,699	11,918
Construction in progress	993	4
Leasehold improvements	140	137
Furniture and equipment	6,179	9,300
Automobiles	<u>134</u>	<u>153</u>
	25,667	24,925
Less accumulated depreciation	<u>(6,501)</u>	<u>(9,516)</u>
	<u>\$ 19,166</u>	<u>15,409</u>

Building additions during 2003 and 2002 include payments of \$1,844,000 and \$171,000, respectively, to a construction company owned by a director of the Company.

(5) Deposits

Deposits at December 31, 2003 and 2002 are summarized as follows:

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 86,730	65,598
Savings accounts	44,000	39,110
Negotiable order of withdrawal accounts	66,196	55,310
Money market demand accounts	198,553	158,044
Certificates of deposit \$100,000 or greater	127,083	136,220
Other certificates of deposit	208,846	193,377
Individual retirement accounts \$100,000 or greater	12,006	9,331
Other individual retirement accounts	<u>27,005</u>	<u>22,418</u>
	<u>\$ 770,419</u>	<u>679,408</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(5) Deposits, Continued

Principal maturities of certificates of deposit and individual retirement accounts at December 31, 2003 are as follows:

<u>Maturity</u>	<u>In Thousands</u>
2004	\$ 206,191
2005	74,947
2006	64,309
2007	18,995
2008	10,263
Thereafter	<u>235</u>
Total	<u>\$ 374,940</u>

The subsidiary banks are required to maintain cash balances or balances with the Federal Reserve Bank or other correspondent banks based on certain percentages of deposit types. The average required amounts for the years ended December 31, 2003 and 2002 were approximately \$10,900,000 and \$8,458,000, respectively.

(6) Securities Sold Under Repurchase Agreements

The maximum amounts of outstanding repurchase agreements at any month end during 2003 and 2002 was \$14,691,000 and \$15,804,000, respectively. The average daily balance outstanding during 2003, 2002 and 2001 was \$14,460,000, \$13,700,000 and \$11,540,000, respectively. The underlying securities are typically held by other financial institutions and are designated as pledged.

(7) Advances from Federal Home Loan Bank

The advances from the Federal Home Loan Bank at December 31, 2003 and 2002 consist of the following:

<u>Interest Rate</u>	<u>In Thousands</u>	
	<u>December 31,</u>	
	<u>2003</u>	<u>2002</u>
6.90%	\$ 170	236
7.25%	<u>542</u>	<u>761</u>
	<u>\$ 712</u>	<u>997</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(7) Advances from Federal Home Loan Bank, Continued

Advances from the Federal Home Loan Bank are to mature as follows at December 31, 2003:

<u>Year Ending</u> <u>December 31,</u>	<u>In Thousands</u> <u>Amount</u>
2010	\$ <u>712</u>

These advances are collateralized by approximately \$971,000 of the Company's mortgage loan portfolio.

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

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

	<u>In Thousands</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Non-interest income:			
Service charges on deposits	\$ 4,433	4,234	3,863
Other fees	2,491	2,463	2,820
Gains on sales of loans	2,115	1,374	1,040
Security gains	-	1	-
Gains on sales of fixed assets	21	3	-
Other income	-	1	9
	<u>\$ 9,060</u>	<u>8,076</u>	<u>7,732</u>
Non-interest expense:			
Employee salaries and benefits	\$ 10,468	9,308	8,553
Employee benefit plan	614	529	508
Occupancy expenses	1,152	1,162	991
Furniture and equipment expenses	1,421	1,106	1,154
Loss on sales of other assets	35	21	-
Loss on sales of other real estate	112	68	27
FDIC insurance	108	106	103
Directors' fees	683	665	601
Other operating expenses	4,868	4,854	4,790
Minority interest in net earnings of subsidiaries	916	866	587
	<u>\$ 20,377</u>	<u>18,685</u>	<u>17,314</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(9) Income Taxes

The components of the net deferred tax asset are as follows:

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
Deferred tax asset:		
Federal	\$ 2,641	2,194
State	<u>540</u>	<u>448</u>
	<u>3,181</u>	<u>2,642</u>
Deferred tax liability:		
Federal	(580)	(880)
State	<u>(118)</u>	<u>(180)</u>
	<u>(698)</u>	<u>(1,060)</u>
	<u>\$ 2,483</u>	<u>1,582</u>

The tax effects of each type of significant item that gave rise to deferred taxes are:

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
Financial statement allowance for loan losses in excess of tax allowance	\$ 2,857	2,427
Excess of depreciation deducted for tax purposes over the amounts deducted in the financial statements	(406)	(255)
Financial statement deduction for deferred compensation in excess of deduction for tax purposes	238	215
Financial statement income on FHLB stock dividends not recognized for tax purposes	(292)	(254)
Unrealized (gain) loss on securities available-for-sale	<u>86</u>	<u>(551)</u>
	<u>\$ 2,483</u>	<u>1,582</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(9) Income Taxes, Continued

The components of income tax expense (benefit) are summarized as follows:

	<i>In Thousands</i>		
	<u>Federal</u>	<u>State</u>	<u>Total</u>
<u>2003</u>			
Current	\$ 5,369	1,139	6,508
Deferred	(221)	(45)	(266)
Total	<u>\$ 5,148</u>	<u>1,094</u>	<u>6,242</u>
 <u>2002</u>			
Current	\$ 4,850	1,025	5,875
Deferred	(389)	(93)	(482)
Total	<u>\$ 4,461</u>	<u>932</u>	<u>5,393</u>
 <u>2001</u>			
Current	\$ 3,808	745	4,553
Deferred	(431)	(81)	(512)
Total	<u>\$ 3,377</u>	<u>664</u>	<u>4,041</u>

A reconciliation of actual income tax expense of \$6,242,000, \$5,393,000 and \$4,041,000 for the years ended December 31, 2003, 2002 and 2001, respectively, to the "expected" tax expense (computed by applying the statutory rate of 34% to earnings before income taxes) is as follows:

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Computed "expected" tax expense	\$ 5,330	4,733	3,635
State income taxes, net of Federal income tax benefit	722	624	439
State deferred income taxes related to state income tax rate increase	-	(14)	-
Tax exempt interest, net of interest expense exclusion	(213)	(237)	(225)
Tax expense related to minority interest income in subsidiaries	311	294	200
Federal income tax expense above statutory rate related to taxable income over \$10 million	32	-	-
Other	60	(7)	(8)
	<u>\$ 6,242</u>	<u>5,393</u>	<u>4,041</u>

Total income tax expense for 2002 includes tax expense of less than \$1,000 related to the gain on sale of securities. There were no sales of securities in 2003 and 2001.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(10) 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 consolidated financial position.

The subsidiary banks lease land for certain branch facilities and automatic teller machine locations. Future minimum rental payments required under the terms of the noncancellable leases are as follows:

<u>Years Ending December 31,</u>	<u>In Thousands</u>
2004	\$ 51
2005	<u>10</u>
	<u>\$ 61</u>

Total rent expense amounted to \$52,000, \$52,000 and \$58,000, respectively, during the years ended December 31, 2003, 2002 and 2001.

(11) 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.

	<u>In Thousands</u>	
	<u>Contract or</u>	
	<u>Notional Amount</u>	
	<u>2003</u>	<u>2002</u>
Financial instruments whose contract amounts represent credit risk:		
Commercial loan commitments	\$ 74,760	68,267
Unfunded lines-of-credit	23,896	22,840
Letters of credit	<u>4,772</u>	<u>5,016</u>
Total	<u>\$ 103,428</u>	<u>96,123</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(11) *Financial Instruments with Off-Balance-Sheet Risk, Continued*

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.

(12) *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 the subsidiary banks. Investment in state and municipal securities also include governmental entities within the Company's market area. The concentrations of credit by type of loan are set forth in note 2 to the consolidated financial statements.

Federal funds sold were deposited with six banks.

(13) *Employee Benefit Plan*

The Company has in effect a 401(k) plan which covers eligible employees. To be eligible an employee must have obtained the age of 20 1/2. The provisions of the plan provide for both employee and employer contributions. For the years ended December 31, 2003, 2002 and 2001, the subsidiary banks contributed \$614,000, \$529,000 and \$508,000, respectively, to this plan.

(14) *Dividend Reinvestment Plan*

Under the terms of the Company's dividend reinvestment plan 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. Original issue shares of 102,568 in 2003, 105,194 in 2002 and 93,730 in 2001 were sold to participants under the terms of the plan after giving effect to the 2 for 1 stock split.

(15) *Regulatory Matters and Restrictions on Dividends*

The Company and its bank subsidiaries are subject to regulatory capital requirements administered by the Federal Deposit Insurance Corporation, the Federal Reserve and the Tennessee Department of Financial Institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Company's capital classification is also subject to qualitative judgments about components, risk weightings and other factors. Those qualitative judgments could also affect the subsidiary banks' capital statuses and the amount of dividends the subsidiaries may distribute.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(15) Regulatory Matters and Restrictions on Dividends, Continued

The Company and its subsidiary banks are required to maintain minimum amounts of capital to total "risk weighted" assets, as defined by the banking regulators. At December 31, 2003, the Company and its bank subsidiaries are required to have minimum Tier I and total risk-based capital ratios of 4% and 8%, respectively and a leverage ratio of 4%. The actual ratios of the Company and each of its bank subsidiaries were as follows:

	Wilson Bank Holding Company		Wilson Bank & Trust		DeKalb Community Bank		Community Bank of Smith County	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Tier I ratio	12.36%	11.65%	12.48%	11.55%	11.74%	11.85%	11.77%	11.88%
Total risk-based ratio	12.61%	12.90%	13.73%	12.80%	12.99%	13.11%	13.02%	13.13%
Leverage ratio	8.83%	7.57%	8.89%	7.47%	7.89%	7.24%	9.38%	8.74%

As of December 31, 2003, the most recent notification from the banking regulators categorized the Company and its subsidiaries as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the notification that management believes have changed the Company's category.

(16) Deferred Compensation Plan

The Company's wholly-owned subsidiary bank provides its executive officers a deferred compensation plan, which also provides for death and disability benefits. The plan was 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. There were six employees participating in the plan at December 31, 2003.

The plan provides retirement benefits for a period of 180 months after the employee reaches the age of 65. This benefit can be reduced if the wholly-owned subsidiary bank's average return on assets falls below 1%. The plan also provides benefits in the event the executive should die or become disabled prior to reaching retirement. The wholly-owned subsidiary bank has purchased insurance policies or other assets to provide the benefits listed above. The insurance policies remain the sole property of the wholly-owned subsidiary bank and are payable to the Bank. At December 31, 2003 and 2002, the deferred compensation liability totaled \$622,000 and \$561,000, respectively, the cash surrender value of life insurance was \$802,000 and \$710,000, respectively, and the face amount of the insurance policies in force approximated \$3,892,000 in 2003 and 2002, respectively. The deferred compensation plan is not qualified under Section 401 of the Internal Revenue Code.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(17) Stock Option Plan

In April, 1999, the stockholders of the Company approved the Wilson Bank Holding Company 1999 Stock Option Plan (the "Stock Option Plan"). The Stock Option Plan provides for the granting of stock options, and authorizes the issuance of common stock upon the exercise of such options, for up to 200,000 shares of common stock, to officers and other key employees of the Company and its subsidiaries. Furthermore, the Company may issue additional shares under the Stock Option Plan as needed in order that the aggregate number of shares that may be issued during the term of the Plan is equal to five percent (5%) of the shares of common stock then issued and outstanding.

Under the Stock Option Plan, stock option awards may be granted in the form of incentive stock options or nonstatutory stock options, and are generally exercisable for up to ten years following the date such option awards are granted. Exercise prices of incentive stock options must be equal to or greater than 100% of the fair market value of the common stock on the grant date.

Statement of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock Based Compensation", as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure", sets forth the method for recognition of cost of plans similar to those of the Company. As is permitted, management has elected to continue accounting for the plan under APB Opinion 25 and related Interpretations. However, under SFAS No. 123, the Company is required to make proforma disclosures as if cost had been recognized in accordance with the pronouncement. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant dates for awards under the plan consistent with the method of SFAS No. 123, the Company's net earnings, basic earnings per common share and diluted earnings per common share would have been reduced to the proforma amounts indicated below:

		<i>In Thousands</i>		
		<i>Except Per Share Amounts</i>		
		<u>2003</u>	<u>2002</u>	<u>2001</u>
Net earnings	As Reported	\$ 9,435	8,529	6,651
	Proforma	\$ 9,375	8,465	6,573
Basic earnings per common share	As Reported	\$ 2.20	2.04	1.63
	Proforma	\$ 2.19	2.03	1.61
Diluted earnings per common share	As Reported	\$ 2.20	2.04	1.63
	Proforma	\$ 2.18	2.02	1.61

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(17) Stock Option Plan, Continued

A summary of the stock option activity for 2003, 2002 and 2001 is as follows:

	<u>2003</u>		<u>2002</u>		<u>2001</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of year	93,634	\$ 15.80	94,298	\$ 15.45	94,962	\$ 15.32
Granted	10,500	22.50	8,000	19.75	4,500	18.13
Exercised	(2,000)	(15.32)	(2,666)	(15.28)	(2,532)	(15.28)
Forfeited	<u>(1,400)</u>	<u>(15.28)</u>	<u>(5,998)</u>	<u>(15.88)</u>	<u>(2,632)</u>	<u>(15.28)</u>
Outstanding at end of year	<u>100,734</u>	<u>\$ 16.50</u>	<u>93,634</u>	<u>\$ 15.80</u>	<u>94,298</u>	<u>\$ 15.45</u>
Options exercisable at year end	<u>31,852</u>		<u>24,642</u>		<u>17,510</u>	

The following table summarizes information about fixed stock options outstanding at December 31, 2003:

	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
<u>Range of Exercise Prices</u>	<u>Number Outstanding at 12/31/03</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Number Exercisable at 12/31/03</u>	<u>Weighted Average Exercise Price</u>
\$ 15.28 -					
\$ 19.75	90,734	\$ 15.84	6.4 years	31,852	\$ 15.49
\$ 22.50	10,000	\$ 22.50	10.0 years	-	\$ -

Share and per share data above for 2002 and 2001 have been restated to reflect a 2 for 1 stock split effective October 31, 2003.

The fair value of options granted in 2003, 2002 and 2001 was \$2.69, \$.93 and \$3.59, respectively, for each option. The fair value was estimated using the Black-Scholes option-pricing model. The weighted average assumptions used to calculate the minimum value were as follows for 2003, 2002 and 2001, respectively: risk free interest rate of 3.97%, 3.43% and 5.11%, expected life of ten years; and dividend yield of 2.56%, 2.91% and 2.62%. The dividend yield was computed assuming a dividend payout of \$.58, \$.58 and \$.48 per share, respectively.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(18) Earnings Per Share

Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings Per Share" establishes uniform standards for computing and presenting earnings per share. The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. For the Company the computation of diluted earnings per share begins with the basic earnings per share plus the effect of common shares contingently issuable from stock options. Share and per share data for 2002 and 2001 have been restated to reflect a 2 for 1 stock split effective October 31, 2003.

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

	<i>In Thousands (except share data)</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Basic EPS Computation:			
Numerator - Earnings available to common stockholders	\$ <u>9,435</u>	<u>8,529</u>	<u>6,651</u>
Denominator - Weighted average number of common shares outstanding	<u>4,285,000</u>	<u>4,178,976</u>	<u>4,075,792</u>
Basic earnings per common share	\$ <u><u>2.20</u></u>	<u><u>2.04</u></u>	<u><u>1.63</u></u>
Diluted EPS Computation:			
Numerator - Earnings available to common stockholders	\$ <u>9,435</u>	<u>8,529</u>	<u>6,651</u>
Denominator:			
Weighted average number of common shares outstanding	4,285,000	4,178,976	4,075,792
Dilutive effect of stock options	<u>9,844</u>	<u>6,146</u>	<u>3,078</u>
	<u>4,294,844</u>	<u>4,185,122</u>	<u>4,078,870</u>
Diluted earnings per common share	\$ <u><u>2.20</u></u>	<u><u>2.04</u></u>	<u><u>1.63</u></u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

**WILSON BANK HOLDING COMPANY
(Parent Company Only)**

Balance Sheets

December 31, 2003 and 2002

	<i>In Thousands</i>	
	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Cash	\$ 61*	54*
Investment in wholly-owned commercial bank subsidiary	56,598*	49,085*
Investment in 50% owned commercial bank subsidiaries	6,549*	5,769*
Refundable income taxes	<u>115</u>	<u>123</u>
 Total assets	 <u>\$ 63,323</u>	 <u>55,031</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Stockholders' equity:		
Common stock, par value \$2.00 per share, authorized 5,000,000 shares, 4,320,606 and 2,108,019 shares issued and outstanding, respectively	\$ 8,642	4,216
Additional paid-in capital	11,928	13,931
Retained earnings	42,838	36,054
Unrealized gains (losses) on available-for-sale securities, net of income taxes of \$53,000 and \$514,000, respectively	<u>(85)</u>	<u>830</u>
Total stockholders' equity	<u>63,323</u>	<u>55,031</u>
 Total liabilities and stockholders' equity	 <u>\$ 63,323</u>	 <u>55,031</u>

*Eliminated in consolidation.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

**WILSON BANK HOLDING COMPANY
(Parent Company Only)**

Statements of Earnings and Comprehensive Earnings

Three Years Ended December 31, 2003

	<i>In Thousands</i>		
	2003	2002	2001
Expenses:			
Directors' fees	\$ 301	299	272
Other	<u> -</u>	<u> 21</u>	<u> 1</u>
Loss before Federal income tax benefits and equity in undistributed earnings of commercial bank subsidiaries	(301)	(320)	(273)
Federal income tax benefits	<u> 115</u>	<u> 123</u>	<u> 104</u>
	(186)	(197)	(169)
Equity in undistributed earnings of commercial bank subsidiaries	<u> 9,621*</u>	<u> 8,726*</u>	<u> 6,820*</u>
Net earnings	<u> 9,435</u>	<u> 8,529</u>	<u> 6,651</u>
Other comprehensive earnings (losses), net of tax:			
Unrealized gains (losses) on available-for-sale- securities arising during period, net of taxes of \$567,000, \$445,000 and \$442,000, respectively	(915)	717	724
Less reclassification adjustments for net gains included in net earnings, net of taxes	<u> -</u>	<u> (1)</u>	<u> -</u>
Other comprehensive earnings (losses)	<u> (915)</u>	<u> 716</u>	<u> 724</u>
Comprehensive earnings	<u>\$ 8,520</u>	<u> 9,245</u>	<u> 7,375</u>

*Eliminated in consolidation.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

**WILSON BANK HOLDING COMPANY
(Parent Company Only)
Statements of Changes in Stockholders' Equity
Three Years Ended December 31, 2003**

	<i>In Thousands</i>				
	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Unrealized Gain (Loss) On Available-For- Sale Securities	Total
Balance December 31, 2000	\$ 4,012	10,162	25,172	(611)	38,735
Cash dividends declared, \$.48 per share	-	-	(1,920)	-	(1,920)
Issuance of 93,730 shares of stock pursuant to dividend reinvestment plan	94	1,649	-	-	1,743
Issuance of 2,532 shares of stock pursuant to exercise of stock options	2	36	-	-	38
Net change in unrealized gain (loss) on available-for-sale securities during the year, net of taxes of \$442,000	-	-	-	724	724
Net earnings for the year	-	-	<u>6,651</u>	-	<u>6,651</u>
Balance December 31, 2001	4,108	11,847	29,903	113	45,971
Cash dividends declared, \$.58 per share	-	-	(2,378)	-	(2,378)
Issuance of 105,194 shares of stock pursuant to dividend reinvestment plan	105	2,046	-	-	2,151
Issuance of 2,666 shares of stock pursuant to exercise of stock options	3	38	-	-	41
Net change in unrealized gain on available-for-sale securities during the year, net of taxes of \$445,000	-	-	-	717	717
Net earnings for the year	-	-	<u>8,529</u>	-	<u>8,529</u>
Balance December 31, 2002	4,216	13,931	36,054	830	55,031
Cash dividends declared, \$.63 per share	-	-	(2,651)	-	(2,651)
Issuance of 102,568 shares of stock pursuant to dividend reinvestment plan	103	2,289	-	-	2,392
Issuance of 2,000 shares of stock pursuant to exercise of stock options	3	28	-	-	31
Issuance of 2,160,028 shares of stock pursuant to a 2 for 1 stock split	4,320	(4,320)	-	-	-
Net change in unrealized gain (loss) on available-for-sale securities during the year, net of taxes of \$567,000	-	-	-	(915)	(915)
Net earnings for the year	-	-	<u>9,435</u>	-	<u>9,435</u>
Balance December 31, 2003	<u>\$ 8,642</u>	<u>11,928</u>	<u>42,838</u>	<u>(85)</u>	<u>63,323</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

**(19) *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, 2003

Increase (Decrease) in Cash and Cash Equivalents

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:			
Cash paid to suppliers and other	\$ (301)	(320)	(273)
Tax benefits received	<u>123</u>	<u>104</u>	<u>109</u>
Net cash used in operating activities	<u>(178)</u>	<u>(216)</u>	<u>(164)</u>
Cash flows from investing activities:			
Dividends received from commercial bank subsidiaries	639	616	445
Dividends reinvested in commercial bank subsidiaries	(226)	(186)	(105)
Capital contribution to bank subsidiary	<u>-</u>	<u>-</u>	<u>(38)</u>
Net cash provided by investing activities	<u>413</u>	<u>430</u>	<u>302</u>
Cash flows from financing activities:			
Dividends paid	(2,651)	(2,378)	(1,920)
Proceeds from sale of stock	2,392	2,151	1,743
Proceeds from exercise of stock options	<u>31</u>	<u>41</u>	<u>38</u>
Net cash used in financing activities	<u>(228)</u>	<u>(186)</u>	<u>(139)</u>
Net increase (decrease) in cash and cash equivalents	7	28	(1)
Cash and cash equivalents at beginning of year	<u>54</u>	<u>26</u>	<u>27</u>
Cash and cash equivalents at end of year	<u>\$ 61</u>	<u>54</u>	<u>26</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

**WILSON BANK HOLDING COMPANY
(Parent Company Only)**

Statements of Cash Flows, Continued

Three Years Ended December 31, 2003

Increase (Decrease) in Cash and Cash Equivalents

	<i>In Thousands</i>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Reconciliation of net earnings to net cash used in operating activities:			
Net earnings	\$ 9,435	8,529	6,651
Adjustments to reconcile net earnings to net cash used in operating activities:			
Equity in earnings of commercial bank subsidiaries	(9,621)	(8,726)	(6,820)
Decrease (increase) in refundable income taxes	<u>8</u>	<u>(19)</u>	<u>5</u>
Total adjustments	<u>(9,613)</u>	<u>(8,745)</u>	<u>(6,815)</u>
Net cash used in operating activities	<u>\$ (178)</u>	<u>(216)</u>	<u>(164)</u>

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

(20) Disclosures About Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments (SFAS No. 107), requires that the Company disclose estimated fair values for its financial instruments. Fair value estimates, methods, and assumptions are set forth below for the Company's financial instruments.

Cash and short-term investments

For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities

The carrying amounts for short-term securities approximate fair value because they mature in 90 days or less and do not present unanticipated credit concerns. The fair value of longer-term securities and mortgage-backed securities, except certain state and municipal securities, is estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers. The fair value of certain state and municipal securities is not readily available through market sources other than dealer quotations, so fair value estimates are based on quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

SFAS No. 107 specifies that fair values should be calculated based on the value of one unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, or estimated transaction costs. Accordingly, these considerations have not been incorporated into the fair value estimates.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, mortgage, credit card and other consumer. Each loan category is further segmented into fixed and adjustable rate interest terms.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

Loans, Continued

The fair value of the various categories of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining average estimated maturities.

The estimated maturity for mortgages is modified from the contractual terms to give consideration to management's experience with prepayments. Management has made estimates of fair value discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented below would be indicative of the value negotiated in an actual sale.

The value of the loan portfolio is also discounted in consideration of the credit quality of the loan portfolio as would be the case between willing buyers and sellers. Particular emphasis has been given to loans on the subsidiary banks' internal watch list. Valuation of these loans is based upon borrower performance, collateral values (including external appraisals), etc.

Deposit Liabilities

The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities. Under the provision of SFAS No. 107 the fair value estimates for deposits does not include the benefit that results from the low cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market.

Securities Sold Under Repurchase Agreements

The securities sold under repurchase agreements are payable upon demand. For this reason the carrying amount is a reasonable estimate of fair value.

Advances from Federal Home Loan Bank

The fair value of the advances from the Federal Home Loan Bank are estimated by discounting the future cash outflows using the current market rates.

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

Commitments to Extend Credit, Standby Letters of Credit and Financial Guarantees Written

Loan commitments are made to customers generally for a period not to exceed one year and at the prevailing interest rates in effect at the time the loan is closed. Commitments to extend credit related to construction loans are made for a period not to exceed six months with interest rates at the current market rate at the date of closing. In addition, standby letters of credit are issued for periods up to three years with rates to be determined at the date the letter of credit is funded. Fees are only charged for the construction loans and the standby letters of credit and the amounts unearned at December 31, 2003 and 2002 are insignificant. Accordingly, these commitments have no carrying value and management estimates the commitments to have no significant fair value.

The carrying value and estimated fair values of the Company's financial instruments at December 31, 2003 and 2002 are as follows:

	<i>In Thousands</i>			
	2003		2002	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and short-term investments	\$ 82,323	82,323	55,163	55,163
Securities	152,095	152,778	118,342	118,967
Loans, net of unearned interest	592,791		550,601	
Less: allowance for possible loan losses	<u>8,077</u>		<u>6,943</u>	
Loans, net of allowance	<u>584,714</u>	591,733	<u>543,658</u>	547,123
Loans held for sale	3,972	3,972	10,859	10,859
Financial liabilities:				
Deposits	770,419	776,938	679,408	684,375
Securities sold under repurchase agreements	8,606	8,606	7,868	7,868
Advances from Federal Home Loan Bank	712	819	997	1,160
Unrecognized financial instruments:				
Commitments to extend credit	-	-	-	-
Standby letters of credit	-	-	-	-

WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements, Continued

December 31, 2003, 2002 and 2001

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

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on estimating on-and-off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, a subsidiary Bank has a mortgage department that contributes net fee income annually. The mortgage department is not considered a financial instrument, and its value has not been incorporated into the fair value estimates. Other significant assets and liabilities that are not considered financial assets or liabilities include deferred tax assets and liabilities and property, plant and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Wilson Bank Holding Company Directors and Executive Officers

John R. Trice, Chairman; Randall Clemons, President & CEO; Charles Bell; Jack Bell; Mackey Bentley; Jimmy Comer; Jerry Franklin; John Freeman; Marshall Griffith; Harold Patton; James Anthony Patton; Elmer Richerson, Executive Vice President; Bob VanHooser.

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 1, 2004 was 1,551. 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 stock during the years 2002 and 2003. *The information set forth below has been adjusted to reflect a 2-for-1 stock split paid by the Company on October 30, 2003.

Stock Prices

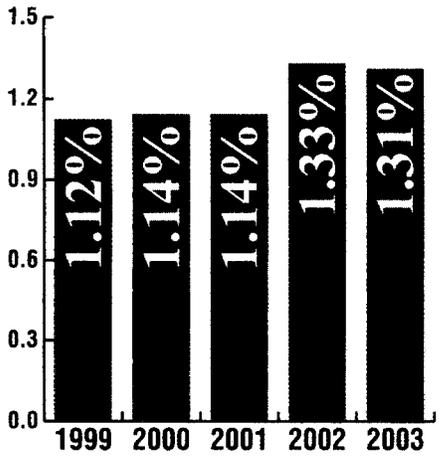
2002	High	Low
First Quarter	\$19.75	\$19.37
Second Quarter	20.37	19.75
Third Quarter	21.12	20.37
Fourth Quarter	21.75	21.12
2003		
First Quarter	\$22.50	\$21.75
Second Quarter	23.25	22.50
Third Quarter	24.12	23.25
Fourth Quarter	27.50	24.12

On January 1, 2002, a \$.28 per share cash dividend was declared and on July 1, 2002, a \$.30 per share cash dividend was declared and paid to shareholders of record on those dates. On January 1, 2003, a \$.30 per share cash dividend was declared and on July 1, 2003, a \$.33 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 economic and regulatory consideration.

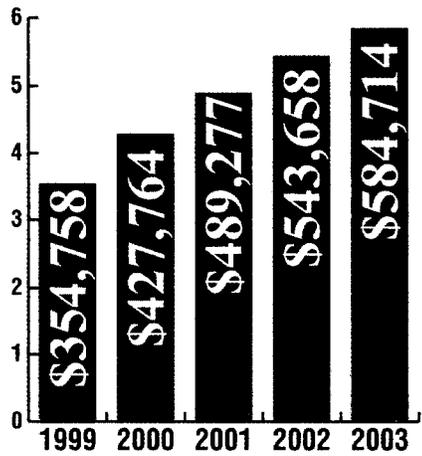
Annual Meeting and Information Contacts

The Annual Meeting of Shareholders will be held in the Main Office of
Wilson Bank Holding Company at 7:00 P.M., April 13, 2004,
at 623 West Main Street, Lebanon, Tennessee.

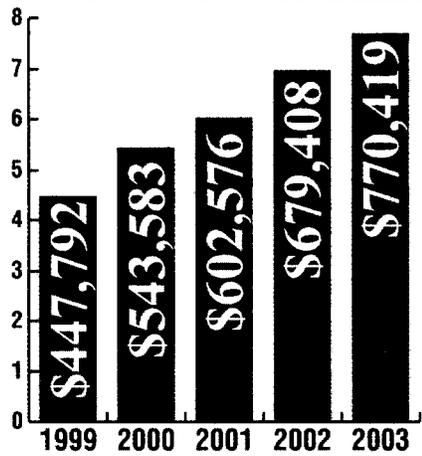
For further information concerning Wilson Bank Holding Company or its subsidiaries, or to obtain a copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission, which is available without charge to shareholders, please contact Becky Taylor, Senior Vice-President and Cashier, Wilson Bank & Trust, P.O. Box 768, Lebanon, TN 37088-0768, Phone (615) 444-2265.



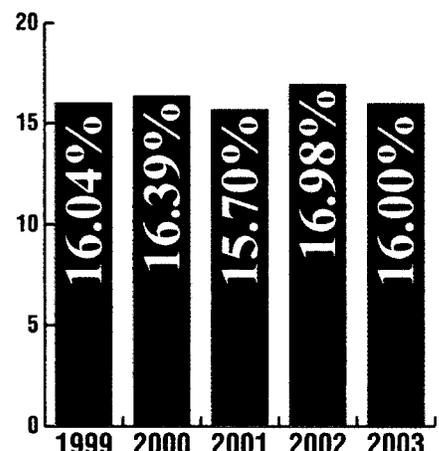
Return On Average Assets



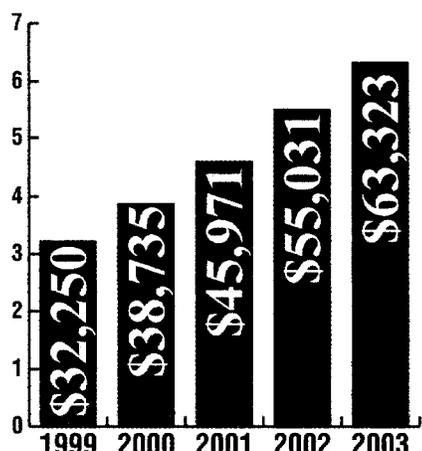
Loans, Net



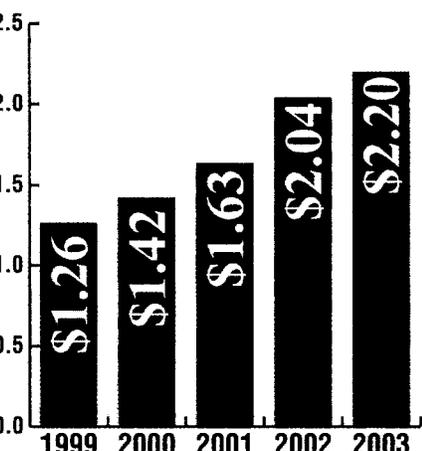
Deposits



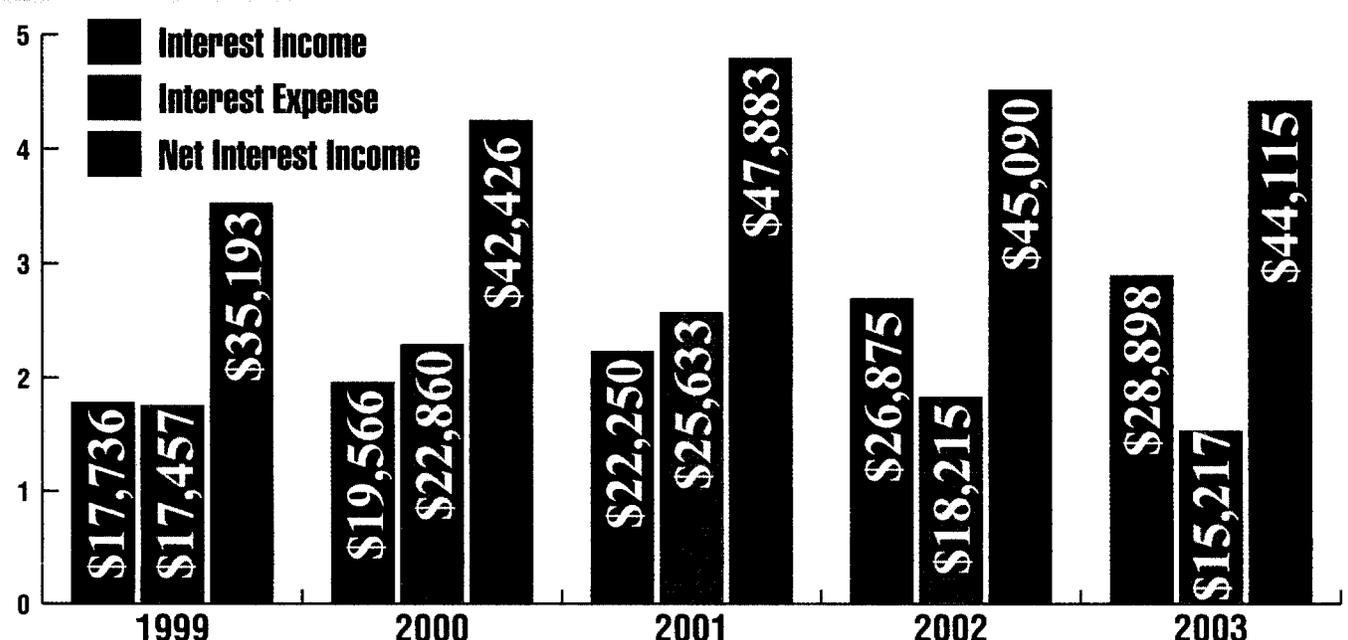
Return On Average Stockholders' Equity



Stockholders' Equity



Basic Earnings Per Share



Net Interest Income

*The information set forth above has been adjusted to reflect a 2-for-1 stock split paid by the Company on October 30, 2003.

WILSON
BANK HOLDING CO.

623 West Main Street

Lebanon, TN 37087

(615) 444-BANK (2265)

www.wilsonbank.com