

WILSON BANK HOLDING CO

Form 10-Q

August 09, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended June 30, 2010**  
**or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**  
**Commission File Number 0-20402**  
**WILSON BANK HOLDING COMPANY**  
(Exact name of registrant as specified in its charter)

Tennessee

62-1497076

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

623 West Main Street, Lebanon, TN

37087

(Address of principal executive offices)

Zip Code

(615) 444-2265

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding: 7,225,036 shares at August 9, 2010

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Item 1. Financial Statements**WILSON BANK HOLDING COMPANY**  
**Consolidated Balance Sheets**  
**June 30, 2010 and December 31, 2009**  
**(Unaudited)**

	June 30, 2010	December 31, 2009
	(Dollars in Thousands Except Per Share Amounts)	
Assets		
Loans	\$ 1,098,599	\$ 1,115,261
Less: Allowance for loan losses	(21,487)	(16,647)
Net loans	1,077,112	1,098,614
Securities:		
Held to maturity, at cost (market value \$14,075 and \$12,608, respectively)	13,637	12,170
Available-for-sale, at market (amortized cost \$303,490 and \$250,412, respectively)	303,350	249,647
Total securities	316,987	261,817
Loans held for sale	9,072	5,027
Restricted equity securities	3,012	3,012
Federal funds sold	21,201	5,450
Total earning assets	1,427,384	1,373,920
Cash and due from banks	26,407	26,062
Bank premises and equipment, net	30,959	30,865
Accrued interest receivable	6,489	7,563
Deferred income tax asset	5,267	5,457
Other real estate	11,290	3,924
Other assets	11,399	10,508
Goodwill	4,805	4,805
Other intangible assets, net	706	904
Total assets	\$ 1,524,706	\$ 1,464,008
Liabilities and Shareholders Equity		
Deposits	\$ 1,368,771	\$ 1,310,706
Securities sold under repurchase agreements	5,629	6,499
Federal Home Loan Bank advances	2	13

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Accrued interest and other liabilities	6,885	7,233
Total liabilities	1,381,287	1,324,451
Shareholders' equity:		
Common stock, \$2.00 par value; authorized 15,000,000 shares, issued 7,185,335 and 7,147,582 shares, respectively	14,371	14,295
Additional paid-in capital	42,328	41,022
Retained earnings	86,807	84,712
Net unrealized losses on available-for-sale securities, net of income taxes of \$53 and \$293, respectively	(87)	(472)
Total shareholders' equity	143,419	139,557
Total liabilities and shareholders' equity	\$ 1,524,706	\$ 1,464,008

See accompanying notes to consolidated financial statements (unaudited).

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**WILSON BANK HOLDING COMPANY**  
**Consolidated Statements of Earnings**  
**Three Months and Six Months Ended June 30, 2010 and 2009**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in Thousands Except per Share Amounts)			
Interest income:				
Interest and fees on loans	\$ 17,056	\$ 17,776	\$ 33,891	\$ 35,437
Interest and dividends on securities:				
Taxable securities	2,385	2,350	4,577	4,825
Exempt from Federal income taxes	115	117	234	235
Interest on loans held for sale	50	99	80	168
Interest on Federal funds sold	23	18	41	47
Interest and dividends on restricted securities	40	35	62	84
 Total interest income	 19,669	 20,395	 38,885	 40,796
 Interest expense:				
Interest on negotiable order of withdrawal accounts	697	604	1,327	745
Interest on money market and savings accounts	834	879	1,675	2,106
Interest on certificates of deposit	4,739	6,364	9,969	12,819
Interest on securities sold under repurchase agreements	17	28	40	59
Interest on Federal Home Loan Bank advances	1	157	1	318
 Total interest expense	 6,288	 8,032	 13,012	 16,047
 Net interest income before provision for loan losses	 13,381	 12,363	 25,873	 24,749
Provision for loan losses	6,073	1,297	8,179	3,361
 Net interest income after provision for loan losses	 7,308	 11,066	 17,694	 21,388
 Non-interest income:				
Service charges on deposit accounts	1,374	1,437	2,666	2,775
Other fees and commissions	1,562	1,312	2,935	2,454
Gain on sale of loans	402	948	721	1,723
Gain (loss) on sale of securities	211	(5)	261	500
Other income		1		1
 Total non-interest income	 3,549	 3,693	 6,583	 7,453



Non-interest expense:				
Salaries and employee benefits	3,814	5,179	8,865	10,275
Occupancy expenses, net	608	591	1,180	1,244
Furniture and equipment expense	359	325	725	696
Data processing expense	286	243	603	488
Directors' fees	171	184	381	396
Other operating expenses	2,779	2,705	5,347	4,844
Loss on sale of other real estate	158	145	262	194
(Gain) loss on sale of other assets	(1)	18	8	37
Total non-interest expense	8,174	9,390	17,371	18,174
Earnings before income taxes	2,683	5,369	6,906	10,667
Income taxes	1,028	2,096	2,666	4,169
Net earnings	1,655	3,273	4,240	6,498
Weighted average number of shares outstanding-basic	7,185,208	7,077,562	7,178,453	7,073,691
Weighted average number of shares outstanding-diluted	7,193,199	7,100,883	7,185,482	7,096,239
Basic earnings per common share	\$ .23	\$ .46	\$ .59	\$ .92
Diluted earnings per common share	\$ .23	\$ .46	\$ .59	\$ .92
Dividends per share	\$	\$	\$ .30	\$ .30

See accompanying notes to consolidated financial statements (unaudited).

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**WILSON BANK HOLDING COMPANY**  
**Consolidated Statements of Comprehensive Earnings**  
**Three Months and Six Months Ended June 30, 2010 and 2009**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	(In Thousands)			
Net earnings	\$ 1,655	\$ 3,273	\$ 4,240	\$ 6,498
Other comprehensive losses (gains), net of tax: Unrealized losses (gains) on available-for-sale securities arising during period, net of taxes of \$149, \$1,351, \$340 and \$350, respectively	240	(2,178)	546	(564)
Reclassification adjustment for net losses (gains) included in net earnings, net of taxes of \$81, \$2, \$100 and \$191, respectively	(130)	3	(161)	(309)
Other comprehensive losses (gains)	110	(2,175)	385	(873)
Comprehensive earnings	\$ 1,765	\$ 1,098	\$ 4,625	\$ 5,625

See accompanying notes to consolidated financial statements (unaudited).

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**WILSON BANK HOLDING COMPANY**  
**Consolidated Statements of Cash Flows**  
**Six Months Ended June 30, 2010 and 2009**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**(Unaudited)**

	2010	2009
	(In Thousands)	
Cash flows from operating activities:		
Interest received	\$ 40,779	\$ 41,824
Fees and commissions received	5,601	5,230
Proceeds from sale of loans held for sale	42,540	104,253
Origination of loans held for sale	(45,864)	(105,426)
Interest paid	(13,751)	(16,448)
Cash paid to suppliers and employees	(13,962)	(15,084)
Income taxes paid	(5,271)	(5,494)
Net cash provided by operating activities	10,072	8,855
Cash flows from investing activities:		
Proceeds from maturities, calls, and principal payments of held-to- maturity securities	1,112	1,471
Proceeds from maturities, calls, and principal payments of available-for-sale securities	228,157	190,783
Purchase of held-to-maturity securities	(2,595)	(2,558)
Purchase of available-for-sale securities	(281,778)	(205,534)
Loans made to customers, net of repayments	4,061	(16,143)
Purchase of premises and equipment	(967)	(343)
Proceeds from sale of other real estate	1,540	2,504
Proceeds from sale of other assets	83	285
Net cash used in investing activities	(50,387)	(29,535)
Cash flows from financing activities:		
Net increase in non-interest bearing, savings and NOW deposit accounts	59,669	19,182
Net increase (decrease) in time deposits	(1,604)	16,686
Decrease in securities sold under repurchase agreements	(870)	(1,110)
Net decrease in advances from Federal Home Loan Bank	(11)	(848)
Dividends paid	(2,144)	(2,113)
Proceeds from sale of common stock	1,529	1,712
Proceeds from exercise of stock options	67	162
Repurchase of common stock	(225)	(697)
Net cash provided by financing activities	56,411	32,974

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Net increase in cash and cash equivalents	16,096	12,294
Cash and cash equivalents at beginning of period	31,512	59,243
Cash and cash equivalents at end of period	\$ 47,608	\$ 71,537

See accompanying notes to consolidated financial statements (unaudited).

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**WILSON BANK HOLDING COMPANY**  
**Consolidated Statements of Cash Flows, Continued**  
**Six Months Ended June 30, 2010 and 2009**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**(Unaudited)**

	2010	2009
	(In Thousands)	
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	\$ 4,240	\$ 6,498
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization, and accretion	1,891	1,079
Provision for loan losses	8,179	3,361
Stock option compensation	10	12
Loss on sale of other real estate	262	194
Loss on sale of other assets	8	37
Security gains	(261)	(500)
Loss on write-off of restricted equity securities		88
Increase in loans held for sale	(4,045)	(2,896)
Decrease in interest receivable	1,074	975
Increase in deferred tax assets	(278)	(257)
Decrease (increase) in other assets, net	(888)	28
Decrease in taxes payable	(2,327)	(1,068)
Increase in other liabilities	2,946	1,705
Increase in interest payable	(739)	(401)
 Total adjustments	 5,832	 2,357
 Net cash provided by operating activities	 \$ 10,072	 \$ 8,855
 Supplemental schedule of non-cash activities:		
Unrealized gain (loss) in values of securities available-for-sale, net of taxes of \$240 and \$541, for the six months ended June 30, 2010 and 2009, respectively	\$ 385	\$ (873)
 Non-cash transfers from loans to other real estate	 \$ 9,572	 \$ 2,368
 Non-cash transfers from other real estate to loans	 \$ 404	 \$
 Non-cash transfers from loans to other assets	 \$ 94	 \$ 301
 See accompanying notes to consolidated financial statements (unaudited).		



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***WILSON BANK HOLDING COMPANY***  
***Notes to Consolidated Financial Statements***  
***(Unaudited)***

**Note 1. Summary of Significant Accounting Policies**

*Nature of Business* Wilson Bank Holding Company (the Company) is a bank holding company whose primary business is conducted by its wholly-owned subsidiary, Wilson Bank & Trust (the Bank). The Bank is a commercial bank headquartered in Lebanon, Tennessee. The Bank provides a full range of banking services in its primary market areas of Wilson, Davidson, Rutherford, Trousdale, Dekalb, and Smith Counties, Tennessee.

*Basis of Presentation* The accompanying unaudited, consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by the report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and related notes appearing in the 2009 Annual Report previously filed on Form 10-K.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant intercompany transactions and accounts are eliminated in consolidation.

*Accounting Standards Codification* In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (ASC), also known collectively as the Codification, is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission (SEC). Nonauthoritative guidance and literature would include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issue Papers and Technical Practice Aids and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance. It is organized by topic, subtopic, section, and paragraph, each of which is identified by a numerical designation. FASB ASC 105-10, *Generally Accepted Accounting Principles*, became applicable beginning in the third quarter of 2009. All accounting references have been updated, and therefore SFAS references have been replaced with ASC references except for SFAS references that have not been integrated into the Codification.

*Use of Estimates* The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the balance sheet date 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 include the determination of the allowance for loan losses, the valuation of deferred tax assets, determination of any impairment of intangibles, other-than-temporary impairment of securities, the valuation of other real estate, and the fair value of financial instruments.

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**Recently Adopted Accounting Pronouncements**

*Fair Value Measurement* In April 2009, the FASB issued ASC 820-10-65-4, Fair Value Measurements and Disclosures. FASB AS