

WILSON BANK HOLDING CO

Form 10-Q

November 08, 2011

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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 September 30, 2011

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
(State or other jurisdiction of
incorporation or organization)

62-1497076
(I.R.S. Employer Identification No.)

623 West Main Street, Lebanon, TN
(Address of principal executive offices)

37087
(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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting
company

(Do not check if a smaller
reporting company)

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

Yes No

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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: 7,302,646 shares at November 8, 2011

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WILSON BANK HOLDING COMPANY
Consolidated Balance Sheets
September 30, 2011 and December 31, 2010
(Unaudited)

	September 30, 2011	December 31, 2010
	(Dollars in Thousands Except Per Share Amounts)	
Assets		
Loans	\$ 1,116,951	\$ 1,095,268
Less: Allowance for loan losses	(24,876)	(22,177)
Net loans	1,092,075	1,073,091
Securities:		
Held to maturity, at cost (market value \$15,435 and \$13,690, respectively)	14,605	13,396
Available-for-sale, at market (amortized cost \$277,738 and \$282,453, respectively)	279,362	277,032
Total securities	293,967	290,428
Loans held for sale	10,900	7,845
Restricted equity securities	3,012	3,012
Federal funds sold	25,462	3,225
Total earning assets	1,425,416	1,377,601
Cash and due from banks	50,088	35,057
Bank premises and equipment, net	33,226	31,941
Accrued interest receivable	5,909	6,252
Deferred income taxes	7,004	9,629
Other real estate	19,551	13,741
Other assets	9,544	8,572
Goodwill	4,805	4,805
Other intangible assets, net	211	508
Total assets	\$ 1,555,754	\$ 1,488,106
Liabilities and Stockholders Equity		
Deposits	\$ 1,385,054	\$ 1,331,282
Securities sold under repurchase agreements	6,872	6,536
Accrued interest and other liabilities	8,677	5,955

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Total liabilities	1,400,603	1,343,773
Stockholders' equity:		
Common stock, \$2.00 par value; authorized 15,000,000 shares, 7,302,512 and 7,225,088 shares issued at September 30, 2011 and December 31, 2010, respectively	14,605	14,450
Additional paid-in capital	46,699	43,790
Retained earnings	92,845	89,439
Net unrealized gains (losses) on available-for-sale securities, net of income taxes of \$622 and \$2,075, respectively	1,002	(3,346)
Total stockholders' equity	155,151	144,333
Total liabilities and stockholders' equity	\$ 1,555,754	\$ 1,488,106

See accompanying notes to consolidated financial statements (unaudited)

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WILSON BANK HOLDING COMPANY
Consolidated Statements of Earnings
Three Months and Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Dollars In Thousands Except Per Share Amounts)			
Interest income:				
Interest and fees on loans	\$ 16,701	\$ 16,871	\$ 49,525	\$ 50,762
Interest and dividends on securities:				
Taxable securities	1,372	1,801	4,218	6,378
Exempt from Federal income taxes	104	111	318	345
Interest on loans held for sale	58	73	163	153
Interest on Federal funds sold	27	23	69	64
Interest and dividends on restricted securities	33	40	98	102
 Total interest income	 18,295	 18,919	 54,391	 57,804
 Interest expense:				
Interest on negotiable order of withdrawal accounts	545	659	1,652	1,986
Interest on money market and savings accounts	768	836	2,194	2,511
Interest on certificates of deposit	3,090	4,331	9,683	14,300
Interest on securities sold under repurchase agreements	12	16	39	56
Interest on Federal Home Loan Bank advances				1
Interest on Federal funds purchased			2	
 Total interest expense	 4,415	 5,842	 13,570	 18,854
 Net interest income before provision for loan losses	 13,880	 13,077	 40,821	 38,950
Provision for loan losses	2,462	1,989	7,049	10,168
 Net interest income after provision for loan losses	 11,418	 11,088	 33,772	 28,782
 Non-interest income:				
Service charges on deposit accounts	1,402	1,386	4,020	4,052
Other fees and commissions	1,755	1,614	5,206	4,549
Gain on sale of loans	555	780	1,273	1,501
Gain on sale of securities	192		192	261
 Total non-interest income	 3,904	 3,780	 10,691	 10,363

Non-interest expense:				
Salaries and employee benefits	5,617	5,159	16,598	14,024
Occupancy expenses, net	668	608	1,859	1,788
Furniture and equipment expense	292	309	820	1,034
Data processing expense	370	327	1,053	930
Directors' fees	173	168	546	549
Advertising	239	172	713	580
FDIC insurance expense	328	577	1,424	1,663
Other operating expenses	2,117	2,076	6,613	5,929
Loss on sale of other real estate	1,141	339	2,141	601
Loss on sale of other assets	12	11	18	19
Total non-interest expense	10,957	9,746	31,785	27,117
Earnings before income taxes	4,365	5,122	12,678	12,028
Income taxes	1,702	2,022	4,924	4,688
Net earnings	\$ 2,663	\$ 3,100	\$ 7,754	\$ 7,340
Weighted average number of shares outstanding-basic	7,293,292	7,212,205	7,273,447	7,189,827
Weighted average number of shares outstanding-diluted	7,301,591	7,220,713	7,280,876	7,197,416
Basic earnings per common share	\$.37	\$.43	\$ 1.07	\$ 1.02
Diluted earnings per common share	\$.36	\$.43	\$ 1.06	\$ 1.02
Dividends per share	\$.30	\$.30	\$.60	\$.60

See accompanying notes to consolidated financial statements (unaudited)

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WILSON BANK HOLDING COMPANY
Consolidated Statements of Comprehensive Earnings
Three Months and Nine Months Ended September 30, 2011 and 2010
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(In Thousands)			
Net earnings	\$ 2,663	\$ 3,100	\$ 7,754	\$ 7,340
Other comprehensive earnings, net of tax:				
Unrealized gains on available-for-sale securities arising during period, net of income taxes of \$905, \$419, \$2,771, and \$759, respectively	1,457	677	4,466	1,223
Reclassification adjustment for net gains included in net earnings, net of taxes of \$74, \$0, \$74, and \$100, Respectively	(118)		(118)	(161)
Other comprehensive earnings	1,339	677	4,348	1,062
Comprehensive earnings	\$ 4,002	\$ 3,777	\$ 12,102	\$ 8,402

See accompanying notes to consolidated financial statements (unaudited)

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WILSON BANK HOLDING COMPANY
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2011 and 2010
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)

	2011	2010
	(In Thousands)	
Cash flows from operating activities:		
Interest received	\$ 55,062	\$ 59,069
Fees and commissions received	9,226	8,601
Proceeds from sale of loans	67,974	86,718
Origination of loans held for sale	(69,756)	(93,773)
Interest paid	(14,554)	(19,939)
Cash paid to suppliers and employees	(24,207)	(21,416)
Income taxes paid	(5,211)	(7,970)
Net cash provided by operating activities	18,534	11,290
Cash flows from investing activities:		
Proceeds from maturities, calls, and principal payments of held-to-maturity Securities	2,082	1,762
Proceeds from maturities, calls, and principal payments of available-for-sale Securities	184,585	367,352
Purchase of held-to-maturity securities	(3,348)	(2,595)
Purchase of available-for-sale securities	(181,043)	(390,683)
Loans made to customers, net of repayments	(41,831)	(2,768)
Purchase of premises and equipment	(2,358)	(2,225)
Proceeds from sale of other real estate	7,776	3,193
Proceeds from sale of other assets	65	114
Net cash used in investing activities	(34,072)	(25,850)
Cash flows from financing activities:		
Net increase in non-interest bearing, savings and NOW deposit accounts	70,130	83,375
Net decrease in time deposits	(16,358)	(49,601)
Net increase (decrease) in securities sold under repurchase agreements	336	(271)
Repayment of advances from Federal Home Loan Bank		(13)
Dividends paid	(4,348)	(4,300)
Proceeds from sale of common stock	3,218	3,052
Proceeds from exercise of stock options	77	76
Repurchase of common stock	(249)	(225)
Net cash provided by financing activities	52,806	32,093
Net increase in cash and cash equivalents	37,268	17,533

Cash and cash equivalents at beginning of period	38,282	31,512
Cash and cash equivalents at end of period	\$ 75,550	\$ 49,045

See accompanying notes to consolidated financial statements (unaudited)

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WILSON BANK HOLDING COMPANY
Consolidated Statements of Cash Flows, Continued
Nine Months Ended September 30, 2011 and 2010
Increase (Decrease) in Cash and Cash Equivalents
(Unaudited)

	2011	2010
	(In Thousands)	
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	\$ 7,754	\$ 7,340
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	2,793	1,909
Provision for loan losses	7,049	10,168
Loss on sale of other real estate	2,141	601
Loss on sale of other assets	18	19
Security gains	(192)	(261)
Stock based compensation	18	15
Decrease in taxes payable	(1,309)	(2,978)
Increase in loans held for sale	(3,055)	(8,556)
Decrease (increase) in deferred tax assets	1,022	(304)
Increase in other assets, net	(1,148)	(1,043)
Decrease (increase) in interest receivable	(752)	907
Increase in other liabilities	5,179	4,558
Decrease in interest payable	(984)	(1,085)
Total adjustments	\$ 10,780	\$ 3,950
Net cash provided by operating activities	\$ 18,534	\$ 11,290
Supplemental schedule of non-cash activities:		
Unrealized gain in values of securities available-for-sale, net of taxes of \$2,698,000 and \$659,000 for the nine months ended September 30, 2011 and 2010, respectively	\$ 4,348	\$ 1,062
Non-cash transfers from loans to other real estate	\$ 15,727	\$ 11,940
Non-cash transfers from other real estate to loans	\$ 7,946	\$ 404
Non-cash transfers from loans to other assets	\$ 71	\$ 119

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, Sumner, 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 2010 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.

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.

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

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

Loans are placed on nonaccrual status when there is a significant deterioration in the financial condition of the borrower, which often is determined when the principal or interest is more than 90 days past due, unless the loan is both well-secured and in the process of collection. Generally, all interest accrued but not collected for loans t