WILSON BANK HOLDING CO
Form 10-Q
November 08, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO x

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: 7,498,289 shares at November 8, 2013.

Table of Contents

Part I: FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements of the Company and its subsidiary are as follows:

Consolidated Balance Sheets September 30, 2013 and December 31, 2012

Consolidated Statements of Earnings For the three months and nine months ended September 30, 2013 and 2012

Consolidated Statements of Comprehensive Earnings For the three months and nine months ended September 30, 2013 and 2012

Consolidated Statements of Cash Flows For the nine months ended September 30, 2013 and 2012

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Disclosures required by Item 3 are incorporated by reference to Management s

Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

Part II: OTHER INFORMATION

Item 1. Legal Proceedings

Item 1A. Risk Factors

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. Mine Safety Disclosures

Item 5. Other Information

Item 6. Exhibits

Signatures

EX-31.1 SECTION 302 CERTIFICATION OF THE CEO

EX-31.2 SECTION 302 CERTIFICATION OF THE CFO

EX-32.1 SECTION 906 CERTIFICATION OF THE CEO

EX-32.2 SECTION 906 CERTIFICATION OF THE CFO

EX-101 INTERACTIVE DATA FILE

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

WILSON BANK HOLDING COMPANY

Consolidated Balance Sheets

September 30, 2013 and December 31, 2012

(Unaudited)

	September 30, 2013	December 31, 2012
	(Dollars in Thousands)	
Assets		
Loans	$ 1,210,146	$ 1,167,608
Less: Allowance for loan losses	(23,679)	(25,497)
Net loans	1,186,467	1,142,111
Securities:		
Held to maturity, at cost (market value $24,262 and $16,317, respectively)	24,537	15,508
Available-for-sale, at market (amortized cost $276,483 and $313,111, respectively)	269,944	317,278
Total securities	294,481	332,786
Loans held for sale	7,767	15,648
Federal funds sold	14,350	23,780
Restricted equity securities	3,012	3,012
Total earning assets	1,506,077	1,517,337
Cash and due from banks	143,649	82,884
Bank premises and equipment, net	36,533	35,853
Accrued interest receivable	5,301	5,426
Deferred income tax asset	12,353	8,243
Other real estate	13,948	15,307
Other assets	9,823	10,965
Goodwill	4,805	4,805
Total assets	$ 1,732,489	$ 1,680,820
Liabilities and Shareholders Equity		
Deposits	$ 1,537,503	$ 1,493,922
Securities sold under repurchase agreements	9,251	10,584
Accrued interest and other liabilities	11,993	6,616

Total liabilities	1,558,747	1,511,122
Shareholders equity:		
Common stock, $2.00 par value; authorized 15,000,000 shares, issued 7,497,877 and 7,419,204 shares, respectively	14,996	14,838
Additional paid-in capital	54,493	51,242
Retained earnings	108,289	101,046
Net unrealized gains (losses) on available-for-sale securities, net of income taxes of ($2,503) and $1,595, respectively	(4,036)	2,572
Total shareholders equity	173,742	169,698
Total liabilities and shareholders equity	$ 1,732,489	$ 1,680,820

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

WILSON BANK HOLDING COMPANY

Consolidated Statements of Earnings

Three Months and Nine Months Ended September 30, 2013 and 2012

(Unaudited)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(Dollars in Thousands Except Per Share Amounts)			
Interest income:				
Interest and fees on loans	$ 16,594	$ 16,490	$ 49,540	$ 49,242
Interest and dividends on securities:				
Taxable securities	1,032	1,303	3,066	4,089
Exempt from Federal income taxes	152	127	451	329
Interest on loans held for sale	65	51	188	242
Interest on Federal funds sold	55	37	154	100
Interest and dividends on restricted securities	32	19	100	96
Total interest income	17,930	18,027	53,499	54,098
Interest expense:				
Interest on negotiable order of withdrawal accounts	397	470	1,190	1,484
Interest on money market and savings accounts	601	662	1,805	2,118
Interest on certificates of deposit	1,655	2,254	5,234	7,278
Interest on securities sold under repurchase agreements	13	13	38	42
Interest on Federal funds purchased	1		1	1
Total interest expense	2,667	3,399	8,268	10,923
Net interest income before provision for loan losses	15,263	14,628	45,231	43,175
Provision for loan losses	738	2,407	2,162	6,873
Net interest income after provision for loan losses	14,525	12,221	43,069	36,302
Non-interest income:				
Service charges on deposit accounts	1,107	1,121	3,068	3,487
Other fees and commissions	1,996	1,806	5,745	5,609
Gain on sale of loans	777	924	2,587	2,358
Gain (loss) on sale of other assets				6
Gain on sale of securities			78	259

Other income				3
Total non-interest income	3,880	3,851	11,478	11,722
Non-interest expense:				
Salaries and employee benefits	6,485	5,958	18,966	17,802
Occupancy expenses, net	683	700	1,964	1,969
Furniture and equipment expense	358	296	997	827
Data processing expense	462	349	1,358	1,063
Directors fees	157	173	521	546
Other operating expenses	2,884	2,750	8,295	8,544
Litigation Expense	41	33	2,849	123
Loss (gain) on sale of other assets	2		2	
Loss on sale of other real estate	218	170	934	1,754
Total non-interest expense	11,290	10,429	35,886	32,628
Earnings before income taxes	7,115	5,643	18,661	15,396
Income taxes	2,634	2,184	6,955	5,963
Net earnings	$ 4,481	3,459	11,706	9,433
Weighted average number of shares outstanding-basic	7,485,272	7,374,268	7,463,654	7,351,127
Weighted average number of shares outstanding-diluted	7,489,992	7,379,587	7,468,503	7,356,773
Basic earnings per common share	$ .60	$ .47	$ 1.57	$ 1.28
Diluted earnings per common share	$ .60	$ .47	$ 1.57	$ 1.28
Dividends per share	$ .30	$ .30	$ .60	$ .60

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

WILSON BANK HOLDING COMPANY

Consolidated Statements of Comprehensive Earnings

Three Months and Nine Months Ended September 30, 2013 and 2012

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(In Thousands)			
Net earnings	$ 4,481	$ 3,459	$ 11,706	$ 9,433
Other comprehensive earnings (losses), net of tax:				
Unrealized gains (losses) on available-for-sale securities arising during period, net of taxes of $1,022, $656, $4,069 and $1,088, respectively	(1,648)	1,058	(6,560)	1,754
Reclassification adjustment for net gains included in net earnings, net of taxes of $0, $0, $30 and $99 respectively			(48)	(160)
Other comprehensive earnings (losses)	(1,648)	1,058	(6,608)	1,594
Comprehensive earnings	$ 2,833	$ 4,517	$ 5,098	$ 11,027

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

WILSON BANK HOLDING COMPANY

Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2013 and 2012

(Unaudited)

	2013	2012
	(In Thousands)	
Cash flows from operating activities:		
Interest received	$ 56,215	$ 56,718
Fees and commissions received	8,813	9,096
Other income		3
Proceeds from sale of loans held for sale	95,858	96,341
Origination of loans held for sale	(85,390)	(85,486)
Interest paid	(8,910)	(11,752)
Cash paid to suppliers and employees	(25,821)	(26,081)
Income taxes paid	(7,651)	(6,358)
Net cash provided by operating activities	33,114	32,481
Cash flows from investing activities:		
Proceeds from maturities, calls, and principal payments of held-to-maturity securities	2,626	1,195
Proceeds from maturities, calls, and principal payments of available-for-sale securities	60,798	126,771
Proceeds from the sale of available-for-sale securities	6,867	37,353
Purchase of held-to-maturity securities	(11,789)	(2,073)
Purchase of available-for-sale securities	(33,416)	(197,829)
Loans made to customers, net of repayments	(48,793)	(51,557)
Purchase of premises and equipment	(1,929)	(1,060)
Proceeds from sale of other real estate	2,656	5,993
Proceeds from sale of other assets	33	44
Net cash used in investing activities	(22,947)	(81,163)
Cash flows from financing activities:		
Net increase in non-interest bearing, savings and NOW deposit accounts	68,837	85,763
Net decrease in time deposits	(25,256)	(20,929)
Increase (decrease) in securities sold under repurchase agreements	(1,333)	2,371
Dividends paid	(4,464)	(4,396)
Proceeds from sale of common stock pursuant to dividend reinvestment	3,248	3,200
Proceeds from exercise of stock options	136	157
Net cash provided by financing activities	41,168	66,166

Net increase in cash and cash equivalents	51,335	17,484
Cash and cash equivalents at beginning of period	106,664	54,174
Cash and cash equivalents at end of period	$ 157,999	$ 71,658

See accompanying notes to consolidated financial statements (unaudited).

Table of Contents

WILSON BANK HOLDING COMPANY

Consolidated Statements of Cash Flows, Continued

Nine Months Ended September 30, 2013 and 2012

(Unaudited)

	2013	2012
	(In Thousands)	
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$ 11,706	$ 9,433
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization, and accretion	3,840	3,708
Provision for loan losses	2,162	6,873
Stock option compensation	25	23
Loss on sale of other real estate	934	1,754
Loss (gain) on sale of other assets	2	(6)
Security gains	(78)	(259)
Decrease in loans held for sale	7,881	8,497
Decrease in interest receivable	125	118
Increase in deferred tax assets	(11)	(249)
Decrease in other assets, net	1,151	346
Decrease in taxes payable	(685)	(146)
Increase in other liabilities	6,704	3,218
Decrease in interest payable	(642)	(829)
Total adjustments	21,408	23,048
Net cash provided by operating activities	$ 33,114	$ 32,481
Supplemental schedule of non-cash activities:		
Unrealized gain (loss) in values of securities available-for-sale, net of taxes of $4,098 and $989, for the nine months ended September 30, 2013 and 2012, respectively	$ (6,608)	$ 1,594
Non-cash transfers from loans to other real estate	$ 3,117	$ 7,603
Non-cash transfers from other real estate to loans	$ 886	$ 218
Non-cash transfers from loans to other assets	$ 44	$ 57

See accompanying notes to consolidated financial statements (unaudited).

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

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 2012 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. These financial statements should be read in conjunction with Wilson Bank Holding Company s Annual Report on Form 10-K for the year ended December 31, 2012. There have been no significant changes to Wilson Bank Holding Company s significant accounting policies as disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

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 that are placed on nonaccrual status, is reversed against current income. Interest income is subsequently recognized only to the extent cash payments are received while

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

the loan is classified as nonaccrual, but interest income recognition is reviewed on a case-by-case basis. A nonaccrual loan is returned to accruing status once the loan has been brought current and collection is reasonably assured or the loan has been well-secured through other techniques. Past due status is determined based on the contractual due date per the underlying loan agreement.

All loans that are placed on nonaccrual are further analyzed to determine if they should be classified as impaired loans. At December 31, 2012 and at September 30, 2013, there were no loans classified as nonaccrual that were not also deemed to be impaired. A loan is considered to be impaired when it is probable the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan. This determination is made using a variety of techniques, which include a review of the borrower s financial condition, debt-service coverage ratios, global cash flow analysis, guarantor support, other loan file information, meetings with borrowers, inspection or reappraisal of collateral and/or consultation with legal counsel as well as results of reviews of other similar industry credits (e.g. builder loans, development loans, church loans, etc). Generally, loans with an identified weakness and principal balance of $100,000 or more are subject to individual identification for impairment. Individually identified impaired loans are measured based on the present value of expected payments using the loan s original effective rate as the discount rate, the loan s observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a specific valuation allowance is established as a component of the allowance for loan losses. Changes to the valuation allowance are recorded as a component of the provision for loan losses. Any subsequent adjustments to present value calculations for impaired loan valuations as a result of the passage of time, such as changes in the anticipated payback period for repayment, are recorded as a component of the provision for loan losses. For loans less than $100,000, the Company assigns a valuation allowance to these loans utilizing an allocation rate equal to the allocation rate calculated for loans of a similar type greater than $100,000.

Allowance for Loan Losses The allowance for loan losses is maintained at a level that management believes to be adequate to absorb probable losses in the loan portfolio. Loan losses are charged against the allowance when they are known. Subsequent recoveries are credited to the allowance. Management s determination of the adequacy of the allowance is based on an evaluation of the portfolio, current economic conditions, volume, growth, composition of the loan portfolio, homogeneous pools of loans, risk ratings of specific loans, historical loan loss factors, loss experience of various loan segments, identified impaired loans and other factors related to the portfolio. This evaluation is performed quarterly and is inherently subjective, as it requires material estimates that are susceptible to significant change including the amounts and timing of future cash flows expected to be received on any impaired loans.

In assessing the adequacy of the allowance, we also consider the results of our ongoing independent loan review process. We undertake this process both to ascertain whether there are loans in the portfolio whose credit quality has weakened over time and to assist in our overall evaluation of the risk characteristics of the entire loan portfolio. Our loan review process includes the judgment of management, independent loan reviewers, and reviews that may have been conducted by third-party reviewers. We incorporate relevant loan review results in the loan impairment determination. In addition, regulatory agencies, as an integral part of their examination process, will periodically review the Company s allowance for loan losses, and may require the Company to record adjustments to the allowance based on their judgment about information available to them at the time of their examinations.

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Recently Adopted Accounting Pronouncements

In February 2013, the FASB issued Accounting Standards Update 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income which provides guidance on reporting these classifications. The objective of this ASU is to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this ASU seek to attain that objective by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. generally accepted accounting principles (GAAP) to be reclassified in its entirety to net income in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosure required under U.S. GAAP that provide additional detail about those amounts. The ASU became effective prospectively for annual and interim periods beginning after December 15, 2012. The ASU did not have any impact on our financial position or results of operations but has impacted our financial statement disclosure.

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

Note 2. Loans and Allowance for Loan Losses

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

The following schedule details the loans of the Company at September 30, 2013 and December 31, 2012:

	(In Thousands)	
	September 30, 2013	December 31, 2012
Mortgage loans on real estate:		
Residential 1-4 family	$ 332,383	$ 341,977
Multifamily	11,117	16,140
Commercial	529,675	469,757
Construction and land development	196,032	190,356
Farmland	24,005	26,319
Second mortgages	11,946	12,477
Equity lines of credit	34,442	36,260
Total mortgage loans on real estate	1,139,600	1,093,286

Commercial loans	27,533	30,545
Agricultural loans	2,115	2,238
Consumer installment loans:		
Personal	37,512	38,463
Credit cards	3,033	3,250
Total consumer installment loans	40,545	41,713
Other loans	3,594	2,738
	1,213,387	1,170,520
Net deferred loan fees	(3,241)	(2,912)
Total loans, net of deferred loan fees	1,210,146	1,167,608
Less: Allowance for loan losses	(23,679)	(25,497)
Net Loans	$ 1,186,467	$ 1,142,111

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

The adequacy of the allowance for loan losses is assessed at the end of each calendar quarter. The level of the allowance is based upon evaluation of the loan portfolio, past loan loss experience, current asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrowers ability to repay (including the timing of future payment), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, historical loss experience, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations.

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Transactions in the allowance for loan losses for the nine months ended September 30, 2013 and year ended December 31, 2012 are summarized as follows:

(In Thousands)

	Residential 1-4 Family	Multifamily	Commercial Real Estate	Construction	Farmland	Second Mortgages	Equity Lines of Credit	Commercial	Agricultural	Installment and Other	Total
eptember 30, 013											
llowance for oan losses:											
eginning alance	$ 5,699	89	9,305	7,191	1,658	272	492	382	15	394	25,497
rovision	492	(28)	1,849	(168)	178	(47)	(119)	(29)	(6)	40	2,162
harge-offs	(694)		(1,399)	(1,137)	(781)	(7)	(79)	(36)		(261)	(4,394)
ecoveries	50		27	160	6	8		22	5	136	414
nding alance	$ 5,547	61	9,782	6,046	1,061	226	294	339	14	309	23,679
nding alance ndividually valuated for mpairment	$ 1,123		2,311	1,306	528	49	10				5,327
nding alance ollectively valuated for mpairment	$ 4,424	61	7,471	4,740	533	177	284	339	14	309	18,352
nding alance loans cquired with eteriorated redit quality	$										
oans:											
	$ 332,383	11,117	529,675	196,032	24,005	11,946	34,442	27,533	2,115	44,139	1,213,387

Ending alance											
Ending alance ndividually valuated for mpairment	$ 8,373		11,697	8,381	2,014	875	174	102			31,616
Ending alance ollectively valuated for mpairment	$ 324,010	11,117	517,978	187,651	21,991	11,071	34,268	27,431	2,115	44,139	1,181,771
Ending alance loans cquired with eteriorated redit quality	$										

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

(In Thousands)

	Residential 1-4 Family	Multifamily	Commercial Real Estate	Construction	Farmland	Second Mortgages	Equity Lines of Credit	Commercial	Agricultural	Installment and Other	Total
December 31, 2012											
Allowance for loan losses:											
Beginning balance	$ 5,414	54	8,242	6,223	1,829	326	653	1,309	19	456	24,525
Provision	1,557	35	5,021	3,020	284	62	(65)	(544)	(4)	162	9,528
Charge-offs	(1,331)		(4,057)	(2,226)	(462)	(120)	(96)	(454)		(412)	(9,158)
Recoveries	59		99	174	7	4		71		188	602
Ending balance	$ 5,699	89	9,305	7,191	1,658	272	492	382	15	394	25,497
Ending balance individually evaluated for impairment	$ 1,318		2,319	2,014	1,160	47	3				6,861
Ending balance collectively evaluated for impairment	$ 4,381	89	6,986	5,177	498	225	489	382	15	394	18,636
Ending balance loans acquired with deteriorated credit quality	$										
Loans:											
Ending balance	$ 341,977	16,140	469,757	190,356	26,319	12,477	36,260	30,545	2,238	44,451	1,170,520
Ending balance	$ 9,368		16,943	10,915	2,826	762	172				40,986

ndividually valuated for mpairment											
Ending balance ollectively valuated for mpairment	$ 332,609	16,140	452,814	179,441	23,493	11,715	36,088	30,545	2,238	44,451	1,129,534
Ending balance loans cquired with leteriorated redit quality	$										

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

At September 30, 2013, the Company had certain impaired loans of $8.7 million which were on non-accruing interest status. At December 31, 2012, the Company had certain impaired loans of $16.9 million which were on non-accruing interest status. In each case, at the date such loans were placed on nonaccrual status, the Company reversed all previously accrued interest income against current year earnings. The following table presents the Company s impaired loans at September 30, 2013 and December 31, 2012.

	In Thousands				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2013					
With no related allowance recorded:					
Residential 1-4 family	$ 3,981	3,949		3,810	156
Multifamily					
Commercial real estate	1,251	1,230		2,589	82
Construction	4,195	4,180		2,555	120
Farmland					
Second mortgages	726	720		684	7
Equity lines of credit					
Commercial	105	102		70	4
Agricultural					
	$ 10,258	10,181		9,708	369
With allowance recorded:					
Residential 1-4 family	$ 4,445	4,659	1,123	5,486	163
Multifamily					
Commercial real estate	10,538	12,170	2,311	12,248	305
Construction	4,201	5,309	1,306	7,008	
Farmland	2,015	2,795	528	2,380	63
Second mortgages	156	155	49	158	7
Equity lines of credit	174	174	10	175	6
Commercial					
Agricultural					
	$ 21,529	25,262	5,327	27,455	544
Total					
Residential 1-4 family	$ 8,426	8,608	1,123	9,296	319
Multifamily					

Commercial real estate	11,789	13,400	2,311	14,837	387
Construction	8,396	9,489	1,306	9,563	120
Farmland	2,015	2,795	528	2,380	63
Second mortgages	882	875	49	842	14
Equity lines of credit	174	174	10	175	6
Commercial	105	102		70	4
Agricultural					
	$ 31,787	35,443	5,327	37,163	913

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

	In Thousands				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
December 31, 2012					
With no related allowance recorded:					
Residential 1-4 family	$ 3,418	3,418		4,134	215
Multifamily				103	
Commercial real estate	4,439	5,439		5,371	66
Construction	1,952	4,252		6,166	74
Farmland				37	
Second mortgages	606	606		667	
Equity lines of credit					
Commercial					
Agricultural					
	$ 10,415	13,715		16,478	355
With allowance recorded:					
Residential 1-4 family	$ 5,950	5,950	1,318	6,084	325
Multifamily					
Commercial real estate	12,504	12,504	2,319	14,580	509
Construction	8,963	8,963	2,014	8,171	52
Farmland	2,826	2,826	1,160	3,155	57
Second mortgages	156	156	47	155	10
Equity lines of credit	172	172	3	223	9
Commercial				216	
Agricultural					
	$ 30,571	30,571	6,861	32,584	962
Total					
Residential 1-4 family	$ 9,368	9,368	1,318	10,218	540
Multifamily				103	
Commercial real estate	16,943	17,943	2,319	19,951	575
Construction	10,915	13,215	2,014	14,337	126
Farmland	2,826	2,826	1,160	3,192	57
Second mortgages	762	762	47	822	10
Equity lines of credit	172	172	3	223	9
Commercial				216	
Agricultural					

$ 40,986	$ 44,286	6,861	49,062	1,317

Impaired loans also include loans that the Company may elect to formally restructure due to the weakening credit status of a borrower such that the restructuring may facilitate a repayment plan that minimizes the potential losses that the Company may have to otherwise incur. These loans are classified as impaired loans and, if on non-accruing status as of the date of restructuring, the loans are included in the nonperforming loan balances noted above. Not included in nonperforming loans are loans that have been restructured that were performing as of the restructure date.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

The following table outlines the amount of each troubled debt restructuring categorized by loan classification for the nine months ended September 30, 2013 and the year ended December 31, 2012:

	September 30, 2013			December 31, 2012		
	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment, Net of Related Allowance	Number of Contracts	Pre Modification Outstanding Recorded Investment	Post Modification Outstanding Recorded Investment, Net of Related Allowance
Residential 1-4 family	2	$ 469	$ 469	1	$ 365	$ 275
Multifamily						
Commercial real estate	1	237	322	1	416	354
Construction				3	1,291	1,291
Farmland				1	1,445	595
Second mortgages	2	306	306			
Equity lines of credit						
Commercial						
Agricultural, installment and other	4	59	59	2	17	17
Total	9	$ 1,071	$ 1,156	8	$ 3,534	$ 2,532

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Potential problem loans, which include nonperforming loans, amounted to approximately $38.8 million at September 30, 2013 compared to $49.4 million at December 31, 2012. Potential problem loans represent those loans with a well defined weakness and where information about possible credit problems of borrowers has caused management to have serious doubts about the borrower s ability to comply with present repayment terms. This definition is believed to be substantially consistent with the standards established by the FDIC, the Company s primary federal regulator, for loans classified as special mention, substandard, or doubtful.

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

Special Mention loans have potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the Bank s credit position at some future date.

Substandard loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize liquidation of the debt. Substandard loans are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful loans have all the characteristics of substandard loans with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. The Bank considers all doubtful loans to be impaired and places the loans on nonaccrual status.

Impaired loans are evaluated separately from other loans in the Bank s portfolio. Credit quality information related to impaired loans was presented above and is excluded from the tables below.

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

(In Thousands)

	Residential 1-4 Family	Multifamily	Commercial Real Estate	Construction	Farmland	Second Mortgages	Equity Lines of Credit	Commercial	Agricultural	Installment and Other	Total
ptember 30, 13											
edit Risk ofile by ernally signed ade											
ss	$ 319,282	11,117	517,465	187,111	21,669	10,474	34,154	27,382	2,102	43,852	1,174,60
ecial ention	9,296		5,811	326	66	670	246	27	4	58	16,50
bstandard	3,805		6,399	8,595	2,270	802	42	124	9	229	22,27
ubtful											
tal	$ 332,383	11,117	529,675	196,032	24,005	11,946	34,442	27,533	2,115	44,139	1,213,38
cember 31, 12											
edit Risk ofile by ernally signed ade											
ss	$ 326,648	16,087	452,350	179,114	23,253	11,123	35,756	30,499	2,215	44,057	1,121,10
ecial ention	9,969	53	5,699	282	71	477	295	32	5	98	16,98
bstandard	5,360		11,708	10,960	2,995	877	209	14	18	296	32,43
ubtful											
tal	$ 341,977	16,140	469,757	190,356	26,319	12,477	36,260	30,545	2,238	44,451	1,170,52

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Note 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 September 30, 2013 and December 31, 2012 are summarized as follows:

	September 30, 2013 Securities Available-For-Sale *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)*	$ 132,559	$ 25	$ 5,618	$ 126,966
Mortgage-backed:				
GSE residential	130,196	590	1,192	129,594
Obligations of states and political subdivisions	13,728	87	431	13,384
	$ 276,483	$ 702	$ 7,241	$ 269,944

* Such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks, and Government National Mortgage Association.

	September 30, 2013 Securities Held-To-Maturity *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed:				
GSE residential	$ 8,782	$ 56	$ 559	$ 8,279
Obligations of states and political subdivisions	15,755	458	230	15,983
	$ 24,537	$ 514	$ 789	$ 24,262

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

	December 31, 2012 Securities Available-For-Sale *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Loss	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)*	$ 122,110	$ 643	$ 55	$ 122,698
Mortgage-backed:				
GSE residential	177,787	3,373	32	181,128
Obligations of states and political subdivisions	13,214	267	29	13,452
	$ 313,111	$ 4,283	$ 116	$ 317,278

* Such as Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks, and Government National Mortgage Association.

	December 31, 2012 Securities Held-To-Maturity *In Thousands*			
Mortgage-backed:				
GSE residential	$ 2,918	$ 122	$	$ 3,040
Obligations of states and political subdivisions	12,590	687		13,277
	$ 15,508	$ 809	$	$ 16,317

The amortized cost and estimated market value of debt securities at September 30, 2013, 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.

	Held-to-Maturity		Available-for-Sale	
	In Thousands			
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
Due in one year or less	$ 661	$ 667	$ 4,019	$ 4,026

Due after one year through five years	6,879	7,193	37,657	37,100
Due after five years through ten years	3,885	3,937	168,224	163,149
Due after ten years	13,112	12,465	66,583	65,669
	$ 24,537	$ 24,262	$ 276,483	$ 269,944

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

The following table shows the gross unrealized losses and fair value of the Company s investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2013 and December 31, 2012.

	In Thousands, Except Number of Securities							
	Less than 12 Months			12 Months or More			Total	
September 30, 2013	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses
Held to Maturity Securities:								
Obligations of states and Political subdivisions	$ 6,065	$ 230	17	$	$		$ 6,065	$ 230
Mortgage-backed:								
GSE residential	6,764	559	5				6,764	559
	$ 12,829	$ 789	22	$			$ 12,829	$ 789
Available-for-Sale Securities:								
U.S. Government - Sponsored enterprises (GSEs)	$ 113,065	$ 5,379	38	$ 2,759	$ 239	1	$ 115,824	$ 5,618
Mortgage-backed:								
GSE residential	74,075	1,157	29	1,937	35	2	76,012	1,192
Obligations of states and political subdivisions	10,661	431	29				10,661	431
	$ 197,801	$ 6,967	96	$ 4,696	$ 274	3	$ 202,497	$ 7,241

	In Thousands, Except Number of Securities							
	Less than 12 Months			12 Months or More			Total	
December 31, 2012	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses	Number of Securities Included	Fair Value	Unrealized Losses
Held to Maturity Securities:								
Mortgage-backed:								
GSE residential	$	$		$	$		$	$

Obligations of states and political subdivisions								
	$		$			$	$	$
Available-for-Sale Securities:								
U.S. Government - Sponsored enterprises (GSEs)	$	22,159	$	55	9		$ 22,159	$ 55
Mortgage-backed:								
GSE residential		7,244		32	3		7,244	32
Obligations of states and political subdivisions		3,398		29	10		3,398	29
	$	32,801	$	116	22	$	$ 32,801	$ 116

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Because the Company does not intend to sell these securities and it is unlikely that the Company will be required to sell the securities before recovery of their amortized cost bases, which may be at maturity, the Company does not consider these securities to be other-than-temporarily impaired at September 30, 2013.

The carrying values of the Company s investment securities could decline in the future if the financial condition of issuers deteriorate and management determines it is probable that the Company will not recover the entire amortized cost bases of the securities. As a result, there is a risk that other-than-temporary impairment charges may occur in the future given the current economic environment.

Note 4. Earnings Per Share

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

The following is a summary of components comprising basic and diluted earnings per share (EPS) for the three months and nine months ended September 30, 2013 and 2012:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(Dollars in Thousands Except Per Share Amounts)		(Dollars in Thousands Except Per Share Amounts)	
Basic EPS Computation:				
Numerator Earnings available to common stockholders	$ 4,481	$ 3,459	$ 11,706	$ 9,433
Denominator Weighted average number of common shares outstanding	7,485,272	7,374,268	7,463,654	7,351,127
Basic earnings per common share	$ .60	$ .47	$ 1.57	$ 1.28
Diluted EPS Computation:				
Numerator Earnings available to common stockholders	$ 4,481	$ 3,459	$ 11,706	$ 9,433
Denominator Weighted average number of common shares outstanding	7,485,272	7,374,268	7,463,654	7,351,127
Dilutive effect of stock options	4,720	5,319	4,849	5,646

		7,489,992		7,379,587		7,468,503		7,356,773
Diluted earnings per common share	$	.60	$	.47	$	1.57	$	1.28

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Note 5. Comprehensive Income

The following is a summary of the various components comprising comprehensive income and the reclassifications out of accumulated other comprehensive income for the nine- month periods ended September 30, 2013 and 2012:

September 30, 2013		Unrealized Gains and Losses on Available-for-Sale Securities
Beginning Balance	$	2,572
Other comprehensive income (loss) before reclassifications		(6,560)
Amount reclassified from accumulated other Comprehensive income		(48)
Net current-period other comprehensive loss		(6,608)
Ending balance	$	(4,036)

There were no reclassifications out of other comprehensive income (loss) in the period ended September 30, 2013.

September 30, 2012		Unrealized Gains and Losses on Available-for-Sale Securities
Beginning Balance	$	865
Other comprehensive income before reclassifications		1,754
Amount reclassified from accumulated other comprehensive income		(160)
Net current-period other comprehensive income		1,594
Ending balance	$	2,459

September 30, 2013

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	78	Realized gain on sale of securities
	78	Total before tax
	(30)	Tax expense
	48	Net of tax
Total reclassifications for the periods	48	

September 30, 2012

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement where Net Income is Presented
Unrealized gains and losses on available-for-sale securities	259	Realized gain on sale of securities
	259	Total before tax
	(99)	Tax expense
	160	Net of tax
Total reclassifications for the periods	160	

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Note 6. Income Taxes

Accounting Standards Codification (ASC) 740, *Income Taxes*, defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the taxing authority. This section also provides guidance on the derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties, and includes guidance concerning accounting for income tax uncertainties in interim periods. As of September 30, 2013, the Company had no unrecognized tax benefits related to Federal or State income tax matters and does not anticipate any material increase or decrease in unrecognized tax benefits relative to any tax positions taken prior to September 30, 2013.

As of September 30, 2013, the Company has accrued no interest and no penalties related to uncertain tax positions. The Company s policy is to recognize interest and/or penalties related to income tax matters in income tax expense.

The Company and its subsidiaries file consolidated U.S. Federal and state of Tennessee income tax returns. The Company is currently open to audit under the statute of limitations by the state of Tennessee for the years ended December 31, 2010 through 2012 and the IRS for the years ended December 31, 2010 through 2012.

Note 7. Commitments and Contingent Liabilities

In the normal course of business, the Company has entered into off-balance sheet financial instruments which include commitments to extend credit (i.e., including unfunded lines of credit) and standby letters of credit. Commitments to extend credit are usually the result of lines of credit granted to existing borrowers under agreements that the total outstanding indebtedness will not exceed a specific amount during the term of the indebtedness. Typical borrowers are commercial concerns that use lines of credit to supplement their treasury management functions, thus their total outstanding indebtedness may fluctuate during any time period based on the seasonality of their business and the resultant timing of their cash flows. Other typical lines of credit are related to home equity loans granted to consumers. Commitments to extend credit generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Standby letters of credit are generally issued on behalf of an applicant (our customer) to a specifically named beneficiary and are the result of a particular business arrangement that exists between the applicant and the beneficiary. Standby letters of credit have fixed expiration dates and are usually for terms of two years or less unless terminated beforehand due to criteria specified in the standby letter of credit. A typical arrangement involves the applicant routinely being indebted to the beneficiary for such items as inventory purchases, insurance, utilities, lease guarantees or other third party commercial transactions. The standby letter of credit would permit the beneficiary to obtain payment from the Company under certain prescribed circumstances. Subsequently, the Company would then seek reimbursement from the applicant pursuant to the terms of the standby letter of credit.

The Company follows the same credit policies and underwriting practices when making these commitments as it does for on-balance sheet instruments. Each customer s creditworthiness is evaluated on a case-by-case basis, and the amount of collateral obtained, if any, is based on management s credit evaluation of the customer. Collateral held varies but may include cash, real estate and improvements, marketable securities, accounts receivable, inventory,

equipment, and personal property.

The contractual amounts of these commitments are not reflected in the consolidated financial statements and would only be reflected if drawn upon. Since many of the commitments are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future cash requirements. However, should the commitments be drawn upon and should our customers default on their resulting obligation to us, the Company s maximum exposure to credit loss, without consideration of collateral, is represented by the contractual amount of those instruments.

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

A summary of the Company s total contractual amount for all off-balance sheet commitments at September 30, 2013 is as follows:

Commitments to extend credit	$ 210,511,000
Standby letters of credit	26,379,000

The Company originates residential mortgage loans, sells them to third-party purchasers, and does not retain the servicing rights. These loans are originated internally and are primarily to borrowers in the Company s geographic market footprint. These sales are typically on a best efforts basis to investors that follow conventional government sponsored entities (GSE) and the Department of Housing and Urban Development/U.S. Department of Veterans Affairs (HUD/VA) guidelines. Generally, loans held for sale are underwritten by the Company, including HUD/VA loans.

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

To date, repurchase activity pursuant to the terms of these representations and warranties has been insignificant and has resulted in insignificant losses to the Company.

Based on information currently available, management believes that it does not have significant exposure to contingent losses that may arise relating to the representations and warranties that it has made in connection with its mortgage loan sales.

Various legal claims also arise from time to time in the normal course of business. In the opinion of management, the resolution of these claims outstanding at September 30, 2013 will not have a material impact on the Company s financial statements. See further discussion regarding these claims in Part II, Item 1, Legal Proceedings .

Note 8. Fair Value Measurements

FASB ASC 820, Fair Value Measurements and Disclosures. which defines fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles and expands disclosures about fair value measurements. FASB ASC 820 applies only to fair-value measurements that are already required or permitted by other accounting standards and is expected to increase the consistency of those measurements. The definition of fair value focuses on the exit price, i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, not the entry price, i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date. The statement emphasizes that

fair value is a market-based measurement, not an entity-specific measurement. Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Valuation Hierarchy

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

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Assets

Securities available for sale Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid government securities and certain other products. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows and are classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Impaired loans A loan is considered to be impaired when it is probable the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans are measured based on the present value of expected payments using the loan s original effective rate as the discount rate, the loan s observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceeds the measure of fair value, a valuation allowance may be established as a component of the allowance for loan losses or the expense is recognized as a charge-off. Impaired loans are classified within Level 3 of the valuation hierarchy due to the unobservable inputs used in determining their fair value, such as collateral values and the borrowers underlying financial condition.

Other real estate Other real estate, consisting of properties obtained through foreclosure or in satisfaction of loans, is initially recorded at fair value, determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources, adjusted for estimated selling costs. At the time of foreclosure, any excess of the loan balance over the fair value of the real estate held as collateral is treated as a charge against the allowance for loan losses. Gains or losses on sale and any subsequent adjustments to the fair value are recorded as a component of foreclosed real estate expense. Other real estate is included in Level 3 of the valuation hierarchy due to the lack of observable market inputs into the determination of fair value. Appraisal values are property specific and sensitive to the changes in the overall economic environment.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Other assets Included in other assets are certain assets carried at fair value, including the cash surrender value of bank owned life insurance policies. The carrying amount of the cash surrender value of bank owned life insurance is based on information received from the insurance carriers indicating the financial performance of the policies and the amount the Company would receive should the policies be surrendered. The Company reflects these assets within Level 3 of the valuation hierarchy due to unobservable inputs included in the valuation of these items.

The following tables present the financial instruments carried at fair value as of September 30, 2013 and December 31, 2012, by caption on the consolidated balance sheets and by FASB ASC 820 valuation hierarchy (as described above).

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Total Carrying Value in the Consolidated Balance Sheet	Quoted Market Prices in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
September 30, 2013				
Investment securities available-for-sale:				
U.S. Government sponsored enterprises	$ 126,966		126,966	
Mortgage-backed securities	129,594		129,594	
State and municipal securities	13,384		13,384	
Total investment securities available-for-sale	269,944		269,944	
Other assets	6,358			6,358
Total assets at fair value	$ 276,302		269,944	6,358
December 31, 2012				
Investment securities available-for-sale:				
U.S. Government sponsored enterprises	$ 122,698		122,698	
Mortgage-backed securities	181,128		181,128	
State and municipal securities	13,452		13,452	
Total investment securities available-for-sale	317,278		317,278	
Other assets	6,315			6,315

Total assets at fair value	$ 323,593		317,278	6,315

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Total Carrying Value in the Consolidated Balance Sheet	Quoted Market Prices in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
September 30, 2013				
Other real estate owned	$ 13,948			13,948
Impaired loans, net [1]	26,460			26,460
Total	$ 40,408			40,408
December 31, 2012				
Other real estate owned	$ 15,307			15,307
Impaired loans, net [1]	34,125			34,125
Total	$ 49,432			49,432

(1) Amount is net of a valuation allowance of $5.3 million and $6.9 million at September 30, 2013 and December 31, 2012 as required by ASC 310-10, Receivables.

In the case of the bond portfolio, the Company monitors the valuation technique utilized by various pricing agencies to ascertain when transfers between levels have been affected. The nature of the remaining assets and liabilities is such that transfers in and out of any level are expected to be rare. For the nine months ended September 30, 2013, there were no transfers between Levels 1, 2 or 3.

The table below includes a roll forward of the balance sheet amounts for the nine months ended September 30, 2013 (including the change in fair value) for financial instruments classified by the Company within Level 3 of the valuation hierarchy for assets and liabilities measured at fair value on a

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

recurring basis. When a determination is made to classify a financial instrument within Level 3 of the valuation hierarchy, the determination is based upon the significance of the unobservable factors to the overall fair value measurement. However, since Level 3 financial instruments typically include, in addition to the unobservable or Level 3 components, observable components (that is, components that are actively quoted and can be validated to external sources), the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology (in thousands):

	For the Nine Months Ended September 30,			
	2013		2012	
	Other Assets	Other Liabilities	Other Assets	Other Liabilities
Fair value, January 1	$ 6,315		2,001	
Total realized gains included in income	43		26	
Change in unrealized gains/losses included in other comprehensive income for assets and liabilities still held at September 30				
Purchases, issuances and settlements, net			263	
Transfers out of Level 3				
Fair value, September 30	$ 6,358		2,290	
Total realized gains included in income related to financial assets and liabilities still on the consolidated balance sheet at September 30	$ 43		26	

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments that are not measured at fair value. In cases where quoted market prices or observable components are not available, fair values are based on estimates using discounted cash flow models. Those models are significantly affected by the assumptions used, including the discount rates, estimates of future cash flows and borrower creditworthiness. The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2013 and December 31, 2012. Such amounts have not been revalued for purposes of these consolidated financial statements since those dates and, therefore, current estimates of fair value may differ significantly from the amounts presented herein.

Held-to-maturity securities Estimated fair values for investment securities are based on quoted market prices where available. If quoted market prices are not available, then fair values are estimated by using pricing models that use observable inputs or quoted prices of securities with similar characteristics.

Loans The fair value of our loan portfolio includes a credit risk factor in the determination of the fair value of our loans. This credit risk assumption is intended to approximate the fair value that a market participant would realize in a

hypothetical orderly transaction. Our loan portfolio is initially fair valued using a segmented approach. We divide our loan portfolio into the following categories: variable rate loans, impaired loans and all other loans. The results are then adjusted to account for credit risk.

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

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Mortgage loans held-for-sale Mortgage loans held-for-sale are carried at the lower of cost or fair value. The estimate of fair value is equal to the carrying value of these loans as they are usually sold within a few weeks of their origination.

Deposits and Securities sold under agreements to repurchase The carrying amounts of demand deposits, savings deposits and securities sold under agreements to repurchase, approximate their fair values. Fair values for certificates of deposit are estimated using discounted cash flow models, using current market interest rates offered on certificates with similar remaining maturities.

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

The following table presents the carrying amounts, estimated fair value and placement in the fair valuation hierarchy of the Company s financial instruments at September 30, 2013 and December 31, 2012. This table excludes financial instruments for which the carrying amount approximates fair value. For short-term financial assets such as cash and cash equivalents, the carrying amount is a reasonable estimate of fair value due to the relatively short time between the origination of the instrument and its expected realization. For financial liabilities such as noninterest bearing demand, interest-bearing demand, and savings deposits, the carrying amount is a reasonable estimate of fair value due to these products having no stated maturity.

(in Thousands)	Carrying/ Notional Amount	Estimated Fair Value [1]	Quoted Market Prices in an Active Market (Level 1)	Models with Significant Observable Market Parameters (Level 2)	Models with Significant Unobservable Market Parameters (Level 3)
September 30, 2013					
Financial assets:					
Securities held-to-maturity	$ 24,537	24,262		24,262	
Loans, net	1,186,467	1,191,343			1,191,343
Mortgage loans held-for-sale	7,767	7,767			7,767
Financial liabilities:					
Deposits and securities sold under agreements to repurchase	1,546,754	1,547,495			1,547,495
Off-balance sheet instruments:					
Commitments to extend credit					
Standby letters of credit					
December 31, 2012					

Financial assets:					
Securities held-to-maturity	$ 15,508	16,317		16,317	
Loans, net	1,142,111	1,166,664			1,166,664
Mortgage loans held-for-sale	15,648	15,648			15,648
Financial liabilities:					
Deposits and securities sold under agreements to repurchase	1,504,506	1,506,186			1,506,186
Off-balance sheet instruments:					
Commitments to extend credit					
Standby letters of credit					

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

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The purpose of this discussion is to provide insight into the financial condition and results of operations of the Company and its bank subsidiary. This discussion should be read in conjunction with the consolidated financial statements and the notes included in this report. Reference should also be made to the Company s Annual Report on Form 10-K for the year ended December 31, 2012 and the Company s Quarterly Reports on Forms 10-Q for the quarters ended March 31, 2013 and June 30, 2013 for a more complete discussion of factors that impact liquidity, capital and the results of operations.

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements regarding, among other things, the anticipated financial and operating results of the Company. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any modifications or revisions to these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events.

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions investors that future financial and operating results may differ materially from those projected in forward-looking statements made by, or on behalf of, the Company. The words expect, intend, should, may, coul believe, suspect, anticipate, seek, plan, estimate and similar expressions are intended to identify such forward statements, but other statements not based on historical fact may also be considered forward-looking. Such forward-looking statements involve known and unknown risks and uncertainties, including, but not limited to those described in the Company s Annual Report on Form 10-K for the year ended December 31, 2012, the Company s Quarterly Reports on Forms 10-Q for the quarters ended March 31, 2013 and June 30, 2013 and below under Part II, Item 1A Risk Factors and also include, without limitation, (i) deterioration in the financial condition of borrowers resulting in significant increases in loan losses and provisions for these losses, (ii) greater than anticipated deterioration in the real estate market conditions in the Company s market areas, (iii) increased competition with other financial institutions, (iv) the deterioration of the economy in the Company s market area, (v) continuation of the extremely low short-term interest rate environment or rapid fluctuations in short-term interest rates, (vi) significant downturns in the business of one or more large customers, (vii) the inability of the Company to comply with regulatory capital requirements, including those resulting from recently adopted changes to capital calculation methodologies and required capital maintenance levels; (viii) changes in state or Federal regulations, policies, or legislation applicable to banks and other financial service providers, including regulatory or legislative developments arising out of current unsettled conditions in the economy, including implementation of the Dodd Frank Wall Street Reform and Consumer Protection Act, (ix) changes in capital levels and loan underwriting, credit review or loss reserve policies associated with economic conditions, examination conclusions, or regulatory developments, (x) inadequate allowance for loan losses, (xi) the adequacy of the reserves established by the Company to satisfy the portion of any judgment in the lawsuits described below under Part II, Item 1, Legal Proceedings not covered by insurance, (xii) the effectiveness of the Company s activities in improving, resolving or liquidating lower quality assets, (xiii) results of regulatory examinations, and (xiv) loss of key personnel. These risks and uncertainties may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements. The Company s future operating results depend

on a number of factors which were derived utilizing numerous assumptions that could cause actual results to differ materially from those projected in forward-looking statements.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Critical Accounting Estimates

The accounting principles we follow and our methods of applying these principles conform with U.S. generally accepted accounting principles and with general practices within the banking industry. In connection with the application of those principles, we have made judgments and estimates which, in the case of the determination of our allowance for loan losses and the assessment of impairment of the intangibles resulting from our mergers with Dekalb Community Bank and Community Bank of Smith County in 2005 have been critical to the determination of our financial position and results of operations. There have been no significant changes to our critical accounting policies as discussed in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the SEC on March 13, 2013.

Allowance for Loan Losses (allowance). Our management assesses the adequacy of the allowance prior to the end of each calendar quarter. This assessment includes procedures to estimate the allowance and test the adequacy and appropriateness of the resulting balance. The level of the allowance is based upon management s evaluation of the loan portfolio, past loan loss experience, current asset quality trends, known and inherent risks in the portfolio, adverse situations that may affect the borrower s ability to repay (including the timing of future payment), the estimated value of any underlying collateral, composition of the loan portfolio, economic conditions, industry and peer bank loan quality indications and other pertinent factors, including regulatory recommendations. This evaluation is inherently subjective as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change. Loan losses are charged off when management believes that the full collectability of the loan is unlikely. 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. Allocation of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management s judgment, is deemed to be uncollectible.

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

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

The level of allowance maintained is believed by management to be adequate to absorb probable losses inherent in the portfolio at the balance sheet date. The allowance is increased by provisions charged to expense and decreased by charge-offs, net of recoveries of amounts previously charged-off.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

In assessing the adequacy of the allowance, we also consider the results of our ongoing loan review process. We undertake this process both to ascertain whether there are loans in the portfolio whose credit quality has weakened over time and to assist in our overall evaluation of the risk characteristics of the entire loan portfolio. Our loan review process includes the judgment of management, the input from our independent loan reviewers, and reviews that may have been conducted by bank regulatory agencies as part of their usual examination process. We incorporate loan review results in the determination of whether or not it is probable that we will be able to collect all amounts due according to the contractual terms of a loan.

As part of management s quarterly assessment of the allowance, management divides the loan portfolio into twelve segments based on bank call reporting requirements. Each segment is then analyzed such that an allocation of the allowance is estimated for each loan segment.

The allowance allocation begins with a process of estimating the probable losses in each of the twelve loan segments. The estimates for these loans are based on our historical loss data for that category over the last eight quarters.

The estimated loan loss allocation for all twelve loan portfolio segments is then adjusted for several environmental factors. The allocation for environmental factors is particularly subjective and does not lend itself to exact mathematical calculation. This amount represents estimated probable inherent credit losses which exist, but have not yet been identified, as of the balance sheet date, and are based upon quarterly trend assessments in delinquent and nonaccrual loans, unanticipated charge-offs, credit concentration changes, prevailing economic conditions, changes in lending personnel experience, changes in lending policies or procedures and other influencing factors. These environmental factors are considered for each of the twelve loan segments and the allowance allocation, as determined by the processes noted above for each component, is increased or decreased based on the incremental assessment of these various environmental factors.

We then test the resulting allowance by comparing the balance in the allowance to industry 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 allowance in its entirety. The board of directors reviews and approves the assessment prior to the filing of quarterly and annual financial information.

Other-than-temporary Impairment. A decline in the fair value of any available-for-sale or held-to-maturity security below cost that is deemed to be other-than-temporary results in a reduction in the carrying amount of the security. To determine whether impairment is other-than-temporary, management considers whether the entity expects to recover the entire amortized cost basis of the security by reviewing the present value of the future cash flows associated with the security. The shortfall of the present value of the cash flows expected to be collected in relation to the amortized cost basis is referred to as a credit loss and is deemed to be other-than temporary impairment. If a credit loss is identified, the credit loss is recognized as a charge to earnings and a new cost basis for the security is established. If management concludes that no credit loss exists and it is not more-likely-than-not that it will be required to sell the security before maturity, then the security is not other-than-temporarily impaired and the shortfall is recorded as a component of equity.

Results of Operations

Net earnings increased 24.1% to $11,706,000 for the nine months ended September 30, 2013 from $9,433,000 in the first nine months of 2012. Net earnings were $4,481,000 for the quarter ended September 30, 2013, an increase of $1,022,000, or 29.6%, from $3,459,000 for the three months ended September 30, 2012 and an increase of $234,000, or 5.5%, over the quarter ended June 30, 2013. The

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

increase in net earnings during the nine months ended September 30, 2013 as compared to the prior year period was primarily due to a 68.5% decrease in the provision for loan loss, partially offset by a 2.1% decrease in non-interest income and a 10.0% increase in non-interest expense. Net yield on earning assets for the nine months ended September 30, 2013 and 2012 was 2.79% and the net interest spread was 3.60% and 3.57% for the nine months ended September 30, 2013 and September 30, 2012, respectively.

The average balances, interest, and average rates for the nine-month periods ended September 30, 2013 and September 30, 2012 are presented in the following table:

	September 30, 2013			**September 30, 2012**		
	Average Balance	Interest Rate	Income/ Expense	Average Balance	Interest Rate	Income/ Expense
Loans, net of unearned interest	$ 1,201,061	5.50%	49,540	$ 1,129,873	5.81%	49,242
Investment securities taxable	289,971	1.41	3,066	324,051	1.68	4,089
Investment securities tax exempt	27,635	2.18	451	15,382	2.85	329
Taxable equivalent adjustment		1.12	232		1.46	169
Total tax-exempt investment securities	27,635	3.30	683	15,382	4.31	498
Total investment securities	317,606	1.57	3,749	339,443	1.80	4,587
Loans held for sale	8,694	2.88	188	9,827	3.28	242
Federal funds sold	98,576	0.21	154	66,746	.20	100
Restricted equity securities	3,012	4.43	100	3,012	4.25	96
Total earning assets	1,628,949	4.40	53,731	1,548,891	4.67%	54,267
Cash and due from banks	10,167			8,712		
Allowance for loan losses	(26,477)			(25,838)		
Bank premises and equipment	35,970			35,468		
Other assets	44,473			45,509		
Total assets	$ 1,693,082			$ 1,612,742		

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

	September 30, 2013			September 30, 2012		
	Average Balance	Interest Rate	Income/ Expense	Average Balance	Interest Rate	Income/ Expense
Deposits:						
Negotiable order of withdrawal accounts	$ 308,152	.51%	1,190	$ 269,849	.73%	1,484
Money market demand accounts	363,664	.51	1,385	316,216	.65	1,530
Individual retirement accounts	98,322	1.30	961	98,999	1.75	1,302
Other savings deposits	95,419	.59	420	96,812	.81	588
Certificates of deposit $100,000 and over	254,381	1.18	2,252	263,339	1.55	3,070
Certificates of deposit under $100,000	252,880	1.07	2,021	275,450	1.41	2,906
Total interest-bearing deposits	1,372,818	.80	8,229	1,320,665	1.10	10,880
Securities sold under repurchase agreements	9,559	.53	38	7,893	.71	42
Federal funds purchased	98	1.36	1	138	.97	1
Advances from Federal Home Loan Bank						
Total interest-bearing liabilities	1,382,475	.80	8,268	1,328,696	1.10	10,923
Demand deposits	129,334			115,770		
Other liabilities	10,129			7,629		
Stockholders equity	171,144			160,647		
Total liabilities and stockholders equity	$ 1,693,082			$ 1,612,742		
Net interest income			$ 45,463			$ 43,175
Net yield on earning assets (1)		2.79%			2.79%	
Net interest spread (2)		3.60%			3.57%	

(1) Net interest income divided by average earning assets.

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

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. Reflecting a reduction in loan yields that outpaced loan growth, the Company s total interest income, excluding tax equivalent adjustments relating to tax exempt securities, decreased $599,000, or 1.1%, during the nine months ended September 30, 2013 as compared to the same period in 2012. The decrease in total interest income was $97,000, or

0.5%, for the quarter ended September 30, 2013 as compared to the quarter ended September 30, 2012. Interest income for the third quarter of 2013 increased $181,000, 1.0% over the second quarter of 2013. The decrease in the first nine months of 2013 was primarily attributable to the continuing impact of low interest rate policies initiated by the Federal Reserve Board. The ratio of average earning assets to total average assets was 96.2% and 96.0% for the nine months ended September 30, 2013 and September 30, 2012, respectively.

Interest expense decreased $2,655,000, or 24.3%, for the nine months ended September 30, 2013 as compared to the same period in 2012. The decrease was $732,000, or 21.5%, for the three months ended September 30, 2013 as compared to the same period in 2012. Interest expense decreased $81,000, or 3.0% for the quarter ended September 30, 2013 over the second quarter of 2013. The decrease for the quarter ended September 30, 2013 and for the nine months ended September 30, 2013 as compared to the prior year s comparable periods was primarily due to a decrease in the rates paid on deposits, particularly time deposits, reflecting the low interest rate environment and a shift in the mix of deposits from certificates of deposits to transaction and money market accounts.

Interest expense declined more than interest income which resulted in an increase in net interest income, before the provisions for loan losses, of $2,056,000 to $45,231,000 for the first nine months of 2013 as compared to $43,175,000 for the same period in 2012. The increase was $635,000, or 4.3%, for the quarter ended September 30, 2013 compared to the quarter ended September 30, 2012. When compared to the second quarter of 2013, the Company experienced an increase of $262,000, or 1.8%, in net interest income.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Provision for Loan Losses

The allowance for loan losses totaled $23,679,000 as of September 30, 2013 compared to $25,497,000 as of December 31, 2012 and $24,933,000 as of September 30, 2012. An analytical model based on historical loss experience, current trends and economic conditions as well as reasonably foreseeable events is used to determine the amount of provision to be recognized and to test the adequacy of the loan loss allowance. The volume of net loans charged off for the first nine months of 2013 totaled approximately $4.0 million compared to approximately $6.5 million for the first nine months of 2012. Overall, net charge offs were down for the nine month period ended September 30, 2013 when compared to the comparable period in 2012 due to an overall improvement in the Bank s loan portfolio and the Bank having partially charged down impaired loans in 2012. Although the Bank has experienced modest loan growth of 3.6% and an overall stabilization in the loan portfolio, in accordance with the Bank s quarterly allowance calculation, management continues to fund the allowance for loan losses through general provisions. Reflecting the improving asset quality trends experienced by the Bank in the first nine months of 2013, the provision for loan losses during the quarter ended September 30, 2013 was $2,162,000, down $4,711,000 from the $6,873,000 incurred in the first nine months of 2012. Provision expense for the three months ended September 30, 2013 was $738,000, down $1,669,000 from the $2,407,000 incurred in the third quarter of 2012.

The allowance for loan losses is based on past loan experience and other factors which, in management s judgment, deserve current recognition in estimating possible loan losses. Such factors include growth and composition of the loan portfolio, review of specific problem loans, review of updated appraisals and borrower financial information, the recommendations of the Company s regulators, and current economic conditions that may affect the borrower s ability to repay. Management has in place a system designed for monitoring its loan portfolio and identifying potential problem loans. The allowance for loan losses was 1.96%, 2.18%, and 2.15% of total loans at September 30, 2013, December 31, 2012, and September 30, 2012, respectively.

Management believes the allowance for loan losses at September 30, 2013 to be adequate, but if economic conditions deteriorate beyond management s current expectations and additional charge-offs are incurred, the allowance for loan losses may require an increase through additional provision for loan losses which would negatively impact earnings.

Non-Interest Income

The components of the Company s non-interest income include service charges on deposit accounts, other fees and commissions and gain on sale of loans. Total non-interest income for the nine months ended September 30, 2013 decreased 2.1% to $11,478,000 from $11,722,000 for the same period in 2012. Total non-interest income increased $29,000, or 0.8%, during the quarter ended September 30, 2013 compared to the third quarter in 2012 and there was a decrease of $182,000, or 4.5% over the second quarter of 2013. The Company s non-interest income in the first nine months of 2013 decreased from the first nine months of 2012 in part due to a decrease in service charges on deposit accounts as well as a decrease in gain on sale of securities, partially offset by an increase in gain on sale of loans and an increase in other fees and commissions. Gain on sale of loans increased $229,000, or 9.7%, during the nine months ended September 30, 2013 compared to the same period in 2012. The increase in gain on sale of loans during the first nine months of 2013 related primarily to the increase in mortgage

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

originations and refinancing which occurred during the first half of 2013 compared to the same period in 2012. Service charges on deposit accounts decreased $419,000, or 12.0%, during the nine months ended September 30, 2013 compared to the same period in 2012 and decreased $14,000, or 1.3%, during the quarter ended September 30, 2013 compared to the third quarter of 2012 as a result of consumers continuing to slow their spending due to the continued challenging economic climate. Other fees and commissions increased $136,000, or 2.4%, during the nine months ended September 30, 2013 compared to the same period in 2012. The increase was $190,000 during the quarter ended September 30, 2013 compared to the third quarter of 2012. Other fees and commissions include income on brokerage accounts, insurance policies sold, debit card interchange fee income, and various other fees.

Non-Interest Expenses

Non-interest expenses consist primarily of employee costs, occupancy expenses, furniture and equipment expenses, advertising and marketing expenses, FDIC premiums, data processing expenses, director s fees, loss on sale of other assets, loss on sale of other real estate and other operating expenses. Total non-interest expense increased $3,258,000, or 10.0%, during the first nine months of 2013 compared to the same period in 2012. The increase for the quarter ended September 30, 2013 was $861,000, or 8.3%, as compared to the comparable quarter in 2012. The Company experienced a decrease of $334,000, or 2.9%, in non-interest expenses in the third quarter of 2013 as compared to the second quarter of 2013. The increase in non-interest expenses for the nine months ended September 30, 2013 when compared to the comparable period in 2012 is primarily attributable to an increase in litigation expense. The increase in litigation expense is primarily due to the Company establishing a litigation reserve in the first quarter of 2013 that was increased in the second quarter of 2013 relating to two lawsuits filed against the Bank relating to the alleged actions of a former Bank officer. The Bank and the plaintiffs in one of the lawsuits reached a settlement subsequent to the end of the third quarter of 2013 pursuant to which the Bank agreed to make a payment to the plaintiffs that, when combined with insurance proceeds, is expected to be less than the amount of the litigation reserve. The Company believes the remaining portion of the reserve after taking into account the portion of the reserve used for the settlement, together with insurance proceeds that the Company believes it will have available to it, will be sufficient to cover the pending lawsuit, if necessary, but to the extent that the payments to the plaintiffs in this case exceed such amounts, the Company may incur additional non-interest expense to satisfy such payments. For more information regarding these matters, see Part II, Item 1 Legal Proceedings . Loss on the sale of other real estate decreased $820,000 or 46.8% for the nine months ended September 30, 2013 as compared to the same period in 2012 due to a lower volume of foreclosures as well as improved economic conditions and an improved housing market.

Income Taxes

The Company s income tax expense was $6,955,000 for the nine months ended September 30, 2013, an increase of $992,000 over the comparable period in 2012. Income tax expense was $2,634,000 for the quarter ended September 30, 2013, an increase of $450,000 over the same period in 2012. The percentage of income tax expense to net income before taxes was 37.3% for the nine months ended September 30, 2013 and 38.7% for the nine months ended September 30, 2012, respectively, and 37.0% and 38.7% for the quarters ended September 30, 2013 and 2012, respectively.

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Financial Condition

Balance Sheet Summary

The Company s total assets increased 3.1% to $1,732,489,000 during the nine months ended September 30, 2013 from $1,680,820,000 at December 31, 2012. Total assets increased $28,321,000 during the three-month period ended September 30, 2013. Loans, net of allowance for loan losses, totaled $1,186,467,000 at September 30, 2013, a 3.9% increase compared to $1,142,111,000 at December 31, 2012. Loans decreased $20,178,000, or 1.7%, during the three months ended September 30, 2013. Securities decreased $38,305,000, or 11.5%, to $294,481,000 at September 30, 2013 from $332,786,000 at December 31, 2012. Securities decreased $12,467,000, or 4.1%, during the three months ended September 30, 2013. Federal funds sold decreased to $14,350,000 at September 30, 2013 from $23,780,000 at December 31, 2012, resulting from a growth in deposits that exceeded loan growth.

Total liabilities increased by 3.2% to $1,558,747,000 at September 30, 2013 compared to $1,511,122,000 at December 31, 2012. For the quarter ended September 30, 2013, total liabilities increased $26,061,000, or 1.7%. The increase in total liabilities for the nine months ended September 30, 2013, was comprised primarily of a $43,581,000, or 2.9%, increase in total deposits. Included in other liabilities is federal and state taxes payable, bonus payable, and a litigation reserve for the verdicts in the legal proceeding described in more detail in Part II, Item 1, Legal Proceedings below.

Non Performing Assets

The following tables present the Company s non-accrual loans and past due loans as of September 30, 2013 and December 31, 2012.

Loans on Nonaccrual Status

	In Thousands	
	2013	2012
Residential 1-4 family	$ 1,120	$ 930
Multifamily		
Commercial real estate	193	4,445
Construction	4,910	9,626
Farmland	1,883	1,248
Second mortgages	606	606
Equity lines of credit		
Commercial		
Agricultural, installment and other		
Total	$ 8,712	$ 16,855

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

(In thousands)

	30-59 Days Past Due	60-89 Days Past Due	Non Accrual and Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment Greater Than 90 Days Past Due and Accruing
September 30, 2013							
Residential 1-4 family	$ 4,003	680	1,779	6,462	325,921	332,383	$ 659
Multifamily					11,117	11,117	
Commercial real estate	533	97	851	1,481	528,194	529,675	658
Construction	314	376	5,145	5,835	190,197	196,032	235
Farmland	130		1,883	2,013	21,992	24,005	
Second Mortgages	73	28	606	707	11,239	11,946	
Equity Lines of Credit	46		276	322	34,120	34,442	276
Commercial	38		247	285	27,248	27,533	247
Agricultural	97	9		106	2,009	2,115	
Installment and other	266	75	16	357	43,782	44,139	16
Total	$ 5,500	1,265	10,803	17,568	1,195,819	1,213,387	$ 2,091
December 31, 2012							
Residential 1-4 family	$ 5,297	1,448	1,524	8,269	333,708	341,977	$ 594
Multifamily					16,140	16,140	
Commercial real estate	1,599	710	4,470	6,779	462,978	469,757	25
Construction	796	72	9,650	10,518	179,838	190,356	24
Farmland	260	43	1,248	1,551	24,768	26,319	
Second Mortgages	396	7	677	1,080	11,397	12,477	71
Equity Lines of Credit	186	173	46	405	35,855	36,260	46
Commercial	204	24	54	282	30,263	30,545	54
Agricultural, installment and other	488	143	105	736	45,953	46,689	105
Total	$ 9,226	2,620	17,774	29,620	1,140,900	1,170,520	$ 919

Generally, at the time a loan is placed on nonaccrual status, all interest accrued 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 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 doubt. A nonaccrual loan may be restored to 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.

Non-performing loans, which included non-accrual loans and loans 90 days past due, at September 30, 2013 totaled $10,803,000, a decrease from $17,774,000 at December 31, 2012. The decrease in non-performing loans during the nine months ended September 30, 2013 of $6,971,000 is due primarily to a decrease in non-performing commercial real estate mortgage loans of $3,619,000 and a decrease in non-performing construction loans of $4,505,000. The decrease in non-performing loans relates primarily to upgrading of the credit of two large loan relationships that have continued to improve their financial status. Management believes that it is probable that it will incur losses on these loans but believes that these losses should not exceed the amount in the allowance for loan losses already allocated to these loans, unless there is further deterioration of local real estate values.

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Other loans may be classified as impaired when the current net worth and financial capacity of the borrower or of the collateral pledged, if any, is viewed as inadequate. Such loans generally have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt, and if such deficiencies are not corrected, there is a probability that the Company will sustain some loss. In such cases, interest income continues to accrue as long as the loan does not meet the Company s criteria for nonaccrual status.

The decrease in impaired loans in the nine months ended September 30, 2013 was primarily due to the above-referenced upgrading of the credit of two large loan relationships. The Company s market areas have seen an increase in the residential real estate market and the commercial real estate market remains steady. The allowance for loan loss related to impaired loans was measured based upon the estimated fair value of related collateral.

Loans are charged-off in the month when the determination is made that a loss will be incurred. Net charge-offs for the nine months ended September 30, 2013 were $3,980,000 as compared to $6,465,000 for the same period in 2012 and $8,556,000 for year ended December 31, 2012. The Bank has experienced a decrease in past dues and nonaccruals over the past six quarters and is expecting fewer foreclosures which has resulted in fewer charge-offs.

The collateral values securing potential problem loans, including impaired loans, based on estimates received by management, total approximately $37 million. The internally classified loans have decreased $10,639,000, or 21.5%, from $49,418,000 at December 31, 2012 to $38,799,000. Loans are listed as classified when information obtained about possible credit problems of the borrower has prompted management to question the ability of the borrower to comply with the repayment terms of the loan agreement. The loan classifications do not represent or result from trends or uncertainties which management expects will materially impact future operating results, liquidity or capital resources.

The largest category of internally graded loans at September 30, 2013 was real estate mortgage loans. Included within this category are residential real estate construction and development loans, including loans to home builders and developers of land, as well as one to four family mortgage loans. Residential real estate loans, including construction and land development loans that are internally classified totaled $26,118,000 and $31,548,000 at September 30, 2013 and December 31, 2012, respectively. These loans have been graded accordingly due to bankruptcies, inadequate cash flows and delinquencies. Borrowers within the real estate related loans have continued to experience some stress during the current weak economic environment; however, the Bank has recently experienced an increase in demand for real estate loans. An extension of the challenging economic environment experienced since 2008 will likely cause the Company s commercial real estate mortgage and land development loans to continue to underperform and may result in increased levels of internally graded loans which, if they continue to deteriorate, may negatively impact the Company s results of operations. Management does not anticipate losses on residential real estate construction and development loans to exceed the amount already allocated to loan losses, unless there is further deterioration of local real estate values.

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 involved in extending liability maturities.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Liquid assets include cash and cash equivalents and investment securities and money market instruments that will mature within one year. At September 30, 2013, the Company s liquid assets totaled $223 million. The Company maintains a formal asset and liability management process to quantify, monitor and control interest rate risk and to assist management in maintaining stability in the net interest margin under varying interest rate environments. The Company accomplishes this process through the development and implementation of lending, funding and pricing strategies designed to maximize net interest income under varying interest rate environments subject to specific liquidity and interest rate risk guidelines.

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

The Company s primary source of liquidity is a stable core deposit base. In addition, loan payments, investment security maturities and short-term borrowings provide a secondary source. At September 30, 2013, the Company had a liability sensitive position (a negative gap). Liability sensitivity means that more of the Company s liabilities are capable of re-pricing 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.

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 its rate sensitivity position. These meetings focus on the spread between the Company s cost of funds and interest yields generated primarily through loans and investments.

The Company s securities portfolio consists of earning assets that provide interest income. For those securities classified as held-to-maturity, the Company has the ability and intent to hold these securities to maturity or on a long-term basis. Securities classified as available-for-sale include securities intended to be used as part of the Company s asset/liability strategy and/or securities that may be sold in response to changes in interest rate, prepayment risk, the need or desire to increase capital and similar economic factors. Securities totaling approximately $4.7 million mature or will be subject to rate adjustments within the twelve months following September 30, 2013.

A secondary source of liquidity is the Company s loan portfolio. At September 30, 2013, loans totaling approximately $283.8 million either will become due or will be subject to rate adjustments within twelve months from that date. Continued emphasis will be placed on structuring adjustable rate loans.

As for liabilities, certificates of deposit of $100,000 or greater totaling approximately $167.7 million will become due or reprice during the twelve months following September 30, 2013. Historically, there has been no significant

reduction in immediately withdrawable accounts such as negotiable order of withdrawal accounts, money market demand accounts, demand deposit accounts and regular savings accounts. Management anticipates that there will be no significant withdrawals from these accounts in the future.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Management believes that with present maturities, the anticipated growth in deposit base, and the efforts of management in its asset/liability management program, liquidity will not pose a problem in the near term future. 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 a materially adverse way.

Off Balance Sheet Arrangements

At September 30, 2013, we had unfunded loan commitments outstanding of $210.5 million and outstanding standby letters of credit of $26.4 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 Bank 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 Bank could sell participations in these or other loans to correspondent banks. As mentioned above, the Bank 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.

Capital Position and Dividends

At September 30, 2013, total stockholders equity was $173,742,000, or 10.0% of total assets, which compares with $169,698,000, or 10.1% of total assets, at December 31, 2012. The dollar increase in stockholders equity during the nine months ended September 30, 2013 results from the Company s net income of $11,706,000, proceeds from the issuance of common stock related to exercise of stock options of $136,000, the net effect of a $10,706,000 unrealized loss on investment securities net of applicable income taxes of $4,099,000, cash dividends declared of $4,464,000 of which $3,248,000 was reinvested under the Company s dividend reinvestment plan, and $25,000 related to stock option compensation.

The Company s and the Bank s principal regulators have established minimum risk-based capital requirements and leverage capital requirements for the Company and the Bank. These guidelines 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 Bank has 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. Under the Federal Reserve s regulations, for a bank holding company, like the Company, to be considered well capitalized it must maintain a Total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 6% and not be subject to a written agreement, order or directive to maintain a specific capital level. In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide that a minimum ratio of Tier 1 capital to average assets, less goodwill and other specified intangible assets, of at least 4% should be maintained by most bank holding companies.

In July 2013, the Federal Reserve approved regulations concerning the capital requirements of financial institutions as a result of the publication of Risk-Based Capital Standards: Advanced Capital Adequacy Framework Basel III; Establishment of a Risk-Based Capital Floor by the OCC, FDIC, and Federal Reserve. This rule amends (a) the

advanced risk-based capital adequacy standards (advanced

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

approaches rules) in a manner that is consistent with certain provisions of the Dodd-Frank Act and (b) the general risk-based capital rules to provide limited flexibility consistent with Section 171(b) of the Dodd-Frank Act for recognizing the relative risk of certain assets generally not held by depository institutions. Management has assessed the impact of the regulation and its impact on capital adequacy and determined that it will not have a significant negative impact on the Company.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). As of September 30, 2013 and December 31, 2012, the Company and the Bank are considered to be well capitalized under regulatory definitions. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables.

The Company s and the Bank s actual capital amounts and ratios as of September 30, 2013 and December 31, 2012, are also presented in the tables:

	Actual		*Minimum Capital Requirements*		*Minimum To Be Well Capitalized Under Applicable Regulatory Provisions*	
	Amount	*Ratio*	*Amount*	*Ratio*	*Amount*	*Ratio*
			(dollars in thousands)			
September 30, 2013:						
Total capital to risk weighted assets:						
Consolidated	$ 189,310	14.56%	$ 104,016	8.0%	130,021	10.0%
Wilson Bank	189,044	14.55	103,942	8.0	129,927	10.0
Tier 1 capital to risk weighted assets:						
Consolidated	172,972	13.31	51,983	4.0	77,974	6.0
Wilson Bank	172,706	13.29	51,981	4.0	77,971	6.0
Tier 1 capital to average assets:						
Consolidated	172,972	10.21	67,766	4.0	84,707	5.0
Wilson Bank	172,706	10.20	67,728	4.0	84,660	5.0

Table of Contents

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Applicable Regulatory Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
December 31, 2012:						
Total capital to risk weighted assets:						
Consolidated	$ 178,162	14.2%	$ 100,373	8.0%	$ 125,466	10.0%
Wilson Bank	176,652	14.1	100,228	8.0	125,285	10.0
Tier 1 capital to risk weighted assets:						
Consolidated	162,321	12.9	50,332	4.0	75,498	6.0
Wilson Bank	160,811	12.8	50,253	4.0	75,380	6.0
Tier 1 capital to average assets:						
Consolidated	162,321	9.8	66,253	4.0	N/A	N/A
Wilson Bank	160,811	9.7	66,314	4.0	82,892	5.0

Impact of Inflation

Although interest rates are significantly affected by inflation, the inflation rate is immaterial when reviewing the Company s results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

There have been no material changes in reported market risks during the nine months ended September 30, 2013.

WILSON BANK HOLDING COMPANY

FORM 10-Q, CONTINUED

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act), that are designated to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. Based on the evaluation of these disclosure controls and procedures, its Chief Executive Officer and its Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective.

There were no changes in the Company s internal control over financial reporting during the Company s fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Various legal proceedings to which the Company and the Bank are a party arise from time to time in the normal course of business. Except as described below, as of the date hereof, there are no material pending legal proceedings to which the Company or the Bank is a party or by which their properties are subject.

On March 20, 2013 and March 21, 2013, a jury in a case styled *Kendall S. Howell, an individual, and Stones River Homes, Inc., a Tennessee Corporation, Richmond s Retreat, LLC, a Tennessee limited liability company; and Winfred Howell, an individual v. Wilson Bank & Trust, Case No. 09-0601CV, Rutherford County, Tennessee Chancery Court*, awarded damages against the Bank of $7.5 million. The award, which consists of compensatory damages of $3.9 million and punitive damages of $3.6 million, relates to a lawsuit filed against the Bank in 2009 by a former customer of the Bank and entities affiliated with this customer. The plaintiffs in the lawsuit alleged that a former officer of the Bank had engaged in improper conduct related to certain lending transactions with the plaintiffs.

A judgment on the awarded damages was not entered by the Chancellor because subsequent to the end of the third quarter of 2013, the Bank and the plaintiffs in the *Howell* matter entered into a settlement agreement pursuant to which the parties have agreed to settle the matter for a payment by the Bank in an amount, that when combined with available insurance proceeds, is less than the amount of the litigation reserve previously established by the Company.

In the fourth quarter of 2012, the Bank was served with a complaint filed in the Circuit Court of Rutherford County, Tennessee in the matter *Tony M. Hinson and Amanda H. Gallagher vs. Wilson Bank and Trust, et al.* (Civil Action No. 65380). The complaint alleges violations of the Tennessee Consumer Protection Act, common law and statutory fraud, forgery, and unauthorized alteration, breach of contract, business libel and defamation and breach of fiduciary duty arising out of alleged improper conduct by a former officer of the Bank related to certain lending transactions with the plaintiffs. The plaintiffs are seeking, among other remedies, injunctive relief, compensatory and punitive damages in the amount of $10,000,000, treble damages and the recovery of attorney s fees and costs. On November 21, 2012, the Bank filed a motion to dismiss the complaint and a hearing on the motion was scheduled for August 23, 2013. By Order dated September 25, 2013, the Court denied the Bank s motion to dismiss and a cross motion for partial summary judgment filed by the plaintiffs.

As a result of the jury s verdicts in the *Howell* matter described above, the Company established a litigation reserve of $2.5 million in the quarter ended March 31, 2013 and added an additional $100,000 during the quarter ended June 30, 2013. The Company believes that the remaining portion of the reserve after taking into account the portion of the reserve used to settle the Howell matter, together with insurance proceeds that the Company believes it will have available to it, will be sufficient to satisfy any judgments in the case if the Bank is unable to prevail on its defenses and counterclaims, but to the extent that any payments to the plaintiffs in this case exceed such amounts, the Company may incur additional non-interest expense to satisfy such payments.

Table of Contents

Item 1A. RISK FACTORS

There were no material changes to the Company s risk factors as previously disclosed in Part I, Item 1A of the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and Part II, Item 1A of the Company s Quarterly Reports on Forms 10-Q for quarters ended March 31, 2013 and June 30, 2013.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) None

(b) Not applicable.

(c) None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

(a) None

(b) Not applicable

Item 4. MINE SAFETY DISCLOSURES

Not applicable

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

Exhibits

31.1 Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of

2002.

32.2 Certification of the Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Interactive Data File.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILSON BANK HOLDING COMPANY

(Registrant)

DATE: November 8, 2013

/s/ Randall Clemons
Randall Clemons
President and Chief Executive Officer

DATE: November 8, 2013

/s/ Lisa Pominski
Lisa Pominski
Senior Vice President & Chief Financial Officer