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, 2014

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: 7,571,372 shares at November 7, 2014

Part I. Financial Information

Item 1. Financial Statements

WILSON BANK HOLDING COMPANY

Consolidated Balance Sheets

September 30, 2014 and December 31, 2013

(Unaudited)

	September 30, 2014	December 31, 2013
	(Dollars in Thousands Except Per Share Amounts)	
Assets		
Loans	$ 1,309,180	$ 1,207,202
Less: Allowance for loan losses	(23,314)	(22,935)
Net loans	1,285,866	1,184,267
Securities:		
Held to maturity, at cost (market value $28,873 and $26,561, respectively)	28,794	26,823
Available-for-sale, at market (amortized cost $342,460 and $336,335, respectively)	338,651	329,373
Total securities	367,445	356,196
Loans held for sale	8,781	7,022
Restricted equity securities	3,012	3,012
Federal funds sold	21,005	38,190
Total earning assets	1,686,109	1,588,687
Cash and due from banks	58,529	73,314
Bank premises and equipment, net	39,592	38,176
Accrued interest receivable	5,186	5,063
Deferred income tax asset	10,928	11,437
Other real estate	9,604	12,869
Bank owned life insurance	16,696	11,390
Other assets	4,119	3,230
Goodwill	4,805	4,805
Total assets	$ 1,835,568	$ 1,748,971
Liabilities and Stockholders Equity		
Deposits	$ 1,624,272	$ 1,554,255
Securities sold under repurchase agreements	4,848	9,078

Accrued interest and other liabilities	13,367	7,967
Total liabilities	1,642,487	1,571,300
Stockholders equity:		
Common stock, $2.00 par value; authorized 15,000,000 shares, issued 7,570,880 and 7,498,588 shares, respectively	15,142	14,997
Additional paid-in capital	57,672	54,519
Retained earnings	122,618	112,451
Net unrealized gains on available-for-sale securities, net of income taxes of $1,458 and $2,666 respectively	(2,351)	(4,296)
Total stockholders equity	193,081	177,671
Total liabilities and stockholders equity	$ 1,835,568	$ 1,748,971

See accompanying notes to consolidated financial statements (unaudited)

WILSON BANK HOLDING COMPANY

Consolidated Statements of Earnings

Three Months and Nine Months Ended September 30, 2014 and 2013

(Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	(Dollars in Thousands Except Per Share Amounts)			
Interest income:				
Interest and fees on loans	$ 17,069	$ 16,594	$ 49,456	$ 49,540
Interest and dividends on securities:				
Taxable securities	1,592	1,032	4,832	3,066
Exempt from Federal income taxes	173	152	505	451
Interest on loans held for sale	83	65	196	188
Interest on Federal funds sold	33	55	120	154
Interest and dividends on restricted securities	30	32	91	100
Total interest income	18,980	17,930	55,200	53,499
Interest expense:				
Interest on negotiable order of withdrawal accounts	406	397	1,197	1,190
Interest on money market and savings accounts	588	601	1,756	1,805
Interest on certificates of deposit	1,426	1,655	4,398	5,234
Interest on securities sold under repurchase agreements	5	13	19	38
Interest on Federal funds purchased	1	1	1	1
Total interest expense	2,426	2,667	7,371	8,268
Net interest income before provision for loan losses	16,554	15,263	47,829	45,231
Provision for loan losses	87	738	364	2,162
Net interest income after provision for loan losses	16,467	14,525	47,465	43,069
Non-interest income:				
Service charges on deposit accounts	1,174	1,107	3,139	3,068
Other fees and commissions	2,314	1,996	6,693	5,745
Gain on sale of loans	796	777	1,926	2,587
Gain on sale of other assets			7	
Gain on sale of securities	5		293	78
Total non-interest income	4,289	3,880	12,058	11,478

Non-interest expense:				
Salaries and employee benefits	6,926	6,485	20,462	18,966
Occupancy expenses, net	858	683	2,250	1,964
Furniture and equipment expense	447	358	1,286	997
Data processing expense	574	462	1,713	1,358
Directors fees	166	157	512	521
Other operating expenses	2,967	2,884	8,828	8,295
Loss on sale of other assets		2	3	2
Legal fees	12	41	80	2,849
Loss on sale of other real estate	34	218	190	934
Total non-interest expense	11,984	11,290	35,324	35,886
Earnings before income taxes	8,772	7,115	24,199	18,661
Income taxes	3,421	2,634	9,522	6,955
Net earnings	$ 5,351	$ 4,481	14,677	11,706
Weighted average number of shares outstanding-basic	7,559,136	7,485,272	7,538,860	7,463,654
Weighted average number of shares outstanding-diluted	7,563,354	7,489,992	7,543,210	7,468,503
Basic earnings per common share	$ .71	$ .60	$ 1.95	$ 1.57
Diluted earnings per common share	$ .71	$ .60	$ 1.95	$ 1.57
Dividends per share	$ .30	$ .30	$ .60	$ .60

See accompanying notes to consolidated financial statements (unaudited)

WILSON BANK HOLDING COMPANY

Consolidated Statements of Comprehensive Earnings

Three Months and Nine Months Ended September 30, 2014 and 2013

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(In Thousands)			
Net earnings	$ 5,351	$ 4,481	$ 14,677	$ 11,706
Other comprehensive earnings, net of tax:				
Unrealized gains on available-for-sale securities arising during period, net of taxes of $417, $1,022, $1,320 and $4,069, respectively	(674)	(1,648)	2,126	(6,560)
Reclassification adjustment for net gains included in net earnings, net of taxes of $2, $0, $112, and $30, respectively	(3)		(181)	(48)
Other comprehensive earnings (loss)	(677)	(1,648)	1,945	(6,608)
Comprehensive earnings	$ 4,674	$ 2,833	$ 16,622	$ 5,098

See accompanying notes to consolidated financial statements (unaudited)

WILSON BANK HOLDING COMPANY

Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2014 and 2013

Increase (Decrease) in Cash and Cash Equivalents

(Unaudited)

	2014	2013
	(In Thousands)	
Cash flows from operating activities:		
Interest received	$ 56,628	$ 56,215
Fees and commissions received	9,832	8,813
Proceeds from sale of loans held for sale	74,251	95,858
Origination of loans held for sale	(74,084)	(85,390)
Interest paid	(7,666)	(8,910)
Cash paid to suppliers and employees	(29,076)	(25,821)
Income taxes paid	(10,132)	(7,651)
Net cash provided by operating activities	19,753	33,114
Cash flows from investing activities:		
Proceeds from maturities, calls, and principal payments of held-to-maturity securities	1,452	2,626
Proceeds from maturities, calls, and principal payments of available-for-sale securities	51,317	60,798
Proceeds from the sale of available-for-sale securities	49,021	6,867
Purchase of held-to-maturity securities	(3,609)	(11,789)
Purchase of available-for-sale securities	(107,535)	(33,416)
Loans made to customers, net of repayments	(101,315)	(48,793)
Purchase of Bank owned life insurance	(5,000)	
Purchase of premises and equipment	(3,024)	(1,929)
Proceeds from sale of premises and equipment	7	
Proceeds from sale of other real estate	2,419	2,656
Proceeds from sale of other assets	1	33
Net cash used in investing activities	(116,266)	(22,947)
Cash flows from financing activities:		
Net increase in non-interest bearing, savings and NOW deposit accounts	103,666	68,837
Net decrease in time deposits	(33,649)	(25,256)
Net decrease in securities sold under repurchase agreements	(4,230)	(1,333)
Dividends paid	(4,510)	(4,464)
Proceeds from sale of common stock pursuant to dividend reinvestment	3,204	3,248
Repurchase of common stock	(94)	
Proceeds from exercise of stock options	156	136
Net cash provided by financing activities	64,543	41,168

Net increase (decrease) in cash and cash equivalents	(31,970)	51,335
Cash and cash equivalents at beginning of period	111,504	106,664
Cash and cash equivalents at end of period	$ 79,534	$ 157,999

See accompanying notes to consolidated financial statements (unaudited)

WILSON BANK HOLDING COMPANY

Consolidated Statements of Cash Flows, Continued

Nine Months Ended September 30, 2014 and 2013

Increase (Decrease) in Cash and Cash Equivalents

(Unaudited)

	2014	2013
	(In Thousands)	
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	$ 14,677	$ 11,706
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization, and accretion	3,159	3,840
Provision for loan losses	364	2,162
Loss on sale of other real estate	190	934
Loss on sale of other assets	3	2
Security gains	(293)	(78)
Stock option compensation	32	25
Gain on sale of fixed assets	(7)	
Decrease (increase) in taxes payable	89	(685)
Decrease (increase) in loans held for sale	(1,759)	7,881
Increase in deferred tax assets	(699)	(11)
Decrease (increase) in other assets, net	(1,191)	1,151
Decrease (increase) in interest receivable	(123)	125
Increase in other liabilities	5,606	6,704
Decrease in interest payable	(295)	(642)
Total adjustments	$ 5,076	$ 21,408
Net cash provided by operating activities	$ 19,753	$ 33,114
Supplemental schedule of non-cash activities:		
Unrealized gain (loss) in values of securities available-for-sale, net of taxes of $1,208 and $4,098 for the nine months ended September 30, 2014 and 2013, respectively	$ 1,945	$ (6,608)
Non-cash transfers from loans to other real estate	$ 424	$ 3,117
Non-cash transfers from other real estate to loans	$ 1,080	$ 886
Non-cash transfers from loans to other assets	$ 8	$ 44

See accompanying notes to consolidated financial statements (unaudited)

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WILSON BANK HOLDING COMPANY

Notes to Consolidated Financial Statements

(Unaudited)

Note 1. Summary of Significant Accounting Policies

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

Basis of Presentation The accompanying unaudited, consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. All adjustments consisting of normally recurring accruals that, in the opinion of management, are necessary for a fair presentation of the financial position and results of operations for the periods covered by the report have been included. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company s consolidated financial statements and related notes appearing in the 2013 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, 2013. 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, 2013.

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 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.

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All loans that are placed on nonaccrual are further analyzed to determine if they should be classified as impaired loans. At December 31, 2013 and at September 30, 2014, there were no loans classified as nonaccrual that were not also deemed to be impaired except for those loans not individually evaluated for impairment as described below. 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 or, in the case of collateral dependent loans, the excess is charged off. 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 with principal balances of 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.

Recently Adopted Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-04, *Receivables Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure*, to reduce the diversity in reporting when an in substance repossession or foreclosure occurs, that is, when a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan such that the loan receivable should be derecognized and the real estate property

recognized. The amendments in this ASU clarify that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The Company adopted this ASU in the first quarter of 2014 using the prospective method and had no loans that met the above stated criteria as of September 30, 2014.

There were no recently issued accounting pronouncements that are expected to materially 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, 2014 and December 31, 2013:

	(In Thousands)	
	September 30, 2014	December 31, 2013
Mortgage Loans on real estate		
Residential 1-4 family	$ 345,346	$ 332,432
Multifamily	13,743	13,920
Commercial	564,744	526,258
Construction and land development	235,324	194,426
Farmland	29,344	22,771
Second mortgages	9,752	10,511
Equity lines of credit	38,404	34,185
Total mortgage loans on real estate	1,236,657	1,134,503
Commercial loans	26,237	29,444
Agricultural loans	2,075	2,099
Consumer installment loans		
Personal	37,913	37,789
Credit cards	3,008	3,329
Total consumer installment loans	40,921	41,118
Other loans	7,517	3,291
	1,313,407	1,210,455

Net deferred loan fees	(4,227)	(3,253)
Total loans	1,309,180	1,207,202
Less: Allowance for loan losses	(23,314)	(22,935)
Net Loans	$ 1,285,866	$ 1,184,267

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.

Transactions in the allowance for loan losses for the nine months ended September 30, 2014 and year ended December 31, 2013 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
September 30, 2014											
Allowance for loan losses:											
Beginning balance	$ 4,935	77	10,918	5,159	618	205	300	395	7	321	22,935
Provision	1,079	(1)	(1,079)	830	228	(154)	(20)	(591)	(7)	79	364
Charge-offs	(372)		(128)	(7)				(37)		(213)	(757)
Recoveries	47		5	140	1	20	1	458	3	97	772
Ending balance	$ 5,689	76	9,716	6,122	847	71	281	225	3	284	23,314
Ending balance individually evaluated for impairment	$ 316		1,753	501	122						2,692
Ending balance collectively evaluated for impairment	$ 5,373	76	7,963	5,621	725	71	281	225	3	284	20,622
Ending balance loans acquired with deteriorated credit quality	$										
Loans:											
Ending balance	$ 345,346	13,743	564,744	235,324	29,344	9,752	38,404	26,237	2,075	48,438	1,313,407
Ending balance individually evaluated for impairment	$ 1,967		13,886	2,427	702						18,982
Ending balance collectively evaluated for impairment	$ 343,379	13,743	550,858	232,897	28,642	9,752	38,404	26,237	2,075	48,438	1,294,425

Ending balance loans acquired with deteriorated credit quality	$

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(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, 2013											
Allowance for loan losses:											
Beginning balance	$ 5,699	89	9,305	7,191	1,658	272	492	382	15	394	25,497
Provision	36	(12)	3,063	(741)	(266)	(70)	(89)	131	(14)	139	2,177
Charge-offs	(877)		(1,478)	(1,470)	(781)	(7)	(104)	(149)	(1)	(380)	(5,247)
Recoveries	77		28	179	7	10	1	31	7	168	508
Ending balance	$ 4,935	77	10,918	5,159	618	205	300	395	7	321	22,935
Ending balance individually evaluated for impairment	$ 1,150		2,300	950	57	49	10				4,516
Ending balance collectively evaluated for impairment	$ 3,785	77	8,618	4,209	561	156	290	395	7	321	18,419
Ending balance loans acquired with deteriorated credit quality	$										
Loans:											
Ending balance	$ 332,432	13,920	526,258	194,426	22,771	10,511	34,185	29,444	2,099	44,409	1,210,455
Ending balance individually evaluated for impairment	$ 4,303		17,722	3,806	1,300	761	174				26,896
Ending balance collectively evaluated for	$ 328,129	13,920	508,536	190,620	22,641	9,750	34,011	29,444	2,099	44,409	1,183,559

impairment

Ending balance loans acquired with deteriorated credit quality	$

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Impaired Loans

At September 30, 2014, the Company had certain impaired loans of $3,001,000 which were on non-accruing interest status. At December 31, 2013, the Company had certain impaired loans of $4,718,000 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, 2014 and December 31, 2013.

	In Thousands				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
September 30, 2014					
With no related allowance recorded:					
Residential 1-4 family	$ 864	854		811	37
Multifamily					
Commercial real estate	6,916	6,899		7,528	292
Construction				897	
Farmland					
Second mortgages				202	
Equity lines of credit					
Commercial					
Agricultural					
	$ 7,780	7,753		9,438	329
With allowance recorded:					
Residential 1-4 family	$ 1,137	1,114	316	1,411	36
Multifamily					
Commercial real estate	7,010	8,689	1,753	5,963	235
Construction	2,427	2,427	501	2,419	
Farmland	703	702	122	788	5
Second mortgages					
Equity lines of credit					
Commercial					
Agricultural					
	$ 11,277	12,932	2,692	10,581	276
Total					
Residential 1-4 family	$ 2,001	1,968	316	2,222	73
Multifamily					
Commercial real estate	13,926	15,588	1,753	13,491	527
Construction	2,427	2,427	501	3,316	
Farmland	703	702	122	788	5
Second mortgages				202	
Equity lines of credit					
Commercial					

Agricultural					
	$ 19,057	20,685	2,692	20,019	605

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	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	In Thousands				
December 31, 2013					
With no related allowance recorded:					
Residential 1-4 family	$ 357	404		2,947	16
Multifamily					
Commercial real estate	7,234	7,199		3,750	260
Construction	1,393	1,393		2,265	11
Farmland					
Second mortgages	606	606		665	
Equity lines of credit					
Commercial				52	
Agricultural					
	$ 9,590	9,602		9,679	287
With allowance recorded:					
Residential 1-4 family	$ 3,972	4,186	1,150	5,107	187
Multifamily					
Commercial real estate	10,589	12,226	2,300	11,834	264
Construction	2,413	2,413	950	5,859	
Farmland	131	131	57	1,818	8
Second mortgages	156	155	49	157	
Equity lines of credit	174	174	10	175	9
Commercial					
Agricultural					
	$ 17,435	19,285	4,516	24,950	468
Total					
Residential 1-4 family	$ 4,329	4,590	1,150	8,054	203
Multifamily					
Commercial real estate	17,823	19,425	2,300	15,584	524
Construction	3,806	3,806	950	8,124	11
Farmland	131	131	57	1,818	8
Second mortgages	762	761	49	822	
Equity lines of credit	174	174	10	175	9
Commercial				52	
Agricultural					
	$ 27,025	28,887	4,516	34,629	755

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.

Troubled Debt Restructuring

The Bank s loan portfolio includes certain loans that have been modified in a troubled debt restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Bank s loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Certain TDRs are classified as nonperforming at the time of restructure and may only be returned to performing status after considering the borrower s sustained repayment performance for a reasonable period, generally six months.

The following table summarizes the carrying balances of TDRs at September 30, 2014 and December 31, 2013.

	September 30, 2014	December 31, 2013
Performing TDRs	$ 4,572	$ 6,487
Nonperforming TDRs	2,050	758
Total TDRS	$ 6,622	$ 7,245

The following table outlines the amount of each troubled debt restructuring categorized by loan classification for the nine months ended September 30, 2014 and the year ended December 31, 2013:

	September 30, 2014			December 31, 2013		
	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	3	$ 602	$ 602	6	$ 800	$ 800
Multifamily						
Commercial real estate	1	22	22	2	5,522	3,291
Construction				1	282	282
Farmland						
Second mortgages				1	24	24
Equity lines of credit						
Commercial						
Agricultural, installment and other				2	13	13
Total	4	$ 624	$ 624	12	$ 6,641	$ 4,410

As of September 30, 2014 and December 31, 2013, the Company did not have any loans previously classified as troubled debt restructurings subsequently default within twelve months of restructuring. A default is defined as an occurrence which violates the terms of the receivable s contract.

As of September 30, 2014, the Company s recorded investment in consumer mortgage loans in the process of foreclosure amounted to $1,131,000.

Potential problem loans, which include nonperforming loans, amounted to approximately $41.5 million at September 30, 2014 compared to $38.0 million at December 31, 2013. 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 Bank s primary federal regulator, for loans classified as special mention, substandard, or doubtful.

The following summary 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 loan on nonaccrual status.

The following table is a summary of the Bank s loan portfolio by risk rating:

(In Thousands)

	Residential 1-4 Family	Multifamily	Commercial Real Estate	Construction	Farmland	Second Mortgages	Equity Lines of Credit	Commercial	Agricultural	Installment and Other	Total
September 30, 2014											
Credit Risk Profile by Internally Assigned Rating											
Pass	$ 333,565	13,743	540,262	232,262	28,322	9,101	38,181	26,125	2,067	48,286	1,271,914
Special Mention	8,912		10,697	582	65	402	176	20	2	27	20,883
Substandard	2,869		13,785	2,480	957	249	47	92	6	125	20,610
Doubtful											
Total	$ 345,346	13,743	564,744	235,324	29,344	9,752	38,404	26,237	2,075	48,438	1,313,407
December 31, 2013											
Credit Risk Profile by Internally Assigned Rating											
Pass	$ 319,762	13,920	507,769	190,083	22,324	9,135	33,964	29,298	2,089	44,159	1,172,503
Special Mention	9,460		5,308	367	64	665	174	26	3	43	16,110
Substandard	3,210		13,181	3,976	383	711	47	120	7	207	21,842
Doubtful											
Total	$ 332,432	13,920	526,258	194,426	22,771	10,511	34,185	29,444	2,099	44,409	1,210,455

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, 2014 and December 31, 2013 are summarized as follows:

	September 30, 2014 Securities Available-For-Sale *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)*	$ 143,204	$ 43	$ 2,755	$ 140,492
Mortgage-backed:				
GSE residential	163,644	545	1,308	162,881
Asset-backed securities:				
SBAP	21,270		266	21,004
Obligations of states and political subdivisions	14,342	118	186	14,274
	$ 342,460	$ 706	$ 4,515	$ 338,651

	September 30, 2014 Securities Held-To-Maturity *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed:				
Government-sponsored enterprises (GSEs)* residential	$ 7,819	$ 53	$ 310	$ 7,562
Obligations of states and political subdivisions	20,975	414	78	21,311
	$ 28,794	$ 467	$ 388	$ 28,873

	December 31, 2013 Securities Available-For-Sale *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Government-sponsored enterprises (GSEs)*	$ 141,968	$ 10	$ 5,892	$ 136,086
Mortgage-backed:				
GSE residential	175,855	808	1,481	175,182
Asset-backed securities:				
SBAP	4,801		69	4,732
Obligations of states and political subdivisions	13,711	71	409	13,373

	$ 336,335	$ 889	$ 7,851	$ 329,373

	December 31, 2013 Securities Held-To-Maturity *In Thousands*			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Mortgage-backed:				
Government-sponsored enterprises (GSEs)* residential	$ 8,649	$ 73	$ 520	$ 8,202
Obligations of states and political subdivisions	18,174	424	239	