

WESBANCO INC
Form 10-Q
October 25, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

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WEST VIRGINIA
(State of incorporation)

55-0571723
(IRS Employer Identification No.)

1 Bank Plaza, Wheeling, WV
(Address of principal executive offices)

26003
(Zip Code)

Registrant's telephone number, including area code: 304-234-9000

NOT APPLICABLE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of October 23, 2012, there were 26,665,519 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

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WESBANCO, INC.

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Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WESBANCO, INC. CONSOLIDATED BALANCE SHEETS**

<i>(unaudited, in thousands, except shares)</i>	September 30, 2012	December 31, 2011
ASSETS		
Cash and due from banks, including interest bearing amounts of \$18,675 and \$10,929, respectively	\$ 116,411	\$ 140,325
Securities:		
Available-for-sale, at fair value	993,754	1,016,340
Held-to-maturity (fair values of \$598,854 and \$621,472, respectively)	559,156	592,925
Total securities	1,552,910	1,609,265
Loans held for sale	14,225	6,084
Portfolio loans, net of unearned income	3,352,966	3,239,368
Allowance for loan losses	(53,476)	(54,810)
Net portfolio loans	3,299,490	3,184,558
Premises and equipment, net	80,176	82,204
Accrued interest receivable	19,171	19,268
Goodwill and other intangible assets, net	281,570	283,150
Bank-owned life insurance	112,720	110,074
Other assets	100,286	101,102
Total Assets	\$ 5,576,959	\$ 5,536,030
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 760,308	\$ 705,415
Interest bearing demand	784,748	698,114
Money market	778,121	789,036
Savings deposits	649,959	596,549
Certificates of deposit	1,515,076	1,604,752
Total deposits	4,488,212	4,393,866
Federal Home Loan Bank borrowings	91,617	168,186
Other short-term borrowings	186,886	196,887
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,091	106,066
Total borrowings	384,594	471,139
Accrued interest payable	4,628	4,975
Other liabilities	40,203	32,260

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Total Liabilities	4,917,637	4,902,240
SHAREHOLDERS EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, \$2.0833 par value; 50,000,000 shares authorized; 26,667,739 and 26,633,848 shares issued in 2012 and 2011, respectively; outstanding: 26,665,519 and 26,629,360 shares in 2012 and 2011, respectively	55,558	55,487
Capital surplus	192,159	191,679
Retained earnings	411,853	388,818
Treasury stock (2,220 and 4,488 shares in 2012 and 2011, respectively, at cost)	(44)	(96)
Accumulated other comprehensive income (loss)	1,019	(902)
Deferred benefits for directors	(1,223)	(1,196)
Total Shareholders Equity	659,322	633,790
Total Liabilities and Shareholders Equity	\$ 5,576,959	\$ 5,536,030

See Notes to Consolidated Financial Statements.

Table of Contents**WESBANCO, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

<i>(unaudited, in thousands, except shares and per share amounts)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
INTEREST AND DIVIDEND INCOME				
Loans, including fees	\$ 41,423	\$ 44,191	\$ 124,345	\$ 133,051
Interest and dividends on securities:				
Taxable	7,722	9,032	24,784	27,171
Tax-exempt	3,113	3,019	9,270	9,051
Total interest and dividends on securities	10,835	12,051	34,054	36,222
Other interest income	30	45	115	154
Total interest and dividend income	52,288	56,287	158,514	169,427
INTEREST EXPENSE				
Interest bearing demand deposits	397	462	1,132	1,673
Money market deposits	487	1,121	1,786	3,693
Savings deposits	202	332	697	1,169
Certificates of deposit	6,450	7,728	20,050	23,707
Total interest expense on deposits	7,536	9,643	23,665	30,242
Federal Home Loan Bank borrowings	1,020	1,714	3,684	5,743
Other short-term borrowings	1,169	1,220	3,503	3,590
Junior subordinated debt owed to unconsolidated subsidiary trusts	869	809	2,598	2,421
Total interest expense	10,594	13,386	33,450	41,996
NET INTEREST INCOME	41,694	42,901	125,064	127,431
Provision for credit losses	4,497	10,836	16,602	25,680
Net interest income after provision for credit losses	37,197	32,065	108,462	101,751
NON-INTEREST INCOME				
Trust fees	4,379	3,941	13,390	12,975
Service charges on deposits	4,362	4,881	12,574	13,992
Electronic banking fees	2,846	2,679	8,529	7,486
Net securities brokerage revenue	1,131	1,182	3,319	3,365
Bank-owned life insurance	891	908	2,646	2,703
Net gains on sales of mortgage loans	993	327	1,860	1,298
Net securities gains	316	67	1,711	97
Net loss on other real estate owned and other assets	(48)	(162)	(298)	(978)
Other income	1,092	776	3,447	3,182
Total non-interest income	15,962	14,599	47,178	44,120
NON-INTEREST EXPENSE				
Salaries and wages	14,758	14,427	43,028	42,040
Employee benefits	5,000	3,462	15,538	12,866

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Net occupancy	2,654	3,068	8,133	8,450
Equipment	2,300	2,107	6,617	6,552
Marketing	795	1,214	3,282	3,861
FDIC insurance	951	1,091	2,962	3,760
Amortization of intangible assets	519	599	1,580	1,822
Restructuring and merger-related expense	1,518		1,518	
Other operating expenses	8,295	7,639	25,880	25,450
Total non-interest expense	36,790	33,607	108,538	104,801
Income before provision for income taxes	16,369	13,057	47,102	41,070
Provision for income taxes	3,463	2,044	10,208	7,898
NET INCOME	\$ 12,906	\$ 11,013	\$ 36,894	\$ 33,172
EARNINGS PER COMMON SHARE				
Basic	\$ 0.48	\$ 0.41	\$ 1.38	\$ 1.25
Diluted	\$ 0.48	\$ 0.41	\$ 1.38	\$ 1.25
AVERAGE COMMON SHARES OUTSTANDING				
Basic	26,664,882	26,629,360	26,646,719	26,609,755
Diluted	26,672,849	26,629,543	26,651,322	26,610,347
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.18	\$ 0.16	\$ 0.52	\$ 0.46
COMPREHENSIVE INCOME	\$ 14,768	\$ 15,425	\$ 38,815	\$ 39,328

See Notes to Consolidated Financial Statements.

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For the Nine Months Ended September 30, 2012 and 2011

<i>(unaudited, in thousands, except shares and per share amounts)</i>	Common Stock		Capital	Retained	Treasury	Accumulated Other Comprehensive Income	Deferred Benefits for Directors	Total
	Shares	Amount	Surplus	Earnings	Stock	(Loss)		
December 31, 2011	26,629,360	\$ 55,487	\$ 191,679	\$ 388,818	\$ (96)	\$ (902)	\$ (1,196)	\$ 633,790
Net income				36,894				36,894
Other comprehensive income:								
Unrealized gain on available-for-sale securities						1,622		1,622
Amortization of unrealized gain on transferred securities						(745)		(745)
Defined benefit pension plan						1,044		1,044
Comprehensive income								38,815
Common dividends declared (\$0.52 per share)				(13,859)				(13,859)
Stock options exercised	875				17			17
Restricted stock granted (1)	40,050	71	(198)		127			
Treasury shares acquired	(4,766)		22		(92)			(70)
Stock compensation expense			629					629
Deferred benefits for directors-net			27				(27)	
September 30, 2012	26,665,519	\$ 55,558	\$ 192,159	\$ 411,853	\$ (44)	\$ 1,019	\$ (1,223)	\$ 659,322

(1) An additional **33,891** common shares were issued in 2012 resulting from the restricted stock grant.

December 31, 2010	26,586,953	\$ 55,487	\$ 191,987	\$ 361,513	\$ (1,063)	\$ 131	\$ (1,192)	\$ 606,863
Net income				33,172				33,172
Other comprehensive income:								
Unrealized gain on available-for-sale securities						6,478		6,478
Amortization of unrealized gain on transferred securities						(1,019)		(1,019)
Defined benefit pension plan						697		697
Comprehensive income								39,328
Common dividends declared (\$0.46 per share)				(12,243)				(12,243)
Stock options exercised	1,775		(13)		39			26
Restricted stock granted	40,632		(928)		928			
Stock compensation expense			428					428
Deferred benefits for directors-net			(3)				3	

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September 30, 2011	26,629,360	\$ 55,487	\$ 191,471	\$ 382,442	\$ (96)	\$ 6,287	\$ (1,189)	\$ 634,402
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See Notes to Consolidated Financial Statements.

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<i>(unaudited, in thousands)</i>	For the Nine Months Ended September 30,	
	2012	2011
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 64,009	\$ 78,866
INVESTING ACTIVITIES:		
Net (increase) decrease in loans	(142,536)	7,467
Securities available-for-sale:		
Proceeds from sales	48,068	5,014
Proceeds from maturities, prepayments and calls	335,918	334,871
Purchases of securities	(360,600)	(327,179)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	83,552	62,248
Purchases of securities	(52,626)	(201,235)
Purchases of premises and equipment net	(2,504)	(1,947)
Sale of portfolio loans - net	7,883	6,902
Net cash used in investing activities	(82,845)	(113,859)
FINANCING ACTIVITIES:		
Increase in deposits	94,339	184,071
Repayment of Federal Home Loan Bank borrowings	(76,400)	(76,757)
(Decrease) increase in other short-term borrowings	(9,644)	5,739
Dividends paid to common shareholders	(13,320)	(11,704)
Treasury shares (purchased) sold net	(53)	26
Net cash (used in) provided by financing activities	(5,078)	101,375
Net (decrease) increase in cash and cash equivalents	(23,914)	66,382
Cash and cash equivalents at beginning of the period	140,325	79,136
Cash and cash equivalents at end of the period	\$ 116,411	\$ 145,518
SUPPLEMENTAL DISCLOSURES:		
Interest paid on deposits and other borrowings	\$ 33,797	\$ 42,783
Income taxes paid	8,370	9,200
Transfers of loans to other real estate owned	3,452	1,767
Transfer of loans to held for sale	10,163	17,192

See Notes to Consolidated Financial Statements.

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BASIS OF PRESENTATION The accompanying unaudited interim financial statements of WesBanco, Inc. and its consolidated subsidiaries (WesBanco) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2011.

WesBanco's interim financial statements have been prepared following the significant accounting policies disclosed in Note 1 of the Notes to the Consolidated Financial Statements of its 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco's financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

Certain prior period amounts have been reclassified to conform to the current period presentation. The reclassifications had no effect on net income.

RECENT ACCOUNTING PRONOUNCEMENTS In December 2011, the Financial Accounting Standards Board (the FASB) issued an accounting pronouncement which requires entities to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, including instruments and transactions subject to master netting arrangements. The scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The objective of this disclosure is to enhance disclosures required by GAAP by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with existing GAAP or subject to an enforceable master netting arrangement or similar agreement. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. The pronouncement should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after January 1, 2013. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements.

In September 2011, the FASB issued an accounting pronouncement to simplify how an entity tests goodwill for impairment by permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Under previous guidance, an entity was required to test goodwill for impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value was less than its carrying amount, then the second step of the test was performed to measure the amount of the impairment loss. Under the new accounting pronouncement an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The pronouncement was effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this pronouncement did not have a material impact on WesBanco's consolidated financial statements.

In June 2011, the FASB issued an accounting pronouncement that requires all non-owner changes in shareholders' equity to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. In December 2011, an amendment to the June 2011 accounting pronouncement was issued which deferred the requirement that entities present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. Entities should continue to report reclassifications relating to accumulated other comprehensive income consistent with the presentation requirements in effect before the June 2011 accounting pronouncement. The disclosures in the original June 2011 pronouncement that were not deferred in the December 2011 pronouncement should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. WesBanco has adopted a single continuous statement of comprehensive income for interim periods and intends to use two separate but consecutive statements for its 2012 year-end reporting.

In May 2011, the FASB issued an accounting pronouncement which amends the fair value measurement and disclosure requirements to achieve common disclosure requirements between U.S. GAAP and International Financial Reporting Standards. The accounting pronouncement requires certain disclosures about transfers between Level 1 and Level 2 of the fair value hierarchy, sensitivity of fair value measurements categorized within Level 3 of the fair value hierarchy, and categorization by level of items that are reported at cost but are required to be disclosed at fair

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value. The disclosures are to be applied prospectively effective in the first interim and annual periods beginning after December 15, 2011. The adoption of this pronouncement did not have a material impact on WesBanco's consolidated financial statements.

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On July 19, 2012, WesBanco and Fidelity Bancorp, Inc. (Fidelity), a Pittsburgh-based bank with \$0.7 billion in assets and 13 branches, jointly announced that a definitive Agreement and Plan of Merger was executed providing for the merger of Fidelity with and into WesBanco. Under the terms of the Agreement and Plan of Merger, WesBanco will exchange 0.8275 shares of its common stock and \$4.50 in cash for each share of Fidelity common stock. The receipt by Fidelity shareholders of shares of WesBanco common stock in exchange for their shares of Fidelity common stock is anticipated to qualify as a tax-free exchange. The transaction, approved by the directors of both companies, currently is valued at \$68.7 million. The acquisition is subject to the approvals of the appropriate banking regulatory authorities and the shareholders of Fidelity. The Fidelity shareholders' meeting is scheduled for November 27, 2012. It is currently anticipated that the transaction will be completed on or about December 31, 2012.

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

<i>(unaudited, in thousands, except shares and per share amounts)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
Numerator for both basic and diluted earnings per common share:				
Net income	\$ 12,906	\$ 11,013	\$ 36,894	\$ 33,172
Denominator:				
Total average basic common shares outstanding	26,664,882	26,629,360	26,646,719	26,609,755
Effect of dilutive stock options	7,967	183	4,603	592
Total diluted average common shares outstanding	26,672,849	26,629,543	26,651,322	26,610,347
Earnings per common share - basic	\$ 0.48	\$ 0.41	\$ 1.38	\$ 1.25
Earnings per common share - diluted	\$ 0.48	\$ 0.41	\$ 1.38	\$ 1.25

NOTE 4. SECURITIES

The following table presents the fair value and amortized cost of available-for-sale and held-to-maturity securities:

<i>(unaudited, in thousands)</i>	September 30, 2012				December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale								
Other government agencies	\$ 85,674	\$ 503	\$ (55)	\$ 86,122	\$ 197,898	\$ 834	\$ (12)	\$ 198,720
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	697,249	9,624	(247)	706,626	579,430	9,244	(582)	588,092
Obligations of state and political subdivisions	153,619	9,802	(7)	163,414	171,782	8,664	(13)	180,433
Corporate debt securities	31,644	181	(127)	31,698	45,002	107	(1,043)	44,066
Total debt securities	\$ 968,186	\$ 20,110	\$ (436)	\$ 987,860	\$ 994,112	\$ 18,849	\$ (1,650)	\$ 1,011,311
Equity securities	5,016	878		5,894	4,179	851	(1)	5,029

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Total available-for-sale securities	\$ 973,202	\$ 20,988	\$ (436)	\$ 993,754	\$ 998,291	\$ 19,700	\$ (1,651)	\$ 1,016,340
Held-to-maturity								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 174,966	\$ 7,747	\$ (83)	\$ 182,630	\$ 247,938	\$ 7,223	\$ (87)	\$ 255,074
Other residential collateralized mortgage obligations	400	10		410	783	9	(1)	791
Obligations of state and political subdivisions	383,790	32,175	(151)	415,814	342,752	21,459	(138)	364,073
Corporate debt securities					1,452	82		1,534
Total held-to-maturity securities	\$ 559,156	\$ 39,932	\$ (234)	\$ 598,854	\$ 592,925	\$ 28,773	\$ (226)	\$ 621,472
Total securities	\$ 1,532,358	\$ 60,920	\$ (670)	\$ 1,592,608	\$ 1,591,216	\$ 48,473	\$ (1,877)	\$ 1,637,812

At September 30, 2012, and December 31, 2011, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

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The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at September 30, 2012. In many instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

<i>(unaudited, in thousands)</i>	September 30, 2012					Mortgage-backed and Equity	Total
	One Year or less	One to Five Years	Five to Ten Years	After Ten Years			
Available-for-sale							
Other government agencies	\$ 2,544	\$ 15,125	\$ 35,881	\$ 32,572	\$		\$ 86,122
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (1)						706,626	706,626
Obligations of states and political subdivisions	6,167	48,015	53,236	55,996			163,414
Corporate debt securities	3,280	21,451	1,997	4,970			31,698
Equity securities (3)						5,894	5,894
Total available-for-sale securities	\$ 11,991	\$ 84,591	\$ 91,114	\$ 93,538	\$	712,520	\$ 993,754
Held-to-maturity (2)							
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (1)	\$	\$	\$	\$	\$	182,630	\$ 182,630
Other residential collateralized mortgage obligations (1)						410	410
Obligations of states and political subdivisions	1,162	7,384	69,166	338,102			415,814
Total held-to-maturity securities	\$ 1,162	\$ 7,384	\$ 69,166	\$ 338,102	\$	183,040	\$ 598,854
Total securities	\$ 13,153	\$ 91,975	\$ 160,280	\$ 431,640	\$	895,560	\$ 1,592,608

(1) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

(2) The held-to-maturity portfolio is carried at an amortized cost of \$559.2 million.

(3) Equity securities, which have no stated maturity, are not assigned a maturity category.

Securities with aggregate fair values of \$775.6 million and \$691.8 million at September 30, 2012 and December 31, 2011, respectively, were pledged as security for public and trust funds, and securities sold under agreements to repurchase. Proceeds from the sale of available-for-sale securities were \$48.1 million and \$5.0 million for the nine months ended September 30, 2012 and 2011, respectively. Net unrealized gains on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of September 30, 2012 and December 31, 2011 were \$12.9 million and \$11.3 million, respectively. For the nine months ended September 30, 2012 and 2011, gross security gains recognized in income were \$1.7 million and \$0.1 million, respectively. For the same periods, gross security losses recognized in income were immaterial.

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The following table provides information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of September 30, 2012 and December 31, 2011:

	Less than 12 months			September 30, 2012 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
<i>(unaudited, dollars in thousands)</i>									
Other government agencies	\$ 4,744	\$ (55)	1	\$	\$		\$ 4,744	\$ (55)	1
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	55,214	(272)	10	6,604	(58)	9	61,818	(330)	19
Obligations of states and political subdivisions	11,512	(156)	13	451	(2)	2	11,963	(158)	15
Corporate debt securities	2,985	(15)	1	7,955	(112)	4	10,940	(127)	5
Total temporarily impaired securities	\$ 74,455	\$ (498)	25	\$ 15,010	\$ (172)	15	\$ 89,465	\$ (670)	40

	Less than 12 months			December 31, 2011 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
<i>(unaudited, dollars in thousands)</i>									
Other government agencies	\$ 24,486	\$ (12)	7	\$	\$		\$ 24,486	\$ (12)	7
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	133,106	(646)	34	795	(23)	2	133,901	(669)	36
Other residential collateralized mortgage obligations	185	(1)	1				185	(1)	1
Obligations of states and political subdivisions	14,443	(146)	20	1,902	(5)	4	16,345	(151)	24
Corporate debt securities	19,763	(145)	11	13,103	(898)	5	32,866	(1,043)	16
Equity securities	4	(1)	2				4	(1)	2
Total temporarily impaired securities	\$ 191,987	\$ (951)	75	\$ 15,800	\$ (926)	11	\$ 207,787	\$ (1,877)	86

Unrealized losses on debt securities in the table represent temporary fluctuations resulting from changes in market rates in relation to fixed yields. Unrealized losses in the available-for-sale portfolio are accounted for as an adjustment, net of taxes, to other comprehensive income in shareholders' equity.

WesBanco does not believe the securities presented above are impaired due to reasons of credit quality, as all debt securities are of investment grade quality and all are paying principal and interest according to their contractual terms. WesBanco does not intend to sell, nor is it more likely than not that it will be required to sell, loss position securities prior to recovery of their cost, and therefore, management believes the unrealized losses detailed above are temporary and no impairment loss relating to these securities has been recognized.

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of FHLB of Pittsburgh and FHLB of Cincinnati stock totaling \$18.0 million and \$21.9 million at September 30, 2012 and December 31, 2011, respectively, and are included in other assets in the Consolidated Balance Sheets. Cost method investments are evaluated for impairment whenever events or circumstances suggest that their carrying value may not be recoverable.

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The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs of \$2.5 million at September 30, 2012 and \$3.1 million at December 31, 2011.

The following table presents the recorded investment in loans by category:

<i>(unaudited, in thousands)</i>	September 30, 2012	December 31, 2011
Commercial real estate:		
Land and construction	\$ 170,200	\$ 175,867
Improved property	1,547,041	1,509,698
Total commercial real estate	1,717,241	1,685,565
Commercial and industrial	447,767	426,315
Residential real estate	684,016	621,383
Home equity	255,787	251,785
Consumer	248,155	254,320
Total portfolio loans	3,352,966	3,239,368
Loans held for sale	14,225	6,084
Total loans	\$ 3,367,191	\$ 3,245,452

The following tables summarize changes in the allowance for credit losses applicable to each category of the loan portfolio:

**Allowance for Credit Losses By Category
For the Nine Months Ended September 30, 2012 and 2011**

<i>(unaudited, in thousands)</i>	Commercial Real Estate - Land and Construction	Commercial Real Estate - Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total
Balance at December 31, 2011:								
Allowance for loan losses	\$ 4,842	\$ 24,748	\$ 11,414	\$ 5,638	\$ 1,962	\$ 5,410	\$ 796	\$ 54,810
Allowance for loan commitments	74	21	323	4	33	13		468
Total beginning allowance for credit losses	4,916	24,769	11,737	5,642	1,995	5,423	796	55,278
Provision for credit losses:								
Provision for loan losses	2,089	4,573	2,619	3,629	1,192	2,330	222	16,654
Provision for loan commitments	(11)	5	(65)		12	7		(52)
Total provision for credit losses	2,078	4,578	2,554	3,629	1,204	2,337	222	16,602
Charge-offs	(3,777)	(5,749)	(3,862)	(3,296)	(898)	(2,732)	(641)	(20,955)
Recoveries	591	755	288	288	17	804	224	2,967
Net charge-offs	(3,186)	(4,994)	(3,574)	(3,008)	(881)	(1,928)	(417)	(17,988)

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Balance at September 30, 2012:

Allowance for loan losses	3,745	24,327	10,459	6,259	2,273	5,812	601	53,476
Allowance for loan commitments	63	26	258	4	45	20		416
Total ending allowance for credit losses	\$ 3,808	\$ 24,353	\$ 10,717	\$ 6,263	\$ 2,318	\$ 5,832	\$ 601	\$ 53,892

Balance at December 31, 2010:

Allowance for loan losses	\$ 4,701	\$ 30,836	\$ 10,793	\$ 5,950	\$ 2,073	\$ 5,641	\$ 1,057	\$ 61,051
Allowance for loan commitments	1,037	285	65	1	14	2		1,404
Total beginning allowance for credit losses	5,738	31,121	10,858	5,951	2,087	5,643	1,057	62,455

Provision for credit losses:

Provision for loan losses	5,898	10,921	4,832	2,496	530	1,820	117	26,614
Provision for loan commitments	(930)	(276)	234	3	23	12		(934)

Total provision for credit losses	4,968	10,645	5,066	2,499	553	1,832	117	25,680
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Charge-offs	(6,485)	(15,673)	(6,194)	(3,115)	(642)	(2,909)	(685)	(35,703)
Recoveries	33	930	733	342	10	849	239	3,136

Net charge-offs	(6,452)	(14,743)	(5,461)	(2,773)	(632)	(2,060)	(446)	(32,567)
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Balance at September 30, 2011:

Allowance for loan losses	4,147	27,014	10,164	5,673	1,971	5,401	728	55,098
Allowance for loan commitments	107	9	299	4	37	14		470

Total ending allowance for credit losses	\$ 4,254	\$ 27,023	\$ 10,463	\$ 5,677	\$ 2,008	\$ 5,415	\$ 728	\$ 55,568
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The following tables present the allowance for credit losses and recorded investments in loans by category:

<i>(unaudited, in thousands)</i>	Allowance for Credit Losses and Recorded Investment in Loans							Over-draft	Total
	Commercial Real Estate-Land and Construction	Commercial Real Estate-Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer			
September 30, 2012									
Allowance for credit losses:									
Allowance for loans individually evaluated for impairment	\$ 626	\$ 1,259	\$	\$	\$	\$	\$	\$	\$ 1,885
Allowance for loans collectively evaluated for impairment	3,119	23,068	10,459	6,259	2,273	5,812	601		51,591
Allowance for loan losses	3,745	24,327	10,459	6,259	2,273	5,812	601		53,476
Allowance for loan commitments	63	26	258	4	45	20			416
Total allowance for credit losses	\$ 3,808	\$ 24,353	\$ 10,717	\$ 6,263	\$ 2,318	\$ 5,832	\$ 601		\$ 53,892
Portfolio loans:									
Individually evaluated for impairment ⁽¹⁾	\$ 4,433	\$ 11,064	\$	\$	\$	\$	\$	\$	\$ 15,497
Collectively evaluated for impairment	165,767	1,535,977	447,767	684,016	255,787	248,155			3,337,469
Total portfolio loans	\$ 170,200	\$ 1,547,041	\$ 447,767	\$ 684,016	\$ 255,787	\$ 248,155	\$		\$ 3,352,966
December 31, 2011									
Allowance for credit losses:									
Allowance for loans individually evaluated for impairment	\$ 1,788	\$ 1,565	\$	\$	\$	\$	\$	\$	\$ 3,353
Allowance for loans collectively evaluated for impairment	3,054	23,183	11,414	5,638	1,962	5,410	796		51,457
Allowance for loan losses	4,842	24,748	11,414	5,638	1,962	5,410	796		54,810
Allowance for loan commitments	74	21	323	4	33	13			468