

WESBANCO INC  
Form 10-Q  
May 08, 2006

**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 March 31, 2006**

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 0-8467

**WESBANCO, INC.**

(Exact name of Registrant as specified in its charter)

**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 is a large accelerated filer, an accelerated filer or a non-accelerated filer as defined by Rule 12b-2 of the Exchange Act.

Larger accelerated filer  Accelerated filer  Non-accelerated filer

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 April 28, 2006, there were 21,935,266 shares of WesBanco, Inc. common stock \$2.0833 par value, outstanding.

**WESBANCO, INC.  
TABLE OF CONTENTS**

<b>Item No.</b>	<b>ITEM</b>	<b>Page No.</b>
<b>PART I - FINANCIAL INFORMATION</b>		
1	Financial Statements	
	Consolidated Balance Sheets at Mach 31, 2006 (unaudited) and December 31, 2005	3
	Consolidated Statements of Income for the three months ended March 31, 2006 and 2005 (unaudited)	4
	Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2006 and 2005 (unaudited)	5
	Consolidated Statements of Cash Flows for the three months ended March 31, 2006 and 2005 (unaudited)	6
	Notes to Consolidated Financial Statements	7
2	Management's Discussion and Analysis of Financial Condition and Results of Operations	15
3	Quantitative and Qualitative Disclosures About Market Risk	27
4	Controls and Procedures	28
<b>PART II – OTHER INFORMATION</b>		
1	Legal Proceedings	29
2	Unregistered Sales of Equity Securities and Use of Proceeds	30
6	Exhibits	30
	Signatures	31

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**WESBANCO, INC. CONSOLIDATED BALANCE SHEETS**

<i>(in thousands, except per share amounts)</i>	<b>March 31, 2006</b>	December 31, 2005
---	---------------------------	----------------------

(unaudited)

**ASSETS**

Cash and due from banks, including interest bearing amounts of \$1,225 and \$2,432, respectively	\$	100,296	\$	110,608
Securities:				
Available-for-sale, at fair value		557,993		603,171
Held-to-maturity (fair values of \$382,261 and \$397,101, respectively)		378,025		389,393
Total securities		936,018		992,564
Loans held for sale		5,906		28,803
Portfolio loans:				
Commercial		437,350		417,161
Commercial real estate		1,128,241		1,118,342
Residential real estate		921,022		929,823
Home equity		173,595		175,651
Consumer		269,259		271,100
Total portfolio loans, net of unearned income		2,929,467		2,912,077
Allowance for loan losses		(32,291)		(30,957)
Net portfolio loans		2,897,176		2,881,120
Premises and equipment, net		63,899		64,707
Accrued interest receivable		20,326		20,426
Goodwill and other intangible assets, net		147,025		147,658
Bank-owned life insurance		80,302		79,573
Other assets		96,362		96,656
<b>Total Assets</b>	<b>\$</b>	<b>4,347,310</b>	<b>\$</b>	<b>4,422,115</b>

**LIABILITIES**

Deposits:				
Non-interest bearing demand	\$	398,408	\$	392,116
Interest bearing demand		324,572		325,582
Money market		404,612		444,071
Savings deposits		467,968		462,601
Certificates of deposit		1,396,463		1,403,954
Total deposits		2,992,023		3,028,324
Federal Home Loan Bank borrowings		574,745		612,693
Other short-term borrowings		237,437		244,301
Junior subordinated debt owed to unconsolidated subsidiary trusts		87,638		87,638
Total borrowings		899,820		944,632
Accrued interest payable		8,957		8,932
Other liabilities		30,339		24,997
<b>Total Liabilities</b>		<b>3,931,139</b>		<b>4,006,885</b>

**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; 23,615,859 shares issued;				
outstanding: 21,925,266 shares in 2006 and 21,955,359 shares in 2005		49,200		49,200
Capital surplus		122,406		122,345

Retained earnings	300,226	300,452
Treasury stock (1,690,593 and 1,660,500 shares, respectively, at cost)	(48,772)	(47,769)
Accumulated other comprehensive loss	(5,694)	(7,875)
Deferred benefits for directors and employees	(1,195)	(1,123)
<b>Total Shareholders' Equity</b>	<b>416,171</b>	<b>415,230</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 4,347,310</b>	<b>\$ 4,422,115</b>

See Notes to Consolidated Financial Statements.

3

**WESBANCO, INC. CONSOLIDATED STATEMENTS OF INCOME**

	For the Three Months Ended March 31,	
	2006	2005
<i>(unaudited, in thousands, except per share amounts)</i>		
<b>INTEREST AND DIVIDEND INCOME</b>		
Loans, including fees	\$ 45,732	\$ 42,846
Interest and dividends on securities:		
Taxable	5,959	6,913
Tax-exempt	4,308	4,686
Total interest and dividends on securities	10,267	11,599
Federal funds sold	-	22
Other interest income	448	417
Total interest and dividend income	56,447	54,884
<b>INTEREST EXPENSE</b>		
Interest bearing demand deposits	546	327
Money market deposits	2,195	2,662
Savings deposits	1,276	556
Certificates of deposit	12,493	9,637
Total interest expense on deposits	16,510	13,182
Federal Home Loan Bank borrowings	5,358	5,943
Other short-term borrowings	2,242	1,199
Junior subordinated debt owed to unconsolidated subsidiary trusts	1,354	1,059
Total interest expense	25,464	21,383
<b>NET INTEREST INCOME</b>	<b>30,983</b>	<b>33,501</b>
Provision for loan losses	2,640	1,843
Net interest income after provision for loan losses	28,343	31,658
<b>NON-INTEREST INCOME</b>		
Trust fees	4,058	3,714
Service charges on deposits	3,797	2,462
Bank-owned life insurance	729	683
Net securities (losses) gains	(7,942)	753
Net gains on sales of loans	43	132
Other income	4,729	1,787
Total non-interest income	5,414	9,531
<b>NON-INTEREST EXPENSE</b>		

Edgar Filing: WESBANCO INC - Form 10-Q

Salaries and wages	<b>9,904</b>	10,571
Employee benefits	<b>3,512</b>	3,325
Net occupancy	<b>2,013</b>	1,796
Equipment	<b>2,030</b>	2,204
Amortization of intangible assets	<b>633</b>	663
Restructuring and merger-related expenses	<b>540</b>	493
Other operating expenses	<b>8,180</b>	8,077
Total non-interest expense	<b>26,812</b>	27,129
Income before provision for income taxes	<b>6,945</b>	14,060
Provision for income taxes	<b>1,361</b>	2,980
<b>NET INCOME</b>	<b>\$ 5,584</b>	\$ 11,080
<b>EARNINGS PER SHARE</b>		
Basic	<b>\$ 0.25</b>	\$ 0.48
Diluted	<b>0.25</b>	0.48
<b>AVERAGE SHARES OUTSTANDING</b>		
Basic	<b>21,937,948</b>	22,992,398
Diluted	<b>21,998,750</b>	23,043,874
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.265</b>	\$ 0.26

See Notes to Consolidated Financial Statements.

4

**WESBANCO, INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the Three Months Ended March 31, 2006 and 2005

<i>(unaudited, in thousands, except per share amounts)</i>	Common Stock		Capital	Retained	Treasury	Accumulated Other Comprehensive Income (Loss)	Deferred Benefits for Employees	Total
	Shares	Amount	Surplus	Earnings	Stock			
January 1, 2005	20,837,469	\$ 44,415	\$ 61,451	\$ 281,013	\$ (12,711)	\$ (2,415)	\$ (1,572)	\$ 370,181
Net income				11,080				11,080
Change in accumulated other comprehensive income						(4,739)		(4,739)
Comprehensive income								6,341
Common dividends declared (\$0.26 per share)				(5,953)				(5,953)
Treasury shares purchased	(493,121)				(13,649)			(13,649)
Treasury shares sold	128,558		(1,314)		3,151			1,837
Shares issued for acquisition	2,296,511	4,785	60,539					65,324

5

Edgar Filing: WESBANCO INC - Form 10-Q

Deferred benefits for directors – net							(35)	(35)
March 31, 2005	22,769,417	\$ 49,200	\$ 120,676	\$ 286,140	\$ (23,209)	\$ (7,154)	\$ (1,607)	\$ 424,046
January 1, 2006	21,955,359	\$ 49,200	\$ 122,345	\$ 300,452	\$ (47,769)	\$ (7,875)	\$ (1,123)	\$ 415,230
Net income				<b>5,584</b>				<b>5,584</b>
Change in accumulated other comprehensive income						<b>2,181</b>		<b>2,181</b>
Comprehensive income								<b>7,765</b>
Common dividends declared (\$0.265 per share)				<b>(5,810)</b>				<b>(5,810)</b>
Treasury shares purchased	<b>(39,200)</b>					<b>(1,230)</b>		<b>(1,230)</b>
Treasury shares sold	<b>9,107</b>		<b>(60)</b>			<b>227</b>		<b>167</b>
Tax benefit from employee benefit plans			<b>49</b>					<b>49</b>
Deferred benefits for directors – net			<b>72</b>				<b>(72)</b>	<b>-</b>
March 31, 2006	<b>21,925,266</b>	<b>\$ 49,200</b>	<b>\$ 122,406</b>	<b>\$ 300,226</b>	<b>\$ (48,772)</b>	<b>\$ (5,694)</b>	<b>\$ (1,195)</b>	<b>\$ 416,171</b>

There was no activity in Preferred Stock during the three months ended March 31, 2006 and 2005.

See Notes to Consolidated Financial Statements.

**WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Unaudited, in thousands)</i>	For the Three Months Ended March 31,	
	2006	2005
<b>OPERATING ACTIVITIES:</b>		
Net income	<b>\$5,584</b>	\$ 11,080
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	<b>1,382</b>	1,697
Net accretion	<b>(1,014)</b>	(16)
Provision for loan losses	<b>2,640</b>	1,843
Net securities losses (gains)	<b>7,942</b>	(753)
Net gains on sales of loans	<b>(43)</b>	(142)
Excess tax benefits from stock-based compensation arrangements	<b>(49)</b>	-
Deferred income taxes	<b>(758)</b>	(326)

Edgar Filing: WESBANCO INC - Form 10-Q

Increase in cash surrender value of bank-owned life insurance	(729)	(624)
Loans originated for sale	(14,190)	(13,162)
Proceeds from the sale of loans originated for sale	10,310	11,331
Change in: other assets and accrued interest receivable	(579)	3,889
Change in: other liabilities and accrued interest payable	5,745	(10,328)
Other – net	(2,271)	305
Net cash provided by operating activities	13,970	4,794
<b>INVESTING ACTIVITIES:</b>		
Securities available-for-sale:		
Proceeds from sales	8,935	72,695
Proceeds from maturities, prepayments and calls	32,259	76,300
Purchases of securities	(1,043)	(101,690)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	12,157	8,198
Purchases of securities	(532)	(33,203)
Acquisition, net of cash paid	-	(37,798)
Sale of branches	(16,741)	-
Net (increase) decrease in loans	(11,177)	5,009
Sales (purchases) of premises and equipment – net	772	(1,968)
Net cash provided by (used in) investing activities	24,630	(12,457)
<b>FINANCING ACTIVITIES:</b>		
Net increase (decrease) in deposits	2,005	(15,287)
Decrease in Federal Home Loan Bank borrowings	(37,302)	(23,239)
(Decrease) increase in other short-term borrowings	(51,864)	28,481
Increase (decrease) in federal funds purchased	45,000	(3,100)
Proceeds from the issuance of junior subordinated debt owed to		
unconsolidated subsidiary trusts	-	15,464
Excess tax benefits from stock-based compensation arrangements	49	-
Dividends paid	(5,737)	(5,208)
Treasury shares purchased – net of issuances for benefit plans	(1,063)	(11,812)
Net cash used in financing activities	(48,912)	(14,701)
Net decrease in cash and cash equivalents	(10,312)	(22,364)
Cash and cash equivalents at beginning of the period	110,608	97,057
Cash and cash equivalents at end of the period	\$ 100,296	\$ 74,693
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid on deposits and other borrowings	\$ 25,439	\$ 20,092
Income taxes paid	750	-
Transfers of loans to other real estate owned	1,347	326
<b>Summary of business acquisition:</b>		
Fair value of tangible assets acquired	\$ -	\$ 549,240
Fair value of core deposit intangible acquired	-	2,805
Fair value of liabilities assumed	-	(505,680)
Stock issued for the purchase of acquired company's common stock	-	(65,323)
Cash paid in the acquisition	-	(43,768)
Goodwill recognized	\$ -	\$ (62,726)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION**—The accompanying unaudited interim financial statements of WesBanco, Inc. (“WesBanco”) have been prepared in accordance with U.S. generally accepted accounting principles 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. generally accepted accounting principles for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2005.

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 2005 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.

Effective January 1, 2006, WesBanco adopted Statement of Financial Accounting Standards (“SFAS”) No. 123(R), “Share-Based Payment,” which requires the Company to measure the cost of employee services received in exchange for all equity awards granted, including stock options, based on the fair value of the awards as of their grant date. SFAS No. 123R supersedes SFAS No. 123, “Accounting for Stock-Based Compensation” and Accounting Principles Board Opinion (“APB”) No. 25, “Accounting for Stock Issued to Employees.” WesBanco adopted SFAS No. 123R using the modified prospective method which requires that compensation cost related to unvested stock awards outstanding at December 31, 2005 be recognized over the remaining service periods of those awards based on their unamortized grant date fair value with no adjustment to prior period financial statements. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS No. 123R and compensation cost is recognized on a straight line basis, net of estimated forfeitures, over the requisite service period of each award. In 2005, WesBanco issued 116,500 options of which one-third were scheduled to vest in each of the three years ending December 31, 2005, 2006 and 2007, respectively, based upon WesBanco achieving certain earnings per share (“EPS”) targets. Since WesBanco did not achieve its 2005 EPS target, the 2005 options scheduled to vest were instead forfeited. WesBanco had no unvested options outstanding subject to valuation and future expensing at December 31, 2005. There were no options issued or outstanding in the first quarter of 2006 that are expected to vest, as the portion of the 2005 issued options that would vest in 2006 if certain EPS targets are achieved are not currently anticipated to vest under the current EPS assumptions. Since under SFAS No. 123R, compensation expense is only recognized for those options expected to vest and result in the issuance of shares, the adoption of this standard did not impact net income in the first quarter of 2006.

Prior to the adoption of this standard, WesBanco accounted for stock-based compensation in accordance with APB No. 25 using the intrinsic value method under which compensation expense was generally not recognized if the option exercise price was equal to or exceeded the fair market value of the stock on the grant date of the option. WesBanco also provided the pro forma disclosures required under SFAS No. 148, “Accounting for Stock-Based Compensation - Transition and Disclosure,” as if the fair value method defined by SFAS No. 123 had been applied to its stock-based



compensation.

In November 2005, the Financial Accounting Standards Board (“FASB”) issued Staff Position (“FSP”) No. 115-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.” FSP 115-1 provides guidance for determining when an investment is considered impaired, whether impairment is other-than-temporary, and measurement of an impairment loss. An investment is considered impaired if the fair value of the investment is less than its cost. If after evaluating all available evidence and the realizable value of an investment, its impairment is determined to be other-than-temporary, an impairment loss should be recognized equal to the difference between the investment’s cost and its fair value. FSP 115-1 nullifies certain provisions of Emerging Issues Task Force (“EITF”) Issue No. 03-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,” while retaining the disclosure requirements of EITF No. 03-1. The additional guidance was effective beginning January 1, 2006 and has been considered concurrent with WesBanco’s strategic decision to reposition its balance sheet, as discussed further in Note 3, “Securities,” which resulted in the recognition of other-than-temporary impairment losses totaling \$8.0 million in the first quarter of 2006.

**RECENT ACCOUNTING PRONOUNCEMENTS**—In February 2006, the FASB issued SFAS No. 155, “Accounting for Certain Hybrid Financial Instruments.” Under current generally accepted accounting principles an entity that holds a financial instrument with an embedded derivative must bifurcate the financial instrument, resulting in the host and the embedded derivative being accounted for separately. SFAS No. 155 permits, but does not require, entities to account for certain financial instruments with an embedded derivative at fair value thereby eliminating the need to bifurcate the instrument into its host and the embedded derivative. This statement is effective as of the beginning of the first annual reporting period that begins after September 15, 2006 and is not expected to have a significant impact on WesBanco’s financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets.” This statement amends SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 requires companies to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract. The statement permits a company to choose either the amortized cost method or fair value measurement method for each class of separately recognized servicing

7

assets. This statement is effective as of the first fiscal year beginning after September 15, 2006 and is not expected to have a significant impact on WesBanco’s financial position or results of operations.

## NOTE 2. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	For the Three Months Ended March 31,	
	2006	2005
<i>(Unaudited, in thousands, except shares and per share amounts)</i>		
Numerator for both basic and diluted earnings per share:		
Net Income	\$ 5,584	\$ 11,080
Denominator:		
Total average basic common shares outstanding	21,937,948	22,992,398

Edgar Filing: WESBANCO INC - Form 10-Q

Effect of dilutive stock options	60,802	51,476
Total diluted average common shares outstanding	21,998,750	23,043,874
Earnings per share - basic	\$ 0.25	\$ 0.48
Earnings per share - diluted	\$ 0.25	\$ 0.48

**NOTE 3. SECURITIES**

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

	March 31, 2006	December 31, 2005
<i>(Unaudited, in thousands)</i>		
Securities available-for-sale (at fair value):		
U.S. Treasury securities	\$ 7,158	\$ 11,397
Other government agencies and corporations	239,309	248,111
Mortgage-backed securities	279,732	295,822
Obligations of states and political subdivisions	20,025	36,227
Corporate securities	11,769	11,614
Total securities available-for-sale	557,993	603,171
Securities held-to-maturity (at amortized cost):		
Obligations of states and political subdivisions	378,025	389,393
Total securities	\$ 936,018	\$ 992,564

At March 31, 2006 and December 31, 2005, 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.

Securities with par values aggregating \$367.6 million and \$443.5 million and aggregate carrying values of \$369.3 and \$445.7 at March 31, 2006 and December 31, 2005, respectively, were pledged to secure public and trust funds. Proceeds from the sale of available-for-sale securities were \$8.9 million and \$72.7 million for the three months ended March 31, 2006 and 2005 respectively.

For the three months ended March 31, 2006, realized gains on available-for-sale securities were \$106 thousand and, excluding the other-than-temporary impairment losses discussed below, realized losses on available-for-sale securities were zero. Realized gains and losses for the same periods in 2005 were \$780 thousand and \$28 thousand, respectively.

8

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 March 31, 2006 and December 31, 2005:

	March 31, 2006								
	Less than 12 months			12 months or more			Total		
<i>(Unaudited, in thousands)</i>	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
U.S. Treasury securities	\$ 7,158	\$ (6)	2	\$ -	\$ -	-	\$ 7,158	\$ (6)	2
Other government agencies and corporations	41,500	(652)	6	103,734	(2,412)	20	145,234	(3,064)	26

Edgar Filing: WESBANCO INC - Form 10-Q

Mortgage-backed & other debt securities	34,863	(1,086)	25	151,105	(6,448)	52	185,968	(7,534)	77
Obligations of states and political subdivisions	64,656	(1,068)	138	46,081	(1,587)	109	110,737	(2,655)	247
Total temporarily impaired securities	\$ 148,177	\$ (2,812)	171	\$ 300,920	\$ (10,447)	181	\$ 449,097	\$ (13,259)	352

	December 31, 2005								
	Less than 12 months			12 months or more			Total		
	Fair	Unrealized	# of	Fair	Unrealized	# of	Fair	Unrealized	# of
<i>(Unaudited, dollars in thousands)</i>	Value	Losses	Securities	Value	Losses	Securities	Value	Losses	Securities
U.S. Treasury securities	\$ 7,824	\$ (3)	2	\$ -	\$ -	-	\$ 7,824	\$ (3)	2
Other government agencies and corporations	95,306	(992)	18	152,805	(3,334)	34	248,111	(4,326)	52
Mortgage-backed & other debt securities	58,792	(1,138)	33	235,818	(8,285)	80	294,610	(9,423)	113
Obligations of states and political subdivisions	64,158	(699)	132	38,158	(1,050)	87	102,316	(1,749)	219
Corporate securities	-	-	-	6,006	(134)	3	6,006	(134)	3
Total temporarily impaired securities	\$ 226,080	\$ (2,832)	185	\$ 432,787	\$ (12,803)	204	\$ 658,867	\$ (15,635)	389

On April 6, 2006, WesBanco announced that it would reposition its balance sheet by selling approximately \$200.0 million of available-for-sale securities that were in an unrealized loss position as of March 31, 2006, and for which it previously had the intent and ability to hold such securities for a period of time sufficient for the recovery of their fair market value. In accordance with the provisions of FSP No. 115-1, since WesBanco no longer intended to hold the securities, they were deemed to be other-than-temporarily impaired. Accordingly, WesBanco recorded other-than-temporary impairment losses totaling \$8.0 million in the quarter ended March 31, 2006, which are included in "Net securities (losses) gains" in the Consolidated Statements of Income, and the securities have been omitted from the table above for the quarter ended March 31, 2006 since they were no longer in an unrealized loss position.

Unrealized pre-tax gains and losses on available-for-sale securities (fair value adjustments) reflected a \$9.0 million market loss as of March 31, 2006 compared to a \$12.3 million market loss as of December 31, 2005. These fair value adjustments represent temporary fluctuations resulting from changes in market rates in relation to fixed yields in the available-for-sale portfolio and are accounted for as an adjustment to other comprehensive income in shareholders' equity. WesBanco may impact the magnitude of the fair value adjustment by managing both the volume and average maturities of securities that are classified as available-for-sale as well as the portion of new investments allocated to this category versus the held-to-maturity portfolio. If these securities are held to recovery or their respective maturity dates, no fair value gain or loss will be realized.

WesBanco does not believe any of the securities presented above are impaired due to reasons of credit quality as none of them have had credit downgrades and all are paying principal and interest according to their contractual terms. The unrealized losses are primarily attributable to changes in interest rates. WesBanco also has the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time it will receive full value for the securities. Subsequent to the sale of securities discussed in the preceding paragraph, WesBanco also has the ability and intent to hold the balance of its available-for-sale securities that are currently in an unrealized loss position for a period of time sufficient for the recovery of their fair market value. Accordingly, as of March 31, 2006, WesBanco believes the unrealized losses related to the balance of its available-for-sale securities portfolio are temporary and no additional other-than-temporary impairment losses beyond those discussed above have been recognized in the

## Consolidated Statements of Income.

9

**NOTE 4. LOANS AND THE ALLOWANCE FOR LOAN LOSSES**

Loans are presented in the Consolidated Balance Sheets net of deferred loan fees and costs of \$4.5 million and \$4.7 million at March 31, 2006 and December 31, 2005, respectively.

The following table presents the changes in the allowance for loan losses and loans classified as impaired:

<i>(Unaudited, in thousands)</i>	For the Three Months Ended March 31,	
	2006	2005
Balance, at beginning of period	\$ 30,957	\$ 29,486
Allowance for loan losses of acquired bank	-	1,947
Provision for loan losses	2,640	1,843
Charge-offs	(1,844)	(1,537)
Recoveries	538	486
Net loan charge-offs	(1,306)	(1,051)
Balance, at end of period	\$ 32,291	\$ 32,225

  

<i>(Unaudited, in thousands)</i>	March 31, 2006	December 31, 2005
	Non-accrual loans	\$ 14,129
Other impaired loans	4,559	4,565
Total impaired loans	\$ 18,688	\$ 14,485

  

<i>(Unaudited, in thousands)</i>	March 31, 2006	December 31, 2005
	Balance of impaired loans with no allocated allowance for loan losses	\$ 7,057
Balance of impaired loans with an allocated allowance for loan losses	11,631	6,692
Total impaired loans	\$ 18,688	\$ 14,485
Allowance for loan losses allocated to impaired loans	\$ 3,672	\$ 1,566

In the first quarter of 2006, a \$5.0 million commercial loan participation was placed on non-accrual and is included in non-accrual loans in the table above.

At March 31, 2006 and December 31, 2005, WesBanco had no material commitments to lend additional funds to debtors whose loans were classified as impaired.

The following table sets forth the information for a loan accounted for in accordance with SOP 03-3 as of March 31, 2006:

<i>(Unaudited, in thousands)</i>	Contractually Required Payments	Carrying Amount	Cash Flows		Accrutable Yield
			Expected to be Collected	Post- Acquisition Allowance	
Balance at beginning of year	\$ 928	\$ 574	\$ 583	\$ -	\$ 9
Additions	-	-	-	-	-
Disposals	(420)	(420)	(420)	-	-
Accretion	-	-	-	-	-
Balance at end of period	\$ 508	\$ 154	\$ 163	\$ -	\$ 9

Due to the uncertainty surrounding the timing of the receipt of the cash flows expected to be collected, the loan was transferred to non-accrual status in the second quarter of 2005 and income on the loan is no longer being accreted.

10

#### **NOTE 5. FEDERAL HOME LOAN BANK BORROWINGS**

WesBanco is a member of the Federal Home Loan Bank (“FHLB”) of Pittsburgh. WesBanco’s FHLB borrowings are secured by a blanket lien on certain residential mortgage loans or securities with a market value in excess of the outstanding balances of the borrowings. At March 31, 2006 and December 31, 2005 WesBanco had FHLB borrowings of **\$574.7** million and \$612.7 million, respectively, with a weighted-average interest rate of **3.64%** and 3.52%, respectively. Included in FHLB borrowings at March 31, 2006 are **\$161.6** million in FHLB of Cincinnati advances obtained in connection with certain business combinations. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying first mortgage loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted at 83% of the unpaid principal balance. FHLB stock totaling **\$42.3** million at March 31, 2006 and \$41.9 million at December 31, 2005 is also pledged as collateral on these advances. The remaining maximum borrowing capacity with the FHLB at March 31, 2006 and December 31, 2005 was **\$844.2** million and \$778.4 million, respectively.

Certain FHLB advances contain call features, which allows the FHLB to convert a fixed rate borrowing to a variable rate advance if the strike rate goes beyond a certain predetermined rate. The probability that these advances and repurchase agreements will be called depends primarily on the level of related interest rates during the call period. Of the **\$574.7** million outstanding at March 31, 2006, **\$194.7** million in FHLB convertible advances are subject to call or conversion to a variable rate advance by the FHLB. Approximately **\$90.3** million of such advances are from the FHLB of Cincinnati. Due to the terms of the note agreements with such bank, these convertible advances are not subject to renewal or rollover at the variable rate since WesBanco is no longer a member of the Cincinnati FHLB, and instead WesBanco would be required to pay down such advances or refinance them with the Pittsburgh FHLB.

The following table presents the aggregate annual maturities and weighted-average interest rates of FHLB borrowings at March 31, 2006 based on their contractual maturity dates and effective interest rates: *(in thousands)*

Year	Scheduled Maturity	Weighted Average Rate
2006	\$ 184,549	3.50%
2007	159,445	3.29%

2008	65,836	3.21%
2009	85,284	4.19%
2010	50,009	4.79%
2011 and thereafter	29,622	4.11%
Total	\$ 574,745	3.64%

**NOTE 6. OTHER SHORT-TERM BORROWINGS**

Other short-term borrowings are comprised of the following:

<i>(Unaudited, in thousands)</i>	March 31, December	
	2006	31, 2005
Federal funds purchased	\$ 119,000	\$ 74,000
Securities sold under agreements to repurchase	110,641	153,536
Treasury tax and loan notes and other	296	4,265
Revolving line of credit	7,500	12,500
Total	\$ 237,437	\$ 244,301

**NOTE 7. PENSION PLAN**

The following table presents the net periodic pension cost for WesBanco's Defined Benefit Pension Plan and the related components:

<i>(Unaudited, in thousands)</i>	For the Three Months	
	Ended March 31,	
	2006	2005
Service cost – benefits earned during year	\$ 620	\$ 539
Interest cost on projected benefit obligation	708	664
Expected return on plan assets	(929)	(830)
Amortization of prior service cost	292	230
Amortization of net loss	(36)	(36)
Net periodic pension cost	\$ 655	\$ 567

**NOTE 8. COMPREHENSIVE INCOME**

Changes in accumulated other comprehensive income are as follows:

<i>(Unaudited, in thousands)</i>	For the Three Months	
	Ended March 31,	
	2006	2005
Net Income	\$ 5,584	\$ 11,080
Securities available-for-sale:		

Edgar Filing: WESBANCO INC - Form 10-Q

Net change in unrealized gains (losses) on securities available-for-sale	(4,701)	(7,975)
Related income tax (expense) benefit <sup>(1)</sup>	1,857	3,150
Net securities (gains) losses reclassified into earnings	7,942	(732)
Related income tax expense (benefit) <sup>(1)</sup>	(3,137)	289
Net effect on other comprehensive income for the period	1,961	(5,268)
Cash flow hedge derivatives:		
Net change in unrealized gains (losses) on derivatives	368	977
Related income tax (expense) benefit <sup>(1)</sup>	(146)	(386)
Net derivative (gains) losses reclassified into earnings	(3)	(31)
Related income tax expense (benefit) <sup>(1)</sup>	1	12
Net effect on other comprehensive income for the period	220	572
Minimum pension liability		
Net change in minimum pension liability	-	(71)
Related income tax expense (benefit) <sup>(1)</sup>	-	28
Net effect on other comprehensive income for the period	-	(43)
Total change in other comprehensive income (loss)	2,181	(4,739)
Comprehensive income	\$ 7,765	\$ 6,341