WESBANCO INC
Form 10-Q
August 03, 2007

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 June 30, 2007

¨ 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	**55-0571723**
(State of incorporation)	(IRS Employer Identification No.)
1 Bank Plaza, Wheeling, WV	**26003**
(Address of principal executive offices)	(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 þ 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 þ 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 þ

As of July 31, 2007, there were 20,747,920 shares of WesBanco, Inc. common stock $2.0833 par value, outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)		**June 30, 2007 (unaudited)**		December 31, 2006
ASSETS				
Cash and due from banks, including interest bearing amounts of **$984** and $1,217, respectively	**$**	**69,369**	$	96,605
Securities:				
Available-for-sale, at fair value		**726,393**		395,520
Held-to-maturity (fair values of **$0** and $347,391, respectively)		**-**		341,187
Total securities		**726,393**		736,707
Loans held for sale		**6,778**		3,170
Portfolio loans:				
Commercial		**403,451**		409,347
Commercial real estate		**1,157,055**		1,165,823
Residential real estate		**841,512**		896,533
Home equity		**155,231**		161,602
Consumer		**272,549**		274,908
Total portfolio loans, net of unearned income		**2,829,798**		2,908,213
Allowance for loan losses		**(31,928)**		(31,979)
Net portfolio loans		**2,797,870**		2,876,234
Premises and equipment, net		**68,496**		67,404
Accrued interest receivable		**18,479**		19,180
Goodwill and other intangible assets, net		**143,956**		145,147
Bank-owned life insurance		**83,444**		82,473
Other assets		**72,402**		71,223
Total Assets	**$**	**3,987,187**	$	4,098,143

LIABILITIES

Deposits:		
Non-interest bearing demand	**$ 394,660**	$ 401,909
Interest bearing demand	**351,233**	356,088
Money Market Accounts	**381,281**	354,082
Savings deposits	**421,513**	441,226
Certificates of deposit	**1,444,656**	1,442,242
Total deposits	**2,993,343**	2,995,547
Federal Home Loan Bank borrowings	**265,119**	358,907
Other short-term borrowings	**197,871**	202,561
Junior subordinated debt owed to unconsolidated subsidiary trusts	**87,638**	87,638
Total borrowings	**550,628**	649,106
Accrued interest payable	**10,834**	10,174
Other liabilities	**26,831**	26,441
Total Liabilities	**3,581,636**	3,681,268
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding	**—**	—
Common stock, $2.0833 par value; 50,000,000 shares authorized; 23,615,859 shares issued; outstanding: **20,759,920** shares in 2007 and 21,496,793 shares in 2006	**49,200**	49,200
Capital surplus	**123,293**	123,170
Retained earnings	**328,895**	316,457
Treasury stock (**2,855,939** and 2,119,066 shares, respectively, at cost)	**(85,142)**	(61,855)
Accumulated other comprehensive loss (fair value adjustments)	**(9,500)**	(8,863)
Deferred benefits for directors and employees	**(1,195)**	(1,234)
Total Shareholders' Equity	**405,551**	416,875
Total Liabilities and Shareholders' Equity	**$ 3,987,187**	$ 4,098,143

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(unaudited, in thousands, except per share amounts)	**2007**	2006	**2007**	2006
INTEREST AND DIVIDEND INCOME				
Loans, including fees	**$ 48,355**	$ 47,024	**$ 96,624**	$ 92,756
Interest and dividends on securities:				
Taxable	**5,097**	4,407	**9,875**	10,366
Tax-exempt	**3,616**	4,053	**7,353**	8,361
	8,713	8,460	**17,228**	18,727

Total interest and dividends on securities				
Federal funds sold	**433**	86	**541**	86
Other interest income	**311**	424	**612**	872
Total interest and dividend income	**57,812**	55,994	**115,005**	112,441
INTEREST EXPENSE				
Interest bearing demand deposits	**1,226**	961	**2,247**	1,507
Money market deposits	**2,529**	2,093	**4,719**	4,288
Savings deposits	**1,433**	1,480	**2,933**	2,756
Certificates of deposit	**16,541**	13,347	**32,220**	25,840
Total interest expense on deposits	**21,729**	17,881	**42,119**	34,391
Federal Home Loan Bank borrowings	**3,329**	4,314	**6,639**	9,672
Other short-term borrowings	**2,149**	1,535	**4,241**	3,777
Junior subordinated debt owed to unconsolidated subsidiary trusts	**1,419**	1,400	**2,827**	2,754
Total interest expense	**28,626**	25,130	**55,826**	50,594
NET INTEREST INCOME	**29,186**	30,864	**59,179**	61,847
Provision for credit losses	**1,776**	2,263	**3,236**	4,903
Net interest income after provision for loan losses	**27,410**	28,601	**55,943**	56,944
NON-INTEREST INCOME				
Trust fees	**3,885**	3,537	**8,223**	7,595
Service charges on deposits	**4,431**	4,179	**8,314**	7,976
Bank-owned life insurance	**1,672**	732	**2,420**	1,461
Net securities gains (losses)	**39**	92	**717**	(7,850)
Net gains on sales of loans	**379**	398	**715**	441
Gains on early extinguishment of debt	**895**	1,047	**895**	1,047
Other income	**2,151**	2,405	**5,404**	7,134
Total non-interest income	**13,452**	12,390	**26,688**	17,804
NON-INTEREST EXPENSE				
Salaries and wages	**10,186**	9,928	**20,368**	19,832
Employee benefits	**3,629**	3,387	**7,325**	6,899
Net occupancy	**1,866**	1,866	**3,869**	3,879
Equipment	**1,884**	1,993	**3,786**	4,023
Marketing	**1,414**	1,837	**2,036**	2,911
Amortization of intangible assets	**596**	633	**1,192**	1,266
Restructuring expenses	**-**	-	**-**	540
Other operating expenses	**7,397**	7,344	**14,781**	14,450
Total non-interest expense	**26,972**	26,988	**53,357**	53,800
Income before provision for income taxes	**13,890**	14,003	**29,274**	20,948
Provision for income taxes	**1,595**	2,742	**5,032**	4,103
NET INCOME	**$ 12,295**	$ 11,261	**$ 24,242**	$ 16,845
EARNINGS PER SHARE				
Basic	**$ 0.59**	$ 0.52	**$ 1.15**	$ 0.77
Diluted	**$ 0.59**	$ 0.52	**$ 1.15**	$ 0.77

AVERAGE SHARES OUTSTANDING				
Basic	**20,838,798**	21,893,943	**21,053,868**	21,915,824
Diluted	**20,884,156**	21,946,829	**21,103,429**	21,970,952
DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.275**	$ 0.265	**$ 0.550**	$ 0.530

See Notes to Consolidated Financial Statements.

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

For the Six Months Ended June 30, 2007 and 2006

(unaudited, in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2005	21,955,359	$ 49,200	$ 122,345	$ 300,452	$ (47,769)	$ (7,87
Net income				16,845		
Other comprehensive income						1,35
Comprehensive income						
Common dividends declared ($0.53 per share)				(11,605)		
Treasury shares purchased	(197,616)				(5,912)	
Treasury shares sold	25,607		(76)		640	
Tax benefit from employee benefit plans			97			
Recognition of stock compensation			60			
Deferred benefits for directors – net			85			
June 30, 2006	21,783,350	$ 49,200	$ 122,511	$ 305,692	$ (53,041)	$ (6,52

Balance, December 31, 2006	21,496,793	$ 49,200	$ 123,170	$ 316,457	$ (61,855)	$ (8,86
Net income				**24,242**		
Other comprehensive income						**(63**
Comprehensive income						
Common dividends declared ($0.55 per share)				**(11,506)**		
Treasury shares purchased	**(761,398)**				**(23,928)**	
Treasury shares sold	**24,525**		**(85)**		**641**	
Cumulative effect of change in accounting for uncertainties in income taxes				**(298)**		
Tax benefit from employee benefit plans			**88**			
Recognition of stock compensation			**159**			
Deferred benefits for directors – net			**(39)**			
June 30, 2007	**20,759,920**	**$49,200**	**$ 123,293**	**$ 328,895**	**$ (85,142)**	**$ (9,50**

There was no activity in Preferred Stock during the six months ended June 30, 2007 and 2006.

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
(Unaudited, in thousands)	**2007**	2006

OPERATING ACTIVITIES:		
Net income	**$ 24,242**	$ 16,845
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**2,777**	2,773
Net accretion	**(543)**	(378)
Provision for credit losses	**3,236**	4,903
Net securities (gains) losses	**(717)**	7,850
Net gains on sales of loans	**(715)**	(441)
Excess tax benefits from stock-based compensation arrangements	**(88)**	(97)
Deferred income taxes	**2,040**	(2,580)
Increase in cash surrender value of bank-owned life insurance	**(971)**	(1,461)
Loans originated for sale	**(62,475)**	(34,047)
Proceeds from the sale of loans originated for sale	**59,582**	30,433
Change in: other assets and accrued interest receivable	**1,256**	19,753
Change in: other liabilities and accrued interest payable	**(1,974)**	4,679
Other – net	**(988)**	(3,125)
Net cash provided by operating activities	**24,662**	45,107
INVESTING ACTIVITIES:		
Securities available-for-sale:		
Proceeds from sales	**1,213**	197,786
Proceeds from maturities, prepayments and calls	**84,147**	138,491
Purchases of securities	**(81,707)**	(100,911)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	**6,754**	32,306
Purchases of securities	**(200)**	(1,044)
Sale of branches, net of cash	**-**	(14,378)
Net decrease in loans	**75,469**	4,083
Purchases of premises and equipment – net	**(4,096)**	(1,464)
Net cash provided by investing activities	**81,580**	254,869
FINANCING ACTIVITIES:		
Decrease in deposits	**(2,214)**	(24,301)
Decrease in Federal Home Loan Bank borrowings	**(91,798)**	(198,669)
Increase (decrease) in other short-term borrowings	**311**	(39,515)
Decrease in federal funds purchased	**(5,000)**	(40,000)
Excess tax benefits from stock-based compensation arrangements	**88**	97
Dividends paid	**(11,493)**	(11,493)
Treasury shares purchased – net	**(23,372)**	(5,348)
Net cash used in financing activities	**(133,478)**	(319,229)
Net decrease in cash and cash equivalents	**(27,236)**	(19,253)
Cash and cash equivalents at beginning of the period	**96,605**	110,608
Cash and cash equivalents at end of the period	**$ 69,369**	$ 91,355
SUPPLEMENTAL DISCLOSURES:		
Interest paid on deposits and other borrowings	**$ 55,166**	$ 50,536
Income taxes paid	**6,305**	3,750
Transfers of loans to other real estate owned	**1,412**	2,338
Transfers of held to maturity securities to available for sale securities	**340,767**	-

See Notes to Consolidated Financial Statements.

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, 2006.

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 2006 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.

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 under certain specified circumstances, 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 was effective for WesBanco as of January 1, 2007 and did not 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 assets. This statement was effective for WesBanco as of January 1, 2007 and did not have a significant impact on WesBanco's financial position or results of operations, as WesBanco retained the amortized cost method as its method of accounting for servicing-related assets.

In July 2006, the FASB issued Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109." FIN 48 clarifies the application of SFAS No. 109 to the accounting for income taxes by prescribing the minimum threshold a tax position must meet before being recognized in the financial statements. Under FIN 48, the financial statement effects of a tax position are initially recognized when it is more likely than not (likelihood of occurrence is greater than 50 percent), based on its technical merits, the position will be sustained upon examination. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon settlement with the taxing authority. This interpretation was effective for WesBanco as of January 1, 2007 and did not have a significant impact on WesBanco's financial position or results of operations. For further information, see Note 8, "Income Taxes".

RECENT ACCOUNTING PRONOUNCEMENTS—In September, 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines, and provides guidance as to the measurement of, fair value. This statement creates a hierarchy of measurement and indicates that, when possible, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 applies when assets or liabilities in the financial statements are to be measured at fair value, but does not require additional use of fair value beyond the requirements in other accounting principles. The statement is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of this statement on WesBanco's financial position and results of operations.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits companies to report certain financial assets and financial liabilities at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. WesBanco can elect to apply the standard prospectively and measure certain financial instruments at fair value beginning January 1, 2008. WesBanco is currently evaluating the guidance contained in SFAS 159, and has yet to determine which assets or liabilities (if any) will be selected. At adoption, the difference between the carrying amount and the fair value of existing eligible assets and liabilities selected (if any) would be recognized via a cumulative adjustment to beginning retained earnings on January 1, 2008.

NOTE 2. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	For the Three Months Ended June 30 ,		For the Six Months Ended June 30,	
(Unaudited, in thousands, except shares and per share amounts)	2007	2006	2007	2006
Numerator for both basic and diluted earnings per share:				
Net Income	$ 12,295	$ 11,261	$ 24,242	$ 16,845
Denominator:				
Total average basic common shares outstanding	20,838,798	21,893,943	21,053,868	21,915,824
Effect of dilutive stock options	45,358	52,886	49,561	55,128
Total diluted average common shares outstanding	20,884,156	21,946,829	21,103,429	21,970,952
Earnings per share - basic	$ 0.59	$ 0.52	$ 1.15	$ 0.77
Earnings per share - diluted	$ 0.59	$ 0.52	$ 1.15	$ 0.77

NOTE 3. SECURITIES

Effective March 31, 2007 all held-to-maturity securities were transferred to available-for-sale. The securities were transferred to increase the level of securities available to pledge as collateral to support municipal deposits and other deposits and borrowings that may require pledged collateral. The securities transferred were obligations of states and political subdivisions which have only limited use as pledged collateral due to regulatory and other restrictions. Some securities transferred had a cost basis in excess of fair value. Management has the intent and ability to hold the securities until recovery of their cost. Upon recovery, management may sell certain securities and purchase securities that can be better utilized as pledged collateral. The amortized cost of the transferred securities, at the date of transfer, was $334.9 million; and the pre-tax gain recognized in other comprehensive income relating to the transfer was $5.8 million. WesBanco does not intend to use the held-to-maturity security classification in the foreseeable future for purchased securities.

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

(Unaudited, in thousands)	June 30, 2007	December 31, 2006
Securities available-for-sale (at fair value):		
Other government agencies and corporations	$ 102,841	$ 117,066
Mortgage-backed securities	272,752	254,703
Obligations of states and political subdivisions	345,640	17,586
Corporate equity securities	5,160	6,165
Total securities available-for-sale	726,393	395,520
Securities held-to-maturity (at amortized cost):		
Obligations of states and political subdivisions	-	341,187
Total securities	$ 726,393	$ 736,707

At June 30, 2007 and December 31, 2006, 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 $310.8 million and $329.6 million and aggregate carrying values of $302.1 million and $329.7 million at June 30, 2007 and December 31, 2006, respectively, were pledged to secure public and trust funds. Proceeds from the sale of available-for-sale securities were zero and $1.2 million for the three and six months ended June 30, 2007, respectively, compared to $188.9 million and $197.8 million for the same periods in 2006.

For the six months ended June 30, 2007, realized gains on available-for-sale securities were $717 thousand and realized losses were zero. For the six months ended June 30, 2006, realized gains on available-for-sale securities were $194 thousand, and excluding the other-than-temporary impairment losses of $8.0 million recognized in the first quarter of 2006, realized losses on available-for-sale securities were zero.

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 June 30, 2007 and December 31, 2006:

	June 30, 2007							
	Less than 12 months			12 months or more			Tota	
(Unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unr L

Other government agencies and corporations	$ 31,988	$ (12)	2	$ 70,853	$ (1,289)	13	$ 102,841	$
Mortgage-backed securities	125,114	(1,980)	16	146,913	(6,259)	71	272,027	
Obligations of states and political subdivisions	29,935	(157)	53	82,400	(2,301)	190	112,335	
Total temporarily impaired securities	$ 187,037	$ (2,149)	71	$ 300,166	$ (9,849)	274	$ 487,203	$

	December 31, 2006							
	Less than 12 months			12 months or more			Tota	
(Unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unr L
Other government agencies and corporations	$ -	$ -	-	$ 102,066	$ (1,108)	18	$ 102,066	$
Mortgage-backed securities	80,305	(651)	10	162,053	(5,291)	69	242,358	
Obligations of states and political subdivisions	4,478	(12)	8	67,772	(1,084)	166	72,250	
Total temporarily impaired securities	$ 84,783	$ (663)	18	$ 331,891	$ (7,483)	253	$ 416,674	$

Total unrealized pre-tax gains and losses on available-for-sale securities (fair value adjustments) reflected a $6.5 million market loss as of June 30, 2007, compared to a $5.1 million market loss as of December 31, 2006. 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. 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 broad interest indices. WesBanco has the ability and intent to hold the noted loss position securities for a period of time sufficient for a recovery of cost. Accordingly, WesBanco believes the unrealized losses in its available-for-sale securities portfolio at June 30, 2007 are temporary, and no other-than-temporary impairment losses have been recognized in the Consolidated Statements of Income for the six months ended June 30, 2007.

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 $4.2 million at June 30, 2007 and $4.5 million at December 31, 2006.

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

	For the Six Months Ended June 30,	
(Unaudited, in thousands)	2007	2006
Balance, at beginning of period	$ 31,979	$ 30,957
Provision for loan losses	2,960	4,903
Charge-offs	(3,990)	(6,470)
Recoveries	979	1,202
Balance, at end of period	$ 31,928	$ 30,592

	June 30,	December 31,
(Unaudited, in thousands)	2007	2006
Non-accrual loans	$ 9,651	$ 16,154
Other impaired loans	5,327	2,992
Total impaired loans	$ 14,978	$ 19,146

	June 30,	December 31,
(Unaudited, in thousands)	2007	2006
Balance of impaired loans with no allocated allowance for loan losses	$ 6,932	$ 10,629
Balance of impaired loans with an allocated allowance for loan losses	8,046	8,517
Total impaired loans	$ 14,978	$ 19,146
Allowance for loan losses allocated to impaired loans	$ 2,070	$ 1,274

At June 30, 2007 and December 31, 2006, WesBanco had no material commitments to lend additional funds to debtors whose loans were classified as impaired.

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 June 30, 2007 and December 31, 2006 WesBanco had FHLB borrowings of $265.1 million and $358.9 million, respectively, with a weighted-average interest rate of 4.21% and 3.77%, respectively. Included in FHLB borrowings at June 30, 2007 are $75.8 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 $18.3 million at June 30, 2007 and $21.6 million at December 31, 2006 is also pledged as collateral on these advances. The remaining maximum borrowing capacity with the FHLB at June 30, 2007 and December 31, 2006 was $1,109.6 million and $1,048.5 million, respectively.

Certain FHLB advances contain call features, which allow the FHLB to call the outstanding balance or 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 will be called depends primarily on the level of related interest rates during the call period. Of the $265.1 million outstanding at June 30, 2007, $174.6 million in FHLB convertible advances are subject to call or conversion to a variable rate advance by the FHLB. Approximately $31.5 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 not a member of the Cincinnati FHLB, and instead WesBanco would be required to pay down such advances or refinance them with the Pittsburgh FHLB. Approximately $30.9 million of such advances were called, prior to their maturity, during the second quarter of 2007, resulting in gains on early extinguishment of debt of $0.9 million.

The following table presents the aggregate annual maturities and weighted-average interest rates of FHLB borrowings at June 30, 2007 based on their contractual maturity dates and effective interest rates:

Year *(unaudited, in thousands)*	Scheduled Maturity	Weighted Average Rate
2007	$ 45,790	3.42%
2008	17,957	3.71%
2009	79,762	4.22%
2010	99,178	4.67%
2011	5,284	3.56%
2012 and thereafter	17,148	5.84%
Total	$ 265,119	4.21%

NOTE 6. OTHER SHORT-TERM BORROWINGS

Other short-term borrowings are comprised of the following:

(Unaudited, in thousands)	June 30, 2007	December 31, 2006
Federal funds purchased	$ 45,000	$ 50,000
Securities sold under agreements to repurchase	124,780	142,591
Treasury tax and loan notes and other	2,091	1,933
Revolving line of credit	26,000	8,037
Total	$ 197,871	$ 202,561

NOTE 7. PENSION PLAN

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Unaudited, in thousands)	2007	2006	2007	2006
Service cost – benefits earned during year	$ 604	$ 550	$ 1,207	$ 1,170
Interest cost on projected benefit obligation	744	660	1,489	1,368
Expected return on plan assets	(1,066)	(929)	(2,132)	(1,858)

Amortization of prior service cost &#16