

WESBANCO INC  
Form 10-Q  
October 27, 2011  
Table of Contents

**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, 2011**

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)

**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

## Edgar Filing: WESBANCO INC - Form 10-Q

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 25, 2011, there were 26,629,360 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

**Table of Contents**

**WESBANCO, INC.**

**TABLE OF CONTENTS**

<b>Item No.</b>	<b>ITEM</b>	<b>Page No.</b>
<b>PART I - FINANCIAL INFORMATION</b>		
1	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets at September 30, 2011 (unaudited) and December 31, 2010</u>	3
	<u>Consolidated Statements of Income for the three and nine months ended September 30, 2011 and 2010 (unaudited)</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2011 and 2010 (unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010 (unaudited)</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
4	<u>Controls and Procedures</u>	46
<b>PART II OTHER INFORMATION</b>		
1	<u>Legal Proceedings</u>	47
2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
6	<u>Exhibits</u>	48
	<u>Signatures</u>	49

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

<i>(unaudited, in thousands, except shares)</i>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
<b>ASSETS</b>		
Cash and due from banks, including interest bearing amounts of <b>\$19,081</b> and \$21,894, respectively	<b>\$ 145,518</b>	\$ 79,136
Securities:		
Available-for-sale, at fair value	<b>952,065</b>	957,481
Held-to-maturity (fair values of <b>\$631,405</b> and \$465,902, respectively)	<b>604,994</b>	468,710
Total securities	<b>1,557,059</b>	1,426,191
Loans held for sale	<b>8,139</b>	10,800
Portfolio loans, net of unearned income	<b>3,240,378</b>	3,288,676
Allowance for loan losses	<b>(55,098)</b>	(61,051)
Net portfolio loans	<b>3,185,280</b>	3,227,625
Premises and equipment, net	<b>83,198</b>	85,928
Accrued interest receivable	<b>20,837</b>	20,536
Goodwill and other intangible assets, net	<b>283,737</b>	285,559
Bank-owned life insurance	<b>109,204</b>	106,502
Other assets	<b>109,186</b>	119,181
<b>Total Assets</b>	<b>\$ 5,502,158</b>	\$ 5,361,458
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	<b>\$ 676,724</b>	\$ 591,052
Interest bearing demand	<b>571,736</b>	481,129
Money market	<b>903,724</b>	854,836
Savings deposits	<b>587,263</b>	530,701
Certificates of deposit	<b>1,616,961</b>	1,714,705
Total deposits	<b>4,356,408</b>	4,172,423
Federal Home Loan Bank borrowings	<b>176,581</b>	253,606
Other short-term borrowings	<b>192,780</b>	187,385
Junior subordinated debt owed to unconsolidated subsidiary trusts	<b>106,058</b>	106,034
Total borrowings	<b>475,419</b>	547,025
Accrued interest payable	<b>5,772</b>	6,559
Other liabilities	<b>30,157</b>	28,588
<b>Total Liabilities</b>	<b>4,867,756</b>	4,754,595
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding	-	-
Common stock, \$2.0833 par value; 50,000,000 shares authorized; <b>26,633,848</b> shares issued in 2011 and 2010; outstanding: <b>26,629,360</b> and 26,586,953 shares in 2011 and 2010, respectively	<b>55,487</b>	55,487
Capital surplus	<b>191,471</b>	191,987
Retained earnings	<b>382,442</b>	361,513
Treasury stock ( <b>4,488</b> and 46,895 shares in 2011 and 2010, respectively, at cost)	<b>(96)</b>	(1,063)
Accumulated other comprehensive income	<b>6,287</b>	131
Deferred benefits for directors	<b>(1,189)</b>	(1,192)
<b>Total Shareholders Equity</b>	<b>634,402</b>	606,863
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 5,502,158</b>	\$ 5,361,458

Edgar Filing: WESBANCO INC - Form 10-Q

See Notes to Consolidated Financial Statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
<i>(unaudited, in thousands, except shares and per share amounts)</i>				
<b>INTEREST AND DIVIDEND INCOME</b>				
Loans, including fees	\$ 44,191	\$ 46,753	\$ 133,051	\$ 143,038
Interest and dividends on securities:				
Taxable	9,032	8,957	27,171	26,792
Tax-exempt	3,019	2,763	9,051	8,609
Total interest and dividends on securities	12,051	11,720	36,222	35,401
Other interest income	45	103	154	299
Total interest and dividend income	56,287	58,576	169,427	178,738
<b>INTEREST EXPENSE</b>				
Interest bearing demand deposits	394	650	1,397	1,957
Money market deposits	1,189	1,821	3,969	5,949
Savings deposits	332	533	1,169	1,758
Certificates of deposit	7,728	8,817	23,707	28,299
Total interest expense on deposits	9,643	11,821	30,242	37,963
Federal Home Loan Bank borrowings	1,714	2,576	5,743	10,477
Other short-term borrowings	1,220	1,207	3,590	3,558
Junior subordinated debt owed to unconsolidated subsidiary trusts	809	986	2,421	2,974
Total interest expense	13,386	16,590	41,996	54,972
<b>NET INTEREST INCOME</b>	<b>42,901</b>	<b>41,986</b>	<b>127,431</b>	<b>123,766</b>
Provision for credit losses	10,836	11,778	25,680	34,953
Net interest income after provision for credit losses	32,065	30,208	101,751	88,813
<b>NON-INTEREST INCOME</b>				
Trust fees	3,941	3,765	12,975	11,459
Service charges on deposits	4,881	4,897	13,992	15,914
Electronic banking fees	2,679	2,230	7,486	6,335
Net securities brokerage and insurance services revenue	1,703	1,874	5,117	5,341
Bank-owned life insurance	908	879	2,703	2,789
Net gains on sales of mortgage loans	327	985	1,298	2,079
Net securities gains	67	981	97	3,284
Net losses on other real estate owned and other assets	(162)	(654)	(978)	(3,499)
Other income	255	19	1,430	900
Total non-interest income	14,599	14,976	44,120	44,602
<b>NON-INTEREST EXPENSE</b>				
Salaries and wages	14,227	13,749	41,612	40,326
Employee benefits	3,662	4,671	13,294	14,016
Net occupancy	3,068	2,534	8,450	8,133
Equipment	2,107	2,460	6,552	7,440
Marketing	1,214	1,223	3,861	3,008
FDIC insurance	1,091	1,740	3,760	5,028
Amortization of intangible assets	599	676	1,822	2,060
Other operating expenses	7,639	8,628	25,450	25,629
Total non-interest expense	33,607	35,681	104,801	105,640
Income before provision for income taxes	13,057	9,503	41,070	27,775
Provision for income taxes	2,044	350	7,898	2,473
<b>NET INCOME</b>	<b>\$ 11,013</b>	<b>\$ 9,153</b>	<b>\$ 33,172</b>	<b>\$ 25,302</b>
<b>EARNINGS PER COMMON SHARE</b>				
Basic	\$ 0.41	\$ 0.34	\$ 1.25	\$ 0.95
Diluted	\$ 0.41	\$ 0.34	\$ 1.25	\$ 0.95

Edgar Filing: WESBANCO INC - Form 10-Q

**AVERAGE SHARES OUTSTANDING**

Basic	<b>26,629,360</b>	26,586,953	<b>26,609,755</b>	26,577,302
Diluted	<b>26,629,543</b>	26,587,281	<b>26,610,347</b>	26,577,827
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.16</b>	\$ 0.14	<b>\$ 0.46</b>	\$ 0.42

See Notes to Consolidated Financial Statements.

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

For the Nine Months Ended September 30, 2011 and 2010

<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, 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 (1)						6,156		6,156
Total 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	-
September 30, 2011	26,629,360	\$ 55,487	\$ 191,471	\$ 382,442	\$ (96)	\$ 6,287	\$ (1,189)	\$ 634,402
December 31, 2009	26,567,653	\$ 55,487	\$ 192,268	\$ 340,788	\$ (1,498)	\$ 2,949	\$ (1,278)	\$ 588,716
Net income				25,302				25,302
Other comprehensive income (1)						5,272		5,272
Total comprehensive income								30,574
Common dividends declared (\$0.42 per share)				(11,165)				(11,165)
Stock options exercised	2,050		(14)		44			30
Restricted stock granted	17,250		(391)		391			-
Stock compensation expense			132					132
Deferred benefits for directors- net			(93)				93	-
September 30, 2010	26,586,953	\$ 55,487	\$ 191,902	\$ 354,925	\$ (1,063)	\$ 8,221	\$ (1,185)	\$ 608,287

(1) The net change in other comprehensive income in 2010 and 2011 consists primarily of the net change in unrealized gains and losses in available-for-sale securities.

See Notes to Consolidated Financial Statements.



**Table of Contents****WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Nine Months Ended	
	September 30, 2011	2010
<i>(unaudited, in thousands)</i>		
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 78,866</b>	<b>\$ 70,037</b>
<b>INVESTING ACTIVITIES:</b>		
Net decrease in loans, excluding sales	7,467	106,070
Securities available-for-sale:		
Proceeds from sales	5,014	114,809
Proceeds from maturities, prepayments and calls	334,871	326,123
Purchases of securities	(327,179)	(511,795)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	62,248	28,721
Purchases of securities	(201,235)	(67,420)
Purchases of premises and equipment net	(1,947)	(1,666)
Sale of portfolio loans net	6,902	4,408
Net cash used in investing activities	(113,859)	(750)
<b>FINANCING ACTIVITIES:</b>		
Net increase in deposits	184,071	197,079
Proceeds from Federal Home Loan Bank borrowings	-	20,000
Repayment of Federal Home Loan Bank borrowings	(76,757)	(256,378)
Increase (decrease) in other short-term borrowings	5,739	(2,769)
Decrease in federal funds purchased	-	(5,000)
Repayment of junior subordinated debt	-	(5,000)
Dividends paid to common shareholders	(11,704)	(11,162)
Treasury shares sold net	26	30
Net cash provided by (used in) financing activities	101,375	(63,200)
Net increase in cash and cash equivalents	66,382	6,087
Cash and cash equivalents at beginning of the period	79,136	82,867
Cash and cash equivalents at end of the period	\$ 145,518	\$ 88,954
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid on deposits and other borrowings	\$ 42,783	\$ 57,292
Income taxes paid	9,200	4,285
Transfers of loans to other real estate owned	1,767	6,058
Transfer to loans held for sale	17,192	15,437
Transfers of available-for-sale securities to held-to-maturity securities at fair value	-	426,723

See Notes to Consolidated Financial Statements.

---

**Table of Contents**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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, 2010.

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 2010 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.

**RECENT ACCOUNTING PRONOUNCEMENTS** In September 2011, the Financial Accounting Standards Board ( 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 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this pronouncement is not expected to 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 stockholders' 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. The pronouncement should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements.

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 ( IFRS ). 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 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 is not expected to have a material impact on WesBanco's consolidated financial statements.

In April 2011, the FASB issued an accounting pronouncement which clarifies when a loan modification or restructuring is considered a troubled debt restructuring. The new pronouncement also requires new disclosures relating to troubled debt restructurings ( TDRs ). The guidance is effective for the first interim period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For purposes of measuring impairment on newly-considered impaired receivables an entity should apply the guidance prospectively. The provisions of this pronouncement did not change the amount of WesBanco's receivables that are considered TDRs but it did expand the related disclosures on TDRs. The adoption of this pronouncement did not have a material impact on WesBanco's financial condition and results of operations.

**Table of Contents****NOTE 2. 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,	
	2011	2010	2011	2010
Numerator for both basic and diluted earnings per common share:				
Net income	\$ 11,013	\$ 9,153	\$ 33,172	\$ 25,302
Denominator:				
Total average basic common shares outstanding	26,629,360	26,586,953	26,609,755	26,577,302
Effect of dilutive stock options	183	328	592	525
Total diluted average common shares outstanding	26,629,543	26,587,281	26,610,347	26,577,827
Earnings per common share - basic	\$ 0.41	\$ 0.34	\$ 1.25	\$ 0.95
Earnings per common share - diluted	\$ 0.41	\$ 0.34	\$ 1.25	\$ 0.95

**NOTE 3. 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, 2011				December 31, 2010			
	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	\$ 274,218	\$ 1,011	\$ (201)	\$ 275,028	\$ 367,150	\$ 1,436	\$ (5,451)	\$ 363,135
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	441,554	9,660	(147)	451,067	344,787	9,412	(854)	353,345
Obligations of state and political subdivisions	181,502	8,025	(30)	189,497	208,198	4,321	(1,711)	210,808
Corporate debt securities	32,639	17	(817)	31,839	25,775	12	(204)	25,583
Total debt securities	\$ 929,913	\$ 18,713	\$ (1,195)	\$ 947,431	\$ 945,910	\$ 15,181	\$ (8,220)	\$ 952,871
Equity securities	4,000	679	(45)	4,634	3,787	823	-	4,610
Total available-for-sale securities	\$ 933,913	\$ 19,392	\$ (1,240)	\$ 952,065	\$ 949,697	\$ 16,004	\$ (8,220)	\$ 957,481
Held-to-maturity								
Residential mortgage-backed securities and collateralized mortgage obligations of	\$ 281,025	\$ 8,663	\$ (26)	\$ 289,662	\$ 202,062	\$ 1,721	\$ (14)	\$ 203,769

Edgar Filing: WESBANCO INC - Form 10-Q

government agencies								
Other residential collateralized mortgage obligations	876	11	(1)	886	1,224	14	-	1,238
Obligations of state and political subdivisions	321,641	17,919	(241)	339,319	263,973	973	(5,592)	259,354
Corporate debt securities	1,452	86	-	1,538	1,451	90	-	1,541
Total held-to-maturity securities	\$ 604,994	\$ 26,679	\$ (268)	\$ 631,405	\$ 468,710	\$ 2,798	\$ (5,606)	\$ 465,902
Total securities	\$ 1,538,907	\$ 46,071	\$ (1,508)	\$ 1,583,470	\$ 1,418,407	\$ 18,802	\$ (13,826)	\$ 1,423,383

At September 30, 2011, and December 31, 2010, 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.

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at September 30, 2011. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

**Table of Contents**

<i>(unaudited, in thousands)</i>	September 30, 2011				Total
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	
Available-for-sale					
Other government agencies	\$ 3,025	\$ 12,750	\$ 43,661	\$ 215,592	\$ 275,028
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies <sup>(1)</sup>	14,564	420,698	12,446	3,359	451,067
Obligations of states and political subdivisions	4,786	50,822	85,890	47,999	189,497
Corporate debt securities	3,080	22,089	1,717	4,953	31,839
Equity securities	-	-	-	4,634	4,634
Total available-for-sale securities	\$ 25,455	\$ 506,359	\$ 143,714	\$ 276,537	\$ 952,065
Held-to-maturity <sup>(2)</sup>					
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies <sup>(1)</sup>	\$ 3,499	\$ 233,862	\$ 46,973	\$ 5,328	\$ 289,662
Other residential collateralized mortgage obligations <sup>(1)</sup>	-	886	-	-	886
Obligations of states and political subdivisions	4,918	8,972	39,636	285,793	339,319
Corporate debt securities	-	-	-	1,538	1,538
Total held-to-maturity securities	\$ 8,417	\$ 243,720	\$ 86,609	\$ 292,659	\$ 631,405
Total securities	\$ 33,872	\$ 750,079	\$ 230,323	\$ 569,196	\$ 1,583,470

<sup>(1)</sup> Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are assigned to maturity categories based on current estimated average lives.

<sup>(2)</sup> The held-to-maturity portfolio is carried at an amortized cost of \$605.0 million.

Securities with aggregate par values of \$705.9 million and \$621.4 million at September 30, 2011 and December 31, 2010, 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 \$5.0 million for the nine months ended September 30, 2011, and \$114.8 million for the same nine month period in 2010. Net unrealized security gains on the available-for-sale portfolio were \$18.2 million and \$7.8 million for September 30, 2011 and December 31, 2010. These unrealized gains were recognized in other comprehensive income, net of tax. For the nine months ended September 30, 2011 and 2010, gross realized security gains were \$0.1 million and \$3.3 million, respectively.

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, 2011 and December 31, 2010:

**Table of Contents**

<i>(unaudited, dollars in thousands)</i>	Less than 12 months			September 30, 2011 12 months or more			Total		
	Fair	Unrealized	# of	Fair	Unrealized	# of	Fair	Unrealized	# of
	Value	Losses	Securities	Value	Losses	Securities	Value	Losses	Securities
Other government agencies	\$ 71,020	\$ (190)	12	\$ 9,979	\$ (11)	1	\$ 80,999	\$ (201)	13
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	67,295	(138)	15	1,398	(35)	3	68,693	(173)	18
Other residential collateralized mortgage obligations	208	(1)	1	-	-	-	208	(1)	1
Obligations of states and political subdivisions	21,008	(250)	26	3,973	(21)	8	24,981	(271)	34
Corporate debt securities	13,307	(313)	6	8,496	(504)	3	21,803	(817)	9
Equity securities	63	(45)	2	-	-	-	63	(45)	2
Total temporarily impaired securities	\$ 172,901	\$ (937)	62	\$ 23,846	\$ (571)	15	\$ 196,747	\$ (1,508)	77

<i>(unaudited, dollars in thousands)</i>	Less than 12 months			December 31, 2010 12 months or more			Total		
	Fair	Unrealized	# of	Fair	Unrealized	# of	Fair	Unrealized	# of
	Value	Losses	Securities	Value	Losses	Securities	Value	Losses	Securities
Other government agencies	\$ 190,252	\$ (5,451)	21	\$ -	\$ -	-	\$ 190,252	\$ (5,451)	21
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	97,174	(855)	20	578	(13)	1	97,752	(868)	21
Obligations of states and political subdivisions	223,324	(7,290)	255	342	(13)	2	223,666	(7,303)	257
Corporate debt securities	20,033	(204)	8	-	-	-	20,033	(204)	8
Total temporarily impaired securities	\$ 530,783	\$ (13,800)	304	\$ 920	\$ (26)	3	\$ 531,703	\$ (13,826)	307

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 to other comprehensive income in shareholders equity.

WesBanco does not believe the securities presented above are impaired due to reasons of credit quality, as substantially 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 Federal Home Loan Bank ( FHLB ) of Pittsburgh and FHLB of Cincinnati stock totaling \$23.3 million and \$28.0 million at September 30, 2011 and December 31, 2010, 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.

In 2008 the FHLB of Pittsburgh announced that it would suspend dividends and the repurchase of excess capital stock from its member banks until further notice. However, the FHLB of Pittsburgh announced on October 28, 2010 that the suspension on the repurchase of excess capital stock would be partially lifted, and future excess capital stock repurchases would be reviewed on a quarter-to-quarter basis. The suspension of dividends was not affected by the announcement. The FHLB of Pittsburgh stock owned by WesBanco totaling \$21.5 million and \$25.0 million at September 30, 2011 and December 31, 2010, respectively, does not have a readily determinable fair value, and is held primarily to serve as collateral on FHLB borrowings. Although the FHLB of Pittsburgh has suspended dividends and only partially lifted the suspension on the repurchase of excess capital stock, they are meeting their current debt obligations, have continued to exceed all required capital ratios, and have remained in compliance with statutory and regulatory requirements. Accordingly, as of September 30, 2011, WesBanco believes that sufficient evidence exists to conclude that its investment in FHLB stock was not impaired. At September 30, 2011, WesBanco held excess capital stock of \$6.8 million that remains to be repurchased by the FHLB of Pittsburgh. The FHLB of Pittsburgh stock balance declined from December 31, 2010 to September 30, 2011 due to stock repurchases of \$3.5 million.



**Table of Contents****NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES**

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs of \$2.9 million at September 30, 2011 and \$3.1 million at December 31, 2010.

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

<i>(unaudited, in thousands)</i>	September 30, 2011	December 31, 2010
Commercial real estate:		
Land and construction	\$ 195,226	\$ 154,841
Other	1,502,565	1,602,408
Total commercial real estate	1,697,791	1,757,249
Commercial and industrial	426,165	412,726
Residential real estate	612,647	608,693
Home equity	250,867	249,423
Consumer	252,908	260,585
Total portfolio loans	3,240,378	3,288,676
Loans held for sale	8,139	10,800
Total loans	\$ 3,248,517	\$ 3,299,476

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

<i>(unaudited, in thousands)</i>	For the Nine Months Ended September 30, 2011							September 30, 2010	
	Commercial Real Estate - Land and Construction	Commercial Real Estate - Other	Commercial & Industrial	Residential Real Estate	Home Equity	Deposit Consumer Overdraft	Total	Total	
Balance at beginning of year:									
Allowance for loan losses	\$ 4,701	\$ 30,836	\$ 10,793	\$ 5,950	\$ 2,073	\$ 5,641	\$ 1,057	\$ 61,051	\$ 61,160
Allowance for loan commitments	1,037	285	65	1	14	2	-	1,404	195
Total beginning allowance for credit losses	5,738	31,121	10,858	5,951	2,087	5,643	1,057	62,455	61,355
Provision for credit losses:									
Provision for loan losses	5,898	10,921	4,832	2,496	530	1,820	117	26,614	34,666
Provision for loan commitments	(930)	(276)	234	3	23	12	-	(934)	287
Total provision for credit losses	4,968	10,645	5,066	2,499	553	1,832	117	25,680	34,953
Charge-offs	(6,485)	(15,673)	(6,194)	(3,115)	(642)	(2,909)	(685)	(35,703)	(38,919)
Recoveries	33	930	733	342	10	849	239	3,136	2,082



Edgar Filing: WESBANCO INC - Form 10-Q

Net charge-offs	(6,452)	(14,743)	(5,461)	(2,773)	(632)	(2,060)	(446)	(32,567)	(36,837)
Balance at end of period:									
Allowance for loan losses	4,147	27,014	10,164	5,673	1,971	5,401	728	55,098	58,989
Allowance for loan commitments	107	9	299	4	37	14	-	470	482
Total ending allowance for credit losses	\$ 4,254	\$ 27,023	\$ 10,463	\$ 5,677	\$ 2,008	\$ 5,415	\$ 728	\$ 55,568	\$ 59,471

In September 2011, certain impaired and classified loans with a book value of \$17.2 million were sold, which included nonaccrual loans of \$6.8 million and TDRs accruing interest of \$9.9 million, with specific and general reserves totaling \$4.8 million. Total proceeds from the sale were \$6.9 million, resulting in \$10.3 million in charge-offs in the third quarter of 2011.

**Table of Contents**

The following tables present the allowance for credit losses and recorded investments in loans by category:

**Allowance for Credit Losses and Recorded Investment in Loans  
September 30, 2011**

<i>(unaudited, in thousands)</i>	<b>Commercial Real Estate- Land and Construction</b>	<b>Commercial Real Estate- Other</b>	<b>Commercial and Industrial</b>	<b>Residential Real Estate</b>	<b>Home Equity</b>	<b>Consumer</b>	<b>Over- draft</b>	<b>Total</b>
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	\$ 1,084	\$ 6,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,261
Allowance for loans collectively evaluated for impairment	3,063	20,837	10,164	5,673	1,971	5,401	728	47,837
Allowance for loan commitments	107	9	299	4	37	14	-	470
Total allowance for credit losses	\$ 4,254	\$ 27,023	\$ 10,463	\$ 5,677	\$ 2,008	\$ 5,415	\$ 728	\$ 55,568

Portfolio loans:								
Individually evaluated for impairment	\$ 10,819	\$ 37,448	\$ 3,856	\$ -	\$ -	\$ -	\$ -	\$ 52,123
Collectively evaluated for impairment	184,407	1,465,117	422,309	612,647	250,867	252,908	-	3,188,255
Total portfolio loans	\$ 195,226	\$ 1,502,565	\$ 426,165	\$ 612,647	\$ 250,867	\$ 252,908	\$ -	\$ 3,240,378

**Allowance for Credit Losses and Recorded Investment in Loans  
December 31, 2010**

<i>(unaudited, in thousands)</i>	<b>Commercial Real Estate- Land and Construction</b>	<b>Commercial Real Estate- Other</b>	<b>Commercial and Industrial</b>	<b>Residential Real Estate</b>	<b>Home Equity</b>	<b>Consumer</b>	<b>Over- draft</b>	<b>Total</b>
Allowance for credit losses:								
Allowance for loans	\$ 3,716	\$ 5,663	\$ 1,051	\$ -	\$ -	\$ -	\$ -	\$ 10,430

Edgar Filing: WESBANCO INC - Form 10-Q

individually evaluated for impairment									
Allowance for loans collectively evaluated for impairment	985	25,173	9,742	5,950	2,073	5,641	1,057	50,621	
Allowance for loan commitments	1,037	285	65	1	14	2	-	1,404	
Total allowance for credit losses	\$ 5,738	\$ 31,121	\$ 10,858	\$ 5,951	\$ 2,087	\$ 5,643	\$ 1,057	\$ 62,455	

Portfolio loans:									
Individually evaluated for impairment	\$ 11,976	\$ 56,976	\$ 7,406	\$ -	\$ -	\$ -	\$ -	\$ 76,358	
Collectively evaluated for impairment	142,865	1,545,432	405,320	608,693	249,423	260,585	-	3,212,318	
Total portfolio loans	\$ 154,841	\$ 1,602,408	\$ 412,726	\$ 608,693	\$ 249,423	\$ 260,585	\$ -	\$ 3,288,676	

WesBanco maintains an internal loan grading system to reflect the credit quality of commercial loans. Commercial loan risk grades are determined based on an evaluation of the relevant characteristics of each loan, assigned at the inception of each loan and adjusted thereafter at any time to reflect changes in the risk profile throughout the life of each loan. The primary factors used to determine the risk grade are the reliability and sustainability of the primary source of repayment and overall financial strength of the borrower. This includes an analysis of cash flow available to repay debt, profitability, liquidity, leverage, and overall financial trends. Other factors include management, industry or property type risks, an assessment of secondary sources of repayment such as collateral or guarantees, other terms and conditions of the loan that may increase or reduce its risk, and economic conditions and other external factors that may influence repayment capacity and financial condition.

Commercial real estate land and construction consists of loans to finance investments in vacant land, land development, construction of residential housing, and construction of commercial buildings. Commercial real estate other consists of loans for the purchase or refinance of all types of improved owner-occupied and investment properties. Factors that are considered in assigning the risk grade vary depending on the type of property financed. The risk grade assigned to construction and development loans is based on the overall viability of the project, the experience and financial capacity of the developer or builder to successfully complete the project, project specific and market absorption rates and comparable property values, and the amount of pre-sales for residential housing construction or pre-leases for commercial investment property. The risk grade assigned to commercial investment property loans is based primarily on the adequacy of net rental income generated by the property to service the debt, the type, quality, industry and mix of tenants, and the terms of leases, but also considers the overall financial capacity of the investors and their experience in owning and managing investment property. The risk grade assigned to owner-occupied commercial real estate and commercial and industrial loans is based primarily on historical and projected earnings, the adequacy of operating cash flow to service all of the business's debt, and the capital resources, liquidity and leverage of the business, but also considers the industry in which the business operates, the business's specific competitive advantages or disadvantages, the quality and experience of management, and external influences on the business such as economic conditions. Other factors that are considered for commercial and industrial loans include the type, quality and marketability of non-real estate collateral and whether the structure of the loan increases or reduces its risk. The type, age, condition, location and any environmental risks associated with a property are also considered for all types of commercial real estate. The overall financial condition and repayment capacity of any guarantors is also evaluated to determine the extent to which they mitigate other risks of the loan. The following descriptions of risk grades apply to commercial real estate and commercial and industrial loans.

Excellent or minimal risk loans are fully secured by liquid or readily marketable collateral and therefore have virtually no risk of loss. Good or desirable risk loans are extended in the normal course of business to creditworthy borrowers that exhibit a history of positive financial results that are at least comparable to the average for their industry or type of real estate. These loans are expected to perform satisfactorily during most economic cycles and there are no significant external factors that are expected to adversely affect these borrowers more than others in the same industry. Any



**Table of Contents**

minor unfavorable characteristics of these loans are outweighed or mitigated by strong positive factors including but not limited to adequate secondary sources of repayment or guarantees.

Fair or acceptable risk loans have a somewhat higher credit risk profile due to specific weaknesses or uncertainties that could adversely impact repayment capacity. Loans in this category generally warrant additional attention or monitoring, or a more rigid loan structure. These loans represent the maximum level of risk accepted in the normal course of lending. Specific issues that may warrant this grade include financial results that are less favorable than the average for the borrower's industry or type of real estate, cyclical financial results, loans based on projections that have a reasonable probability of being achieved, start-up businesses, construction projects, and other external factors that indicate a higher level of credit risk. Loans that are underwritten primarily on the basis of the repayment capacity or financial condition of guarantors may also be assigned this grade.

Criticized or marginal loans are currently protected but have weaknesses, which if not corrected, may inadequately protect WesBanco Bank, Inc. (the Bank) at some future date. These loans represent an unwarranted credit risk and would generally not be extended in the normal course of lending. Specific issues which may warrant this grade include declining financial results, increased reliance on secondary sources of repayment or guarantor support and adverse external influences that may negatively impact the business or property.

Substandard and doubtful loans are equivalent to the classifications used by banking regulators. Substandard loans are inadequately protected by the current repayment capacity and equity of the borrower or collateral pledged, if any. Substandard loans have one or more well-defined weaknesses that jeopardize their repayment or collection in full. These loans may or may not be reported as nonaccrual. Doubtful loans have all the weaknesses inherent to a substandard loan with the added characteristic that full repayment is highly questionable or improbable on the basis of currently existing facts, conditions and collateral values. However, recognition of loss may be deferred if there are reasonably specific pending factors that will reduce the risk if they occur.

The following tables summarize commercial loans by their assigned risk grade:

**Commercial Loans by Internally Assigned Risk Grade**

<i>(unaudited, in thousands)</i>	As of September 30, 2011			
	Commercial Real Estate- Land and Construction	Commercial Real Estate- Other	Commercial & Industrial	Total Commercial Loans
Excellent - minimal risk	\$ 787	\$ 238	\$ 51,362	\$ 52,387
Good - desirable risk	59,696	554,977	177,924	792,597
Fair - acceptable risk	97,822	749,023	161,453	1,008,298
Criticized - marginal	19,294	115,467	12,811	147,572
Classified - substandard	17,627	82,860	22,615	123,102
Classified - doubtful	-	-	-	-
Total	\$ 195,226	\$ 1,502,565	\$ 426,165	\$ 2,123,956

**Commercial Loans by Internally Assigned Risk Grade**

<i>(unaudited, in thousands)</i>	As of December 31, 2010			
	Commercial Real Estate- Land and Construction	Commercial Real Estate- Other	Commercial & Industrial	Total Commercial Loans
Excellent - minimal risk	\$ 559	\$ 170	\$ 55,203	\$ 55,932
Good - desirable risk	28,592	597,484	168,574	794,650
Fair - acceptable risk	75,446	776,115	147,616	999,177

Edgar Filing: WESBANCO INC - Form 10-Q

Criticized - marginal	26,411	136,677	16,817	179,905
Classified - substandard	23,833	91,962	24,516	140,311
Classified - doubtful	-	-	-	-
Total	\$ 154,841	\$ 1,602,408	\$ 412,726	\$ 2,169,975

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines were **\$18.1** million at September 30, 2011 and \$18.3 million at December 31, 2010, of which **\$6.2** million and \$6.6 million were accruing, for each period respectively.

**Table of Contents**

The following table summarizes the age analysis of all categories of loans.

**Age Analysis of Loans**

As of September 30, 2011

<i>(unaudited, in thousands)</i>	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans	90 Days
							or More Past Due and Accruing (1)
Commercial real estate:							
Land and construction	\$ 185,847	\$ 1,773	\$ 82	\$ 7,524	\$ 9,379	\$ 195,226	\$ 165
Other	1,475,014	7,516	1,575	18,460	27,551	1,502,565	-
Total commercial real estate	1,660,861	9,289	1,657	25,984	36,930	1,697,791	165
Commercial and industrial	416,344	1,788	2,007	6,026	9,821	426,165	82
Residential real estate	592,028	2,221	5,079	13,319	20,619	612,647	4,659
Home equity	247,222	1,581	540	1,524	3,645	250,867	784
Consumer	246,718	4,183	1,116	891	6,190	252,908	711
Total portfolio loans	3,163,173	19,062	10,399	47,744	77,205	3,240,378	6,401
Loans held for sale	8,139	-	-	-	-	8,139	-
Total loans	\$ 3,171,312	\$ 19,062	\$ 10,399	\$ 47,744	\$ 77,205	\$ 3,248,517	\$ 6,401

Non-performing loans included above are as follows:

Nonaccrual loans	\$ 11,810	\$ 1,299	\$ 2,844	\$ 40,864	\$ 45,007	\$ 56,817
TDRs	25,277	1,121	539	479	2,139	27,416

(1) Loans 90 days or more past due and accruing interest exclude TDRs 90 days or more past due and accruing interest.

**Age Analysis of Loans**

As of December 31, 2010

<i>(unaudited, in thousands)</i>	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans	90 Days
							or More Past Due and Accruing (1)
Commercial real estate:							
Land and construction	\$ 150,190	\$ 429	\$ 311	\$ 3,911	\$ 4,651	\$ 154,841	\$ 277
Other	1,579,400	4,365	2,956	15,687	23,008	1,602,408	692
Total commercial real estate	1,729,590	4,794	3,267	19,598	27,659	1,757,249	969
Commercial and industrial	401,344	3,530	1,402	6,450	11,382	412,726	95
Residential real estate	588,212	2,084	5,704	12,693	20,481	608,693	4,535
Home equity	245,346	1,665	658	1,754	4,077	249,423	1,126
Consumer	253,407	4,898	1,122	1,158	7,178	260,585	958
Total portfolio loans	3,217,899	16,971	12,153	41,653	70,777	3,288,676	7,683
Loans held for sale	10,800	-	-	-	-	10,800	-
Total loans	\$ 3,228,699	\$ 16,971	\$ 12,153	\$ 41,653	\$ 70,777	\$ 3,299,476	\$ 7,683

Non-performing loans included above are as follows:

Nonaccrual loans	\$ 9,989	\$ 1,818	\$ 3,207	\$ 33,806	\$ 38,831	\$ 48,820
------------------	----------	----------	----------	-----------	-----------	-----------

## Edgar Filing: WESBANCO INC - Form 10-Q

TDRs	46,135	894	290	164	1,348	47,483
------	--------	-----	-----	-----	-------	--------

(1) Loans 90 days or more past due and accruing interest exclude TDRs 90 days or more past due and accruing interest.

**Impaired Loans** A loan is considered impaired, based on current information and events, if it is probable that WesBanco will be unable to collect the payments of principal and interest when due according to the contractual terms of the loan agreement. Impaired loans included all non-accrual and TDRs, as well as, loans internally classified as substandard for which a specific reserve has been established.

Loans are generally placed on non-accrual status when they become past due 90 days or more unless they are both well-secured and in the process of collection.

Loans are categorized as TDRs when the Bank, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider.

Other impaired loans consist of certain loans that are internally classified as substandard that have not been placed on non-accrual or considered a troubled debt restructuring but are not fully secured by the value of the collateral or the observable market price for the loan is less than its outstanding balance. Other impaired loans exhibit some adverse credit characteristics but continue to accrue interest because they are generally paying current.



**Table of Contents**

The following tables summarize impaired loans:

<i>(unaudited, in thousands)</i>	September 30, 2011			Impaired Loans For the Three Months Ended September 30, 2011		For the Nine Months Ended September 30, 2011	
	Unpaid Principal Balance (1)	Recorded Investment (2)	Related Allowance	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<b>With no related allowance recorded:</b>							
Commercial real estate:							
Land and construction	\$ 17,096	\$ 11,315	\$ -	\$ 12,028	\$ 42	\$ 10,744	\$ 159
Other	37,088	33,133	-	33,632	293	33,330	621
Commercial and industrial	12,739	10,470	-	9,695	32	9,090	129
Residential real estate	15,935	14,592	-	14,018	113	14,286	182
Home equity	1,288	1,109	-	1,130	2	1,033	2
Consumer	217	193	-	187	1	228	3
Total impaired loans without a related allowance	84,363	70,812	-	70,690	483	68,711	1,096
<b>With an allowance recorded:</b>							
Commercial real estate:							
Land and construction	5,008	5,008	1,084	4,582	55	6,582	137
Other	17,099	17,099	6,177	20,599	42	24,149	555
Commercial and industrial	-	-	-	920	-	2,969	-
Total impaired loans with an allowance	22,107	22,107	7,261	26,101	97	33,700	692
Total impaired loans	\$ 106,470	\$ 92,919	\$ 7,261	\$ 96,791	\$ 580	\$ 102,411	\$ 1,788

(1) The difference between the unpaid principal balance and the recorded investment generally reflects amounts that have been previously charged-off.

(2) Total impaired loans as of September 30, 2011 include non-accrual loans of \$56.8 million, TDRs accruing interest of \$27.4 million and other impaired loans of \$8.7 million.

<i>(unaudited, in thousands)</i>	December 31, 2010			Impaired Loans For the Year Ended December 31, 2010	
	Unpaid Principal Balance (1)	Recorded Investment (2)	Related Allowance	Average Recorded Investment	Interest Income Recognized
<b>With no related allowance recorded:</b>					
Commercial real estate:					
Land and construction	\$ 8,467	\$ 7,047	\$ -	\$ 4,605	\$ 203
Other	34,270	31,571	-	31,865	918
Commercial and industrial	8,935	8,006	-	9,313	159
Residential real estate	15,260	14,131	-	16,523	286
Home equity	855	755	-	938	5
Consumer	336	302	-	358	9
Total impaired loans without a related allowance	68,123	61,812	-	63,602	1,580
<b>With an allowance recorded:</b>					
Commercial real estate:					
Land and construction	11,976	11,976	3,716	13,305	407

Edgar Filing: WESBANCO INC - Form 10-Q

Other	<b>32,308</b>	<b>32,308</b>	<b>5,663</b>	<b>29,107</b>	<b>1,667</b>
Commercial and industrial	<b>4,106</b>	<b>4,106</b>	<b>1,051</b>	<b>3,273</b>	<b>296</b>
Total impaired loans with an allowance	<b>48,390</b>	<b>48,390</b>	<b>10,430</b>	<b>45,685</b>	<b>2,370</b>
Total impaired loans	<b>\$ 116,513</b>	<b>\$ 110,202</b>	<b>\$ 10,430</b>	<b>\$ 109,287</b>	<b>\$ 3,950</b>

- (1) The difference between the unpaid principal balance and the recorded investment generally reflects amounts that have been previously charged-off.
- (2) Total impaired loans as of December 31, 2010 include non-accrual loans of \$48.8 million, TDRs accruing interest of \$47.5 million and other impaired loans of \$13.9 million.

**Table of Contents**

The following tables present the recorded investment in non-accrual loans and TDRs:

<i>(unaudited, in thousands)</i>	Non-accrual Loans (1)	
	September 30, 2011	December 31, 2010
Commercial real estate:		
Land and construction	\$ 9,725	\$ 4,391
Other	25,563	24,833
Total commercial real estate	35,288	29,224
Commercial and industrial	9,593	7,933
Residential real estate	10,686	10,688
Home equity	1,109	755
Consumer	141	220
Total	\$ 56,817	\$ 48,820

(1) Total non-accrual loans include \$16.3 million and \$9.9 million as of September 30, 2011 and December 31, 2010, respectively of loans that are also restructured. Such loans are also set forth in the following table as non-accrual TDRs.

<i>(unaudited, in thousands)</i>	TDRs					
	September 30, 2011			December 31, 2010		
	Accruing	Non-Accrual	Total	Accruing	Non-accrual	Total
Commercial real estate:						
Land and construction	\$ 5,567	\$ 5,701	\$ 11,268	\$ 10,764	\$ 327	\$ 11,091
Other	17,014	6,822	23,836	33,122	7,628	40,750
Total commercial real estate	22,581	12,523	35,104	43,886	7,955	51,841
Commercial and industrial	877	3,212	4,089	73	1,318	1,391
Residential real estate	3,905	577	4,482	3,443	591	4,034
Home equity	-	-	-	-	-	-
Consumer	53	-	53	81	-	81
Total	\$ 27,416	\$ 16,312	\$ 43,728	\$ 47,483	\$ 9,864	\$ 57,347

When evaluating whether a loan restructuring is a TDR, WesBanco considers both whether the loan modification constitutes a concession and whether the borrower is experiencing financial difficulties. WesBanco generally considers all aspects of the restructuring in determining whether a concession has been granted, including the debtor's ability to access funds at a market rate for debt with similar risk characteristics and among other things, the significance of the modification relative to unpaid principal or collateral value of the debt, and/or the significance of a delay in the timing of payments relative to the frequency of payments, original maturity date, or the expected duration of the loan. The most common concessions granted generally include one or more modifications to the terms of the debt such as a reduction in the interest rate for the remaining life of the debt, an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, a reduction of the face amount or maturity amount of the debt, or a reduction of accrued interest.

WesBanco must also determine whether the debtor is experiencing financial difficulties. When making this determination, WesBanco considers whether the debtor is currently in payment default on any of its debt or whether it is probable that the debtor would be in payment default in the foreseeable future without the modification. Other indicators of financial difficulty include whether the debtor has declared or is in the process of declaring bankruptcy, the debtor's ability to continue as a going concern, or the debtor's projected cash flow to service its debt (including principal & interest) in accordance with the contractual terms for the foreseeable future, without a modification. If the payment of principal at original maturity is primarily dependent on the value of collateral, the current value of that collateral is considered in determining whether the principal will be paid.

In general, a debtor that can obtain funds from sources other than its existing creditors at market interest rates at or near those for non-troubled debt is not involved in a troubled debt restructuring. A restructuring that results in only a delay in payment that is insignificant is not a concession, for example, if the amounts of restructured payments subject to delay are insignificant relative to the unpaid principal or collateral value of the debt. Additionally, the delay in the timing of a restructured payment period that is insignificant relative to the frequency of payments due, the debt's original contractual maturity, or the debt's original expected duration is not a concession.

## Edgar Filing: WESBANCO INC - Form 10-Q

The restructuring of a loan does not have a material effect on the allowance or provision for credit losses as the internal risk grade of a loan has more influence on the allowance than the classification of a loan as a troubled debt restructuring. The internal risk rating is the primary factor for establishing the allowance for commercial loans, including commercial real estate except for loans that are individually evaluated for impairment, in which case a specific reserve is established pursuant to GAAP, and portfolio segment loss history is the primary factor for establishing the allowance for residential real estate, home equity and consumer loans.

Nonaccrual loans that are restructured remain on nonaccrual, but may move to accrual status after they have performed according to the restructured terms for a period of time. TDRs on accrual status generally remain on accrual status as long as they continue to perform in accordance with their modified terms. TDRs may also be placed on nonaccrual if they do not perform in accordance with the restructured terms.

**Table of Contents**

The eleven largest restructurings at period-end represented \$22.8 million or 52.1% of restructurings as of September 30, 2011 comprised of four commercial real estate land and construction loans and seven other commercial real estate loans with specific reserves of \$3.1 million. The concessions granted in the majority of the top eleven restructurings were either extensions of maturity combined with interest only for a period of less than a year, or a reduction in payments through an extension of maturity date by re-amortizing principal and interest.

The following table presents details related to loans identified as TDRs during the three and nine months ended September 30, 2011:

	New TDRs (1)					
	For the Three Months Ended September 30, 2011			For the Nine Months Ended September 30, 2011		
	Pre- Modification Outstanding	Post- Modification Outstanding	Number of Contracts	Pre- Modification Outstanding	Post- Modification Outstanding	Number of Contracts
<i>(unaudited, dollars in thousands)</i>	Recorded Investment	Recorded Investment		Recorded Investment	Recorded Investment	
Commercial real estate:						
Land and construction	-	\$ -	\$ -	2	\$ 2,477	\$ 2,321
Other	5	1,347	1,337	15	4,142	3,471
Total commercial real estate	5	1,347	1,337	17	6,619	5,792
Commercial and industrial	4	2,392	1,446	18	4,011	2,995
Residential real estate	2	150	153	7	804	811
Home equity	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	11	\$ 3,889	\$ 2,936	42	\$ 11,434	\$ 9,598

(1) Excludes loans that were either paid off or charged-off by period end. The pre-modification balance represents the balance outstanding at the beginning of the period. The post-modification balance represents the outstanding balance at period end.

For the nine months ended September 30, 2011 there were two contracts restructured greater than \$1 million, representing approximately \$3.1 million at September 30, 2011.

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the three and nine months ended September 30, 2011 that were restructured within the last twelve months prior to September 30, 2011:

	Defaulted TDRs (1)			
	For the Three Months Ended September 30, 2011		For the Nine Months Ended September 30, 2011	
	Number of Contracts	Recorded Investment	Number of Contracts	Recorded Investment
<i>(unaudited, dollars in thousands)</i>				
Commercial real estate:				
Land and construction	1	\$ 144	3	\$ 512
Other	5	882	5	882
Total commercial real estate	6	1,026	8	1,394
Commercial and industrial	5	933	7	1,336
Residential real estate	-	-	-	-
Home equity	-	-	-	-
Consumer	-	-	-	-
Total	11	\$ 1,959	15	\$ 2,730

(1) Excludes loans that were either charged-off or cured by period end. The recorded investment is as of September 30, 2011.

TDRs that defaulted during the nine month period and that were restructured within the last twelve months represented 6.2% of the balance at September 30, 2011. The average balance per contract was approximately \$180,000. Generally these loans are placed on non-accrual status unless they are both well-secured and in the process of collection. At September 30, 2011, only two loans in the table above were accruing interest.

## Edgar Filing: WESBANCO INC - Form 10-Q

WesBanco had unfunded commitments to debtors whose loans were classified as TDRs of **\$0.1** million and \$1.4 million at September 30, 2011 and December 31, 2010, respectively.

The following table summarizes other real estate owned and repossessed assets included in other assets:

<i>(unaudited, in thousands)</i>	September 30, 2011	December 31, 2010
Other real estate owned	\$ 4,497	\$ 7,724
Repossessed assets	190	345
Total other real estate owned and repossessed assets	\$ 4,687	\$ 8,069

**Table of Contents****NOTE 5. FEDERAL HOME LOAN BANK BORROWINGS**

WesBanco is a member of the FHLB System. WesBanco's FHLB borrowings, which consist of borrowings from both the FHLB of Pittsburgh and the FHLB of Cincinnati, are secured by a blanket lien by the FHLB on certain residential mortgages and other loan types or securities with a market value in excess of the outstanding balances of the borrowings. At September 30, 2011 and December 31, 2010 WesBanco had FHLB borrowings of **\$176.6** million and \$253.6 million, with a weighted-average interest rate of **3.59%** and 3.64% respectively. The decline in borrowings from December 31, 2010 was due to scheduled maturities and their payoff. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying mortgage and other types of loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted at certain pre-established percentages of the loans' unpaid principal balances. FHLB stock owned by WesBanco is also pledged as collateral on these advances. The remaining maximum borrowing capacity by WesBanco with the FHLB at September 30, 2011 and December 31, 2010 was estimated to be approximately \$1.0 billion for both periods.

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 **\$176.6** million outstanding at September 30, 2011, **\$106.1** million in FHLB convertible advances are subject to call or conversion to a variable rate advance by the FHLB.

The following table presents the aggregate annual maturities and weighted-average interest rates of FHLB borrowings at September 30, 2011 based on their contractual maturity dates and effective interest rates:

<i>(unaudited, dollars in thousands)</i>	<b>Scheduled</b>	<b>Weighted</b>
Year	<b>Maturity</b>	<b>Average Rate</b>
2011	\$ 8,012	3.86%
2012	76,543	3.64%
2013	50,373	3.28%
2014	16,208	3.40%
2015	932	4.69%
2016 and thereafter	24,513	4.10%
Total	\$ 176,581	3.59%

**NOTE 6. PENSION PLAN**

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

<i>(unaudited, in thousands)</i>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Service cost – benefits earned during year	\$ 650	\$ 587	\$ 1,929	\$ 1,742
Interest cost on projected benefit obligation	917	886	2,720	2,630
Expected return on plan assets	(1,427)	(1,210)	(4,235)	(3,591)
Amortization of prior service cost	15	(29)	44	(87)
Amortization of net loss	321	306	954	908
Net periodic pension cost	\$ 476	\$ 540	\$ 1,412	\$ 1,602

The Plan covers all employees of WesBanco and its subsidiaries who were hired on or before August 1, 2007 who satisfy minimum age and length of service requirements, and is not available to employees hired after such date.

A minimum required contribution of **\$2.6** million is due for 2011 which will be funded by the Plan's available credit balance. No decision has been made as of September 30, 2011 relative to the level of contribution in excess of the required minimum that will be made to the Plan, if any.





**Table of Contents****NOTE 7. FAIR VALUE MEASUREMENTS**

Certain assets and liabilities are measured at fair value on a recurring or nonrecurring basis. The following is a discussion of these assets and liabilities and valuation techniques applied to each for fair value measurement:

*Securities:* The fair value of securities available-for-sale which are measured on a recurring basis are determined primarily by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other similar securities. These securities are classified within level 1 or 2 of the fair value hierarchy. Positions that are not traded in active markets for which valuations are generated using assumptions not observable in the market or management's best estimate are classified within level 3 of the fair value hierarchy. This includes certain specific municipal debt issues.

*Mortgage servicing rights:* The fair value of mortgage servicing rights is based on an independent valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions based on management's best judgment that are significant inputs to the discounting calculations. If the carrying value exceeds fair value, they are considered impaired and are classified within level 3 of the fair value hierarchy as a result.

*Impaired loans:* Impaired loans are carried at the lower of cost or the fair value of the collateral for collateral-dependent loans. Collateral may be in the form of real estate or business assets including equipment, inventory and accounts receivable. The use of discounted cash flow models and management's best judgment are significant inputs in arriving at the fair value measure of the underlying collateral and impaired loans are therefore classified within level 3 of the fair value hierarchy.

*Other real estate owned and repossessed assets:* Other real estate owned and repossessed assets are carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs. The use of management's best judgment is a significant input in arriving at the fair value measure of the underlying collateral and therefore other real estate owned and repossessed assets are classified within level 3 of the fair value hierarchy.

*Loans held for sale:* Loans held for sale are carried, in aggregate, at the lower of cost or fair value. The use of a valuation model and management's best judgment are significant inputs in arriving at the fair value and therefore loans held for sale are classified within level 3 of the fair value hierarchy.

The following tables set forth WesBanco's financial assets and liabilities that were accounted for at fair value on a recurring basis by level within the fair value hierarchy:

	September 30, 2011			
	Asset at Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(unaudited, in thousands)</i>				
Securities - available-for-sale				
Other government agencies	\$ 275,028	\$ -	\$ 275,028	\$ -
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	451,067	-	451,067	-
Obligations of state and political subdivisions	189,497	-	189,451	46

Edgar Filing: WESBANCO INC - Form 10-Q

Corporate debt securities	<b>31,839</b>	<b>-</b>	<b>31,839</b>	<b>-</b>
Equity securities	<b>4,634</b>	<b>2,917</b>	<b>1,717</b>	<b>-</b>
Total securities - available-for-sale	<b>\$ 952,065</b>	<b>\$ 2,917</b>	<b>\$ 949,102</b>	<b>\$ 46</b>

WesBanco's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1 and 2 for the nine months ended September 30, 2011.

**Table of Contents**

December 31, 2010

	Fair Value Measurements Using:			
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)	
(unaudited, in thousands)	Asset at Fair Value	(Level 1)	(Level 2)	(Level 3)
Securities - available-for-sale				
Other government agencies	\$ 363,135	\$ -	\$ 363,135	\$ -
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	353,345	-	353,345	-
Obligations of state and political subdivisions	210,808	-	210,740	68
Corporate debt securities	25,583	-	25,583	-
Equity securities	4,610	2,884	1,726	-
Total securities - available-for-sale	\$ 957,481	\$ 2,884	\$ 954,529	\$ 68

The following table presents additional information about assets measured at fair value on a recurring basis and for which WesBanco has utilized level 3 inputs to determine fair value:

(unaudited, in thousands)	Other residential collateralized mortgage obligations	Obligations of state and political subdivisions	Equity securities	Total
<b>For the Three Months ended September 30, 2011:</b>				
Beginning balance	\$ -	\$ 46	\$ -	\$ 46
Total gains and losses included in other comprehensive income	-	-	-	-
Settlements	-	-	-	-
Ending balance	\$ -	\$ 46	\$ -	\$ 46
<b>For the Three Months ended September 30, 2010:</b>				
Beginning balance	\$ -	\$ 217	\$ 242	\$ 459
Transfers out of Level 3	-	-	(242)	(242)
Total gains and losses included in other comprehensive income	-	(3)	-	(3)
Settlements	-	(145)	-	(145)
Ending balance	\$ -	\$ 69	\$ -	\$ 69
<b>For the Nine Months ended September 30, 2011:</b>				
Beginning balance	\$ -	\$ 68	\$ -	\$ 68
Total gains and losses included in other comprehensive income	-	-	-	-
Settlements	-	(22)	-	(22)
Ending balance	\$ -	\$ 46	\$ -	\$ 46
<b>For the Nine Months ended September 30, 2010:</b>				
Beginning balance	\$ 33	\$ 1,401	\$ 242	\$ 1,676
Transfers out of Level 3	(19)	(815)	(242)	(1,076)
Total gains and losses included in other comprehensive income	3	(6)	-	(3)
Settlements	(17)	(511)	-	(528)
Ending balance	\$ -	\$ 69	\$ -	\$ 69

**Table of Contents**

WesBanco may be required from time to time to measure certain assets at fair value on a nonrecurring basis in accordance with United States generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis, the following table provides the level of valuation assumptions used to determine each adjustment in the carrying value of the related individual assets or portfolios:

	Assets at Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(unaudited, in thousands)</i>				
<b>September 30, 2011</b>				
Impaired loans (1)	\$ 14,846	\$ -	\$ -	\$ 14,846
Other real estate owned and repossessed assets (2)	4,687	-	-	4,687
Mortgage servicing rights (3)	1,522	-	-	1,522
Loans held for sale (4)	8,139	-	-	8,139
<b>December 31, 2010</b>				
Impaired loans (1)	\$ 37,960	-	-	\$ 37,960
Other real estate owned and repossessed assets (2)	8,069	-	-	8,069
Mortgage servicing rights (3)	1,675	-	-	1,675
Loans held for sale (4)	10,800	-	-	10,800

- (1) Represents the carrying value of loans for which adjustments are based on the appraised value and management's judgment of the value of collateral.
- (2) Other real estate owned and repossessed assets are carried at the lower of the investment in the assets or the fair value of the assets less estimated selling costs.
- (3) Represents the carrying value of mortgage servicing rights whose value has been impaired and therefore carried at fair value as determined from independent valuations.
- (4) Loans held for sale are carried, in aggregate, at the lower of cost or fair value.

**Table of Contents****NOTE 8. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value estimates of financial instruments are based on the present value of expected future cash flows, quoted market prices of similar financial instruments, if available, and other valuation techniques. These valuations are significantly affected by discount rates, cash flow assumptions, and risk assumptions used. Therefore, fair value estimates may not be substantiated by comparison to independent markets and are not intended to reflect the proceeds that may be realizable in an immediate settlement of the instruments.

Fair value is determined at one point in time and is not representative of future value. These amounts do not reflect the total value of a going concern organization. Management does not have the intention to dispose of a significant portion of its financial instruments and, therefore, the unrealized gains or losses should not be interpreted as a forecast of future earnings and cash flows.

The following table represents the estimates of fair value of financial instruments:

	September 30,		December 31,	
	2011	Fair	2010	Fair
(unaudited, in thousands)	Carrying Amount	Value	Carrying Amount	Value
<b>Financial assets:</b>				
Cash and due from banks	\$ 145,518	\$ 145,518	\$ 79,136	\$ 79,136
Securities available-for-sale	952,065	952,065	957,481	957,481
Securities held-to-maturity	604,994	631,405	468,710	465,902
Net loans	3,185,280	3,091,464	3,227,625	3,070,061
Loans held for sale	8,139	8,139	10,800	10,800
Accrued interest receivable	20,837	20,837	20,536	20,536
Bank owned life insurance	109,204	109,204	106,502	106,502
<b>Financial liabilities:</b>				
Deposits	4,356,408	4,384,540	4,172,423	4,201,934
Federal Home Loan Bank borrowings	176,581	183,703	253,606	263,983
Other borrowings	192,780	194,263	187,385	189,094
Junior subordinated debt	106,058	56,043	106,034	55,397
Accrued interest payable	5,772	5,772	6,559	6,559

The following methods and assumptions were used to estimate the fair value of financial instruments:

**Cash and due from banks** The carrying amount for cash and due from banks is a reasonable estimate of fair value.

**Securities** Fair values for securities are based on quoted market prices, if available. If market prices are not available, then quoted market prices of similar instruments are used. If quoted prices of similar instruments are not available, the fair value is generated from model-based techniques using assumptions not observable in the market.

**Net loans** Fair values for loans are estimated using a discounted cash flow methodology. The discount rates take into account interest rates currently being offered to customers for loans with similar terms, the credit risk associated with the loan and market factors, including liquidity. In the current market environment for loans, investors are generally requiring a much higher rate of return than the return inherent in loans if held to maturity given the general lack of market liquidity. The valuation of the loan portfolio reflects discounts that WesBanco believes are consistent with transactions occurring in the marketplace for both performing and distressed loan types. The carrying value that fair value is compared to is net of the allowance for loan losses and other associated premiums and discounts.

**Loans held for sale** Loans held for sale are carried, in aggregate, at the lower of cost or fair value.

**Accrued interest receivable** The carrying amount of accrued interest receivable approximates its fair value.

## Edgar Filing: WESBANCO INC - Form 10-Q

**Bank-owned life insurance** The carrying value of bank-owned life insurance represents the net cash surrender value of the underlying insurance policies, should these policies be terminated. Management believes that the carrying value approximates fair value.

**Deposits** The carrying amount is considered a reasonable estimate of fair value for demand, savings and other variable rate deposit accounts. The fair value of fixed maturity certificates of deposit is estimated by a discounted cash flow method using the rates currently offered for deposits of similar remaining maturities.

**Federal Home Loan Bank borrowings** For FHLB borrowings, fair value is based on rates currently available to WesBanco for borrowings with similar terms and remaining maturities.

**Other borrowings** Fair values for federal funds purchased and repurchase agreements are based on quoted market prices, if available. If market prices are not available, then quoted market prices of similar instruments are used.

**Junior subordinated debt owed to unconsolidated subsidiary trusts** Due to the pooled nature of these instruments, which are not actively traded on an equity market, estimated fair value is based on broker prices from recent similar sales.

**Table of Contents**

**Accrued interest payable** The carrying amount of accrued interest payable approximates its fair value.

**Off-balance sheet financial instruments** Off-balance sheet financial instruments consist of commitments to extend credit including letters of credit. Fair values for commitments to extend credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit standing of the counterparties. The estimated fair value of the commitments to extend credit and letters of credit are insignificant and therefore not presented in the above table.

**NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES**

**Commitments** In the normal course of business, WesBanco offers off-balance sheet credit arrangements to enable its customers to meet their financing objectives. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. WesBanco's exposure to credit losses in the event of non-performance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other lending. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The allowance for credit losses associated with loan commitments was \$0.5 million and \$1.4 million as of September 30, 2011 and December 31, 2010 respectively, and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Standby letters of credit are considered guarantees. The liability associated with standby letters of credit is recorded at its estimated fair value of \$0.1 million as of both September 30, 2011 and December 31, 2010, respectively, and is included in other liabilities on the Consolidated Balance Sheets.

Affordable housing plan guarantees are performance guarantees for various building project loans. The guarantee amortizes as the loan balances decrease. Credit card guarantees are credit card balances not owned by WesBanco, whereby the Bank guarantees the performance of the cardholder.

The following table presents total commitments to extend credit, guarantees and various letters of credit outstanding:

<i>(unaudited, in thousands)</i>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Commitments to extend credit	\$ 746,651	\$ 648,839
Standby letters of credit	38,063	35,794
Affordable housing plan guarantees	4,168	4,255
Credit card guarantees	3,796	3,758

**CONTINGENT LIABILITIES** WesBanco and its subsidiaries are parties to various legal and administrative proceedings and claims. While any claim contains an element of uncertainty, management believes that the outcome of such proceedings or claims pending or known to be threatened will not have a material adverse effect on WesBanco's consolidated financial position.

**Table of Contents****NOTE 10. BUSINESS SEGMENTS**

WesBanco operates two reportable segments: community banking and trust and investment services. WesBanco's community banking segment offers services traditionally offered by full-service commercial banks, including commercial demand, individual demand and time deposit accounts, as well as commercial, mortgage and individual installment loans, and certain non-traditional offerings, such as insurance and securities brokerage services. The trust and investment services segment offers trust services as well as various alternative investment products including mutual funds. The market value of assets managed or held in custody by the trust and investment services segment was approximately **\$2.8 billion** at September 30, 2011 and 2010, respectively. These assets are held by WesBanco in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

<i>(unaudited, in thousands)</i>	Community Banking	Trust and Investment Services	Consolidated
<b>For the Three Months ended September 30, 2011:</b>			
Interest income	\$ 56,287	\$ -	\$ 56,287
Interest expense	13,386	-	13,386
Net interest income	42,901	-	42,901
Provision for credit losses	10,836	-	10,836
Net interest income after provision for credit losses	32,065	-	32,065
Non-interest income	10,658	3,941	14,599
Non-interest expense	30,972	2,635	33,607
Income before provision for income taxes	11,751	1,306	13,057
Provision for income taxes	1,522	522	2,044
Net income	\$ 10,229	\$ 784	\$ 11,013
<b>For the Three Months ended September 30, 2010:</b>			
Interest income	\$ 58,576	\$ -	\$ 58,576
Interest expense	16,590	-	16,590
Net interest income	41,986	-	41,986
Provision for credit losses	11,778	-	11,778
Net interest income after provision for credit losses	30,208	-	30,208
Non-interest income	11,211	3,765	14,976
Non-interest expense	33,251	2,430	35,681
Income before provision for income taxes	8,168	1,335	9,503
Provision for income taxes	(184)	534	350
Net income	\$ 8,352	\$ 801	\$ 9,153
<b>For the Nine Months ended September 30, 2011:</b>			
Interest income	\$ 169,427	\$ -	\$ 169,427
Interest expense	41,996	-	41,996
Net interest income	127,431	-	127,431
Provision for credit losses	25,680	-	25,680
Net interest income after provision for credit losses	101,751	-	101,751
Non-interest income	31,145	12,975	44,120
Non-interest expense	97,094	7,707	104,801
Income before provision for income taxes	35,802	5,268	41,070
Provision for income taxes	5,791	2,107	7,898
Net income	\$ 30,011	\$ 3,161	\$ 33,172
<b>For the Nine Months ended September 30, 2010:</b>			
Interest income	\$ 178,738	\$ -	\$ 178,738
Interest expense	54,972	-	54,972
Net interest income	123,766	-	123,766
Provision for credit losses	34,953	-	34,953
Net interest income after provision for credit losses	88,813	-	88,813
Non-interest income	33,143	11,459	44,602
Non-interest expense	98,296	7,344	105,640
Income before provision for income taxes	23,660	4,115	27,775



## Edgar Filing: WESBANCO INC - Form 10-Q

Provision for income taxes	827	1,646	2,473
Net income	\$ 22,833	\$ 2,469	\$ 25,302

Total non-fiduciary assets of the trust and investment services segment were \$2.7 million and \$1.9 million at September 30, 2011 and 2010, respectively. All goodwill and other intangible assets were allocated to the community banking segment.

---

**Table of Contents**

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis represents an overview of the results of operations and financial condition of WesBanco for the three and nine months ended September 30, 2011. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

**FORWARD-LOOKING STATEMENTS**

Forward-looking statements in this report relating to WesBanco's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The information contained in this report should be read in conjunction with WesBanco's Form 10-K for the year ended December 31, 2010 and documents subsequently filed by WesBanco with the Securities and Exchange Commission (SEC), including WesBanco's Forms 10-Q for the quarters ended March 31 and June 30, 2011, which are available at the SEC's website, [www.sec.gov](http://www.sec.gov) or at WesBanco's website, [www.wesbanco.com](http://www.wesbanco.com). Investors are cautioned that forward-looking statements, which are not historical fact, involve risks and uncertainties, including those detailed in WesBanco's most recent Annual Report on Form 10-K filed with the SEC under Risk Factors in Part I, Item 1A. Such statements are subject to important factors that could cause actual results to differ materially from those contemplated by such statements, including without limitation, the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the SEC, Financial Institution Regulatory Authority, Municipal Securities Rulemaking Board, Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; internet hacking; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco's operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

**OVERVIEW**

WesBanco is a multi-state bank holding company operating through 112 branches, one loan production office and 123 ATM machines in West Virginia, Ohio and western Pennsylvania, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

**APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

WesBanco's critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of September 30, 2011 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2010 under the section Management's Discussion and Analysis of Financial Condition and Results of Operations.

**RESULTS OF OPERATIONS**

**EARNINGS SUMMARY**

Net income for the quarter ended September 30, 2011 was \$11.0 million as compared to \$9.2 million for the third quarter of 2010, representing an increase of 20.3%, while diluted earnings per share were \$0.41, as compared to \$0.34 per share for the third quarter of 2010. For the nine month period ended September 30, 2011, net income was \$33.2 million as compared to \$25.3 million for the same period in 2010, representing an increase of 31.1%, while diluted earnings per share were \$1.25, as compared to \$0.95 per share for the nine months ended September 30, 2010.

## Edgar Filing: WESBANCO INC - Form 10-Q

Net interest income increased \$0.9 million or 2.2% in the third quarter and \$3.7 million or 3.0% in the first nine months of 2011 as compared to the same periods in 2010 due primarily to increases in the net interest margin. The margin strengthened through disciplined pricing of loans and deposits, and significant improvements in the funding mix. The net interest margin improved to 3.67% in the third quarter and to 3.69% in the year-to-date period of 2011, an increase of 6 and 11 basis points, respectively, as compared to the same periods of 2010. The average rate on interest bearing liabilities decreased by 28 basis points in the third quarter and 38 basis points in the year-to-date period, while the rate on earning assets declined at a slower pace of 20 and 25 basis points, respectively. Lower offered rates on maturing, higher-rate certificates of deposit, an increase in the balances of lower-cost products, and utilization of liquidity from increased deposits to reduce higher cost FHLB borrowings all contributed to the improvement in the cost of funds. The average balance for FHLB borrowings, which have the highest average interest cost at 3.42% and represent 12.8% of interest expense, decreased by \$104.4 million or 34.4% in the third quarter of 2011 from the third quarter of 2010.

**Table of Contents**

The provision for credit losses decreased \$0.9 million in the third quarter and \$9.3 million in the first nine months of 2011 as compared to the same periods in 2010. The provision was higher in 2010 due to the ongoing impact of the recession on all categories of the portfolio but the decrease in 2011 reflects gradually improving credit quality. Net charge-offs increased \$10.5 million as compared to the second quarter of 2011 due to \$10.3 million of charge offs relating to the sale of \$17.2 million of commercial real estate loans. As compared to the end of the second quarter of 2011, non-accrual loans at September 30, 2011 decreased \$5.2 million and TDRs accruing interest decreased \$9.0 million, primarily due to the loan sale. Classified and criticized loans at September 30, 2011 decreased \$35.1 million compared to June 30, 2011 and \$50.7 million compared to September 30, 2010, of which, \$17.2 million was attributable to the loan sale with the remainder resulting from improvement in credit quality and principal reductions. The allowance for loan losses was 1.70% of total loans at September 30, 2011, 1.86% at December 31, 2010 and 1.78% at September 30, 2010.

In the third quarter of 2011 non-interest income decreased \$0.4 million or 2.5% as compared to the third quarter of 2010 and \$0.5 million or 1.1% as compared to the first nine months of 2010. The quarterly decrease was due to a \$0.9 million decrease in net securities gains, and a \$0.7 million decrease in net gains on sales of mortgage loans as more loans with terms of 15 years and less are being retained in 2011. These decreases were partially offset by a \$0.4 million increase in electronic banking fees and continued decreases in losses on other real estate owned. Similar trends were evident in the year-to-date period, but additionally trust fees increased \$1.5 million or 13.2% through new business, fee increases and market improvements, and service charges on deposits decreased \$1.9 million due to regulatory changes effective in August of last year. Service charges on deposits stabilized in the current quarter as compared to both the third quarter of 2010 and the second quarter of 2011.

Non-interest expense decreased \$2.1 million or 5.8% in the third quarter and \$0.8 million or 0.8% in the first nine months of 2011, as compared to the same periods in 2010. In the third quarter, employee benefits decreased \$1.0 million due to lower employee health care costs, and FDIC insurance decreased \$0.6 million due to a new calculation of FDIC insurance expense, effective April 1, 2011. Other operating expense decreased by \$1.0 million due to the recovery of a second quarter expensed item relating to retail customer fraud for \$0.7 million and continued expense reductions in many other categories. Year-to-date, FDIC insurance decreased \$1.3 million and employee benefits decreased \$0.7 million, partially offset by increases in salaries and wages of \$1.3 million, due to routine annual adjustments to compensation, and a \$0.9 million increase in marketing due to the promotions focused on growing demand deposits and home equity loans. WesBanco's efficiency ratio was 56.8% in the third quarter as compared to 61.1% in the third quarter of 2010. Year-to-date the ratio was 59.4% compared to 61.1% in the 2010 period.

**NET INTEREST INCOME****TABLE 1. NET INTEREST INCOME**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
<i>(unaudited, dollars in thousands)</i>				
Net interest income	\$ 42,901	\$ 41,986	\$ 127,431	\$ 123,766
Taxable equivalent adjustments to net interest income	1,626	1,488	4,874	4,636
Net interest income, fully taxable equivalent	\$ 44,527	\$ 43,474	\$ 132,305	\$ 128,402
Net interest spread, non-taxable equivalent	3.37%	3.30%	3.36%	3.25%
Benefit of net non-interest bearing liabilities	0.17%	0.19%	0.19%	0.20%
Net interest margin	3.54%	3.49%	3.55%	3.45%
Taxable equivalent adjustment	0.13%	0.12%	0.14%	0.13%
Net interest margin, fully taxable equivalent	3.67%	3.61%	3.69%	3.58%

## Edgar Filing: WESBANCO INC - Form 10-Q

Net interest income, which is WesBanco's largest source of revenue, is the difference between interest income on earning assets, primarily loans and securities, and interest expense on liabilities, comprised of deposits and short and long-term borrowings. Net interest income is affected by the general level of and changes in interest rates, the steepness of the yield curve, changes in the amount and composition of interest earning assets and interest bearing liabilities, as well as the frequency of repricing and turnover of those assets and liabilities. Net interest income increased \$0.9 million or 2.2% in the third quarter and \$3.7 million or 3.0% in the first nine months of 2011 as compared to the same periods in 2010 due to increases in the net interest margin on relatively flat average earning assets. The margin strengthened through disciplined pricing of loans and deposits and significant improvements in the funding mix through decreases in higher cost CDs and borrowings. In addition, interest income from the investment portfolio has increased by 2.3% in the first nine months of 2011 due to an increase in average outstanding balances of \$203.7 million partially offset by a decrease in the average rates earned as market rates decreased. The net interest margin improved to 3.67% in the third quarter and to 3.69% in the year-to-date period of 2011, an increase of 6 and 11 basis points, respectively, as compared to the same periods of 2010. The average rate on interest bearing liabilities decreased by 28 basis points in the third quarter and 38 basis points in the nine month period, while the rate on earning assets declined at a slower pace of 20 and 25 basis points, respectively. Lower offered rates on maturing, higher-rate certificates of deposit and an increase in the balances of lower-cost products including checking, money market and savings accounts all contributed to the improvement in the cost of funds. Average total deposits increased 2.4% in the third quarter. This growth includes deposits received from customers participating in Marcellus shale gas activity. In addition, the average balance for FHLB borrowings, which have the highest average interest cost at 3.42% and represent 12.8% of interest expense, decreased by \$104.4 million or 34.4% in the third quarter of 2011 from the third quarter of 2010. FHLB borrowings dropped to 3.2% of total assets from 4.8% at September 30, 2010. Average non-interest bearing deposit balances increased 14.5% in the third quarter as a result of marketing campaigns, customer incentives and treasury management initiatives for commercial customers. In addition, an increase in temporary trust deposits and timing differences for certain governmental deposits were factors.

Interest income decreased 3.9% in the third quarter and 5.2% in the year-to-date period of 2011 as compared to the same periods in 2010 due to lower yields, while total average earning assets were nearly unchanged. The yield decreased 20 basis points to 4.78% in the third quarter and 25 basis

---

**Table of Contents**

points to 4.86% in the first nine months of 2011. Rates decreased on all earning asset categories from reduced rates on new and repriced assets due to competition and the lower interest rate environment. In addition, the percentage of earning assets invested in lower yielding securities increased, as compared to typically higher-yielding loans. Securities yields decreased, primarily due to the reinvestment of funds from investment maturities and calls at current lower available interest rates. Taxable securities yields decreased 31 basis points in the third quarter while tax-exempt securities yields declined only 28 basis points due to the longer average life of the tax-exempt portfolio and limited additions to this portfolio. In addition, mortgage backed, structured notes and government supported (Build America Bonds during 2010) rate opportunities were available in taxable securities, resulting in an increase in average taxable securities. Repricing of loans and the competitive necessity of offering lower rates on quality credits in an increasingly competitive and lower interest rate environment caused a decline in loan yields of 16 basis points in the third quarter and 15 basis points in the first nine months of 2011. In addition, during a period where customer loan demand and the economic environment limited loan growth opportunities, proceeds from loan maturities, payoffs and principal reductions, which generally have higher yields, have been reinvested at lower yields, thus reducing the overall yield of earning assets.

Average loan balance decreases over the past year are primarily due to management's continued focus on overall profitability and quality of the loan portfolio through disciplined underwriting and pricing practices and strategic decreases in residential real estate loans through the sale of most originations through the end of the first quarter of 2011. More recently, as a result of higher overall residential originations, primarily refinances, and a greater percentage of such loans retained on the balance sheet, these loans are beginning to grow. There were also several larger loan payoffs, as well as sales, charge offs and the implementation of other exit strategies for certain impaired or otherwise underperforming commercial loans, including the sale of \$17.2 million of impaired commercial real estate loans in the third quarter of 2011. In addition, the slow economic recovery has resulted in businesses and consumers remaining cautious, leading to fewer new commercial loans, such as residential construction, and reduced commercial line usage. Consumer loans declined somewhat due to reduced demand and overall poorer credit quality of new applicants for automobile and other consumer loan types. However, excluding the effect of the third quarter 2011 loan sale, total portfolio loans at September 30, 2011 decreased only 0.9% since December 31, 2010.

In the third quarter of 2011 interest expense decreased 19.3% and, in the first nine months of 2011, interest expense decreased 23.6% as compared to the same periods of 2010 due to decreases in rates paid, decreases in average interest bearing liability balances, and a change in the liability mix towards less expensive sources of funding. The average rate paid on interest bearing liabilities decreased 28 basis points to 1.28% in the third quarter and 38 basis points to 1.36% in the first nine months of 2011, while interest bearing liabilities decreased 1.7% and 2.3%, respectively. Rates paid on deposits declined by 25 basis points in the third quarter and 31 basis points in the year-to-date period primarily due to declines in rates paid in all deposit categories. These declines are due to management reducing interest rates in all categories, including renewing and new CDs, to competitive levels in order to realize a lower cost of funds during a period of declining loan yields. Improvements in the deposit funding mix helped to lower the cost of funds, with average CDs decreasing to 37.9% of total average deposits in the third quarter, from 42.3% in the same quarter of 2010, while all other account types increased to 62.1%. The overall reduction in average interest bearing liabilities is primarily due to the decrease in FHLB borrowings, partially offset by increases in average interest bearing deposits of \$18.8 million in the third quarter and \$65.4 million in the year-to-date period of 2011 as compared to 2010. In addition, average non-interest bearing demand deposits increased by \$82.3 million and \$72.9 million in the quarter and year-to-date periods. Balance sheet liquidity from the deposit increases was used to pay down higher-cost maturing FHLB borrowings, significantly contributing to the reduced cost of funds. FHLB borrowings were 4.8% of average interest bearing liabilities in the third quarter as compared to 7.2% in 2010. Average deposits increased significantly in every category other than CDs even as offered rates were reduced. Certificates of deposits decreased by \$141.6 million due to reductions in rate offerings and customer demand for other shorter-term deposit products.

**Table of Contents****TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS**

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011		2010		2011		2010	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
<b>ASSETS</b>								
Due from banks - interest bearing	\$ 51,860	0.18%	\$ 79,613	0.32%	\$ 47,280	0.19%	\$ 95,895	0.23%
Loans, net of unearned income <sup>(1)</sup>	3,276,095	5.35%	3,367,628	5.51%	3,263,317	5.45%	3,414,824	5.60%
Securities: <sup>(2)</sup>								
Taxable	1,170,868	3.09%	1,054,588	3.40%	1,156,706	3.13%	981,320	3.64%
Tax-exempt <sup>(3)</sup>	297,595	6.24%	260,944	6.52%	297,412	6.24%	269,142	6.56%
Total securities	1,468,463	3.73%	1,315,532	4.02%	1,454,118	3.77%	1,250,462	4.27%
Other earning assets	24,087	0.36%	29,743	0.54%	25,748	0.45%	30,121	0.60%
Total earning assets <sup>(3)</sup>	4,820,505	4.78%	4,792,516	4.98%	4,790,463	4.86%	4,791,302	5.11%
Other assets	632,749		629,665		624,988		633,237	
Total Assets	\$ 5,453,254		\$ 5,422,181		\$ 5,415,451		\$ 5,424,539	
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>								
Interest bearing demand deposits	\$ 521,894	0.30%	\$ 474,897	0.54%	\$ 511,416	0.37%	\$ 468,571	0.56%
Money market accounts	903,746	0.52%	851,910	0.85%	889,797	0.60%	804,810	0.99%
Savings deposits	579,901	0.23%	518,272	0.41%	563,789	0.28%	508,740	0.46%
Certificates of deposit	1,623,908	1.89%	1,765,540	1.98%	1,645,866	1.93%	1,763,315	2.15%
Total interest bearing deposits	3,629,449	1.05%	3,610,619	1.30%	3,610,868	1.12%	3,545,436	1.43%
Federal Home Loan Bank borrowings	198,986	3.42%	303,377	3.37%	223,277	3.44%	393,279	3.56%
Other borrowings	200,025	2.42%	183,895	2.60%	191,552	2.51%	181,441	2.62%
Junior subordinated debt	106,054	3.03%	109,889	3.56%	106,046	3.05%	110,739	3.59%
Total interest bearing liabilities	4,134,514	1.28%	4,207,780	1.56%	4,131,743	1.36%	4,230,895	1.74%
Non-interest bearing demand deposits	649,956		567,645		626,088		553,170	
Other liabilities	37,610		37,824		37,141		36,672	
Shareholders Equity	631,174		608,932		620,479		603,802	
Total Liabilities and Shareholders Equity	\$ 5,453,254		\$ 5,422,181		\$ 5,415,451		\$ 5,424,539	
Taxable equivalent net interest spread		3.50%		3.42%		3.50%		3.38%
Taxable equivalent net interest margin		3.67%		3.61%		3.69%		3.58%

<sup>(1)</sup> Gross of allowance for loan losses and net of unearned income. Includes non-accrual and loans held for sale. Loan fees included in interest income on loans for the three and nine months ended totaled \$1.0 million and \$3.3 million for 2011, and \$0.9 million and \$3.1 million for the same periods in 2010.

<sup>(2)</sup> Average yields on available-for-sale securities are calculated based on amortized cost.

<sup>(3)</sup> Taxable equivalent basis is calculated on tax-exempt securities using a tax rate of 35% for each year presented.

**Table of Contents****TABLE 3. RATE/VOLUME ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE**

<i>(unaudited, in thousands)</i>	Three Months Ended September 30, 2011 Compared to September 30, 2010			Nine Months Ended September 30, 2011 Compared to September 30, 2010		
	Volume	Rate	Net Increase	Volume	Rate	Net Increase
			(Decrease)			(Decrease)
Increase (decrease) in interest income:						
Due from banks - interest bearing	\$ (18)	\$ (22)	\$ (40)	\$ (73)	\$ (23)	\$ (96)
Loans, net of unearned income	(1,254)	(1,308)	(2,562)	(6,240)	(3,747)	(9,987)
Taxable securities	938	(863)	75	4,413	(4,034)	379
Tax-exempt securities <sup>(1)</sup>	577	(184)	393	1,346	(665)	681
Other earning assets	(7)	(11)	(18)	(18)	(31)	(49)
Total interest income change <sup>(1)</sup>	236	(2,388)	(2,152)	(572)	(8,500)	(9,072)
Increase (decrease) in interest expense:						
Interest bearing demand deposits	59	(315)	(256)	166	(726)	(560)
Money market accounts	105	(737)	(632)	576	(2,556)	(1,980)
Savings deposits	58	(259)	(201)	174	(763)	(589)
Certificates of deposit	(686)	(403)	(1,089)	(1,809)	(2,783)	(4,592)
Federal Home Loan Bank borrowings	(899)	37	(862)	(4,384)	(350)	(4,734)
Other borrowings	101	(88)	13	193	(161)	32
Junior subordinated debt	(33)	(144)	(177)	(122)	(431)	(553)
Total interest expense change	(1,295)	(1,909)	(3,204)	(5,206)	(7,770)	(12,976)
Net interest income increase (decrease) <sup>(1)</sup>	\$ 1,531	\$ (479)	\$ 1,052	\$ 4,634	\$ (730)	\$ 3,904

(1) Taxable equivalent basis is calculated on tax-exempt securities using a tax rate of 35% for each year presented.

**PROVISION FOR CREDIT LOSSES**

The provision for credit losses is the amount to be added to the allowance for credit losses after net charge-offs have been deducted to bring the allowance to a level considered appropriate to absorb probable losses inherent in the loan portfolio. The provision for credit losses decreased \$0.9 million in the third quarter and \$9.3 million in the first nine months of 2011 as compared to the same periods in 2010. The provision was higher in 2010 due to the ongoing impact of the recession on all categories of the portfolio but the decrease in 2011 reflects gradually improving credit quality. Net charge-offs increased \$10.5 million as compared to the second quarter of 2011 due to \$10.3 million of charge offs relating to the sale of \$17.2 million of commercial real estate loans. Third quarter 2011 net charge offs were slightly lower than in the third quarter of 2010 which also included a loan sale. As compared to the end of the second quarter of 2011, non-accrual loans at September 30, 2011 decreased \$5.2 million and TDRs accruing interest decreased \$9.0 million, primarily due to the loan sale. Classified and criticized loans at September 30, 2011 decreased \$35.1 million or 11.5% compared to June 30, 2011 and \$50.7 million or 15.8% compared to September 30, 2010, of which, \$17.2 million was attributable to the loan sale with the remainder resulting from improvement in credit quality and principal reductions. The allowance for loan losses was 1.70% of total loans at September 30, 2011, 1.86% at December 31, 2010 and 1.78% at September 30, 2010. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).



Table of Contents

## NON-INTEREST INCOME

TABLE 4. NON-INTEREST INCOME

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Trust fees	\$ 3,941	\$ 3,765	\$ 176	4.7%	\$ 12,975	\$ 11,459	\$ 1,516	13.2%
Service charges on deposits	4,881	4,897	(16)	(0.3%)	13,992	15,914	(1,922)	(12.1%)
Electronic banking fees	2,679	2,230	449	20.1%	7,486	6,335	1,151	18.2%
Net securities brokerage and insurance services revenue	1,703	1,874	(171)	(9.1%)	5,117	5,341	(224)	(4.2%)
Bank-owned life insurance	908	879	29	3.3%	2,703	2,789	(86)	(3.1%)
Net gains on sales of mortgage loans	327	985	(658)	(66.8%)	1,298	2,079	(781)	(37.6%)
Net securities gains	67	981	(914)	(93.2%)	97	3,284	(3,187)	(97.0%)
Net loss on other real estate owned and other assets	(162)	(654)	492	75.2%	(978)	(3,499)	2,521	72.0%
Other income	255	19	236	1242.1%	1,430	900	530	58.9%
Total non-interest income	\$ 14,599	\$ 14,976	\$ (377)	(2.5%)	\$ 44,120	\$ 44,602	\$ (482)	(1.1%)

Non-interest income is a significant source of revenue and an important part of WesBanco's results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. In the third quarter of 2011 non-interest income decreased \$0.4 million as compared to the third quarter of 2010 and \$0.5 million in the year-to-date period. The quarterly decrease was due to a \$0.9 million decrease in net securities gains, and a \$0.7 million decrease in net gains on sales of mortgage loans as more loans with terms of 15 years and less are being retained in 2011. These decreases were partially offset by a \$0.4 million increase in electronic banking fees due to increased transaction volume, and continued decreases in losses on other real estate owned. Similar trends were evident in the year-to-date period, but additionally trust fees increased \$1.5 million or 13.2% through new business, fee increases and market improvements, and service charges on deposits decreased \$1.9 million due to regulatory changes effective in August of last year. Service charges on deposits have stabilized in the current quarter compared to both the third quarter of 2010 and the second quarter of 2011.

Trust fees improved 4.7% in the third quarter and 13.2% year-to-date, as compared to the respective periods in 2010, due to new business and the implementation of a fee increase in October of 2010. Higher average trust assets during 2011 also contributed to the improved fees; however, due to the recent decline in the markets, trust assets at September 30, 2011 remain unchanged from September 30, 2010 at \$2.8 billion. At September 30, 2011, trust assets include managed assets of \$2.2 billion and non-managed (custodial) assets of \$0.6 billion. Assets managed for the WesMark funds, a proprietary group of mutual funds that are advised by WesBanco's trust and investment services group, were \$708.2 million as of September 30, 2011 and \$707.8 million at September 30, 2010 and are included in trust managed assets.

Electronic banking fees, which include debit card interchange fees, improved by \$0.4 million and \$1.2 million in the third quarter and first nine months of 2011 as compared to the same periods in the prior year, due to a higher volume of debit card transactions during the period which have continued to grow as customers move more towards electronic transactions from checks and other forms of payment. Recent marketing campaigns aimed at rewarding customers for debit card transactions have also increased transaction volumes. Regulatory changes, which became effective October 1, 2011 for issuers with more than \$10 billion in assets, place a cap on debit card interchange fees. WesBanco anticipates some market-related long-term impact on its electronic banking fees in the future from these changes even though it is not directly subject to the new regulations.

Service charges on deposits, which are primarily customer overdraft fees, were 12.1% lower in the first nine months of 2011 as compared to the same period in 2010 due to changes in customer behavior and recent regulatory changes that include requirements for customers to opt in for overdraft coverage of certain types of electronic banking activities. Preceding the August 15, 2010 implementation of the new rules on existing accounts, WesBanco experienced lower daily and monthly overdraft usage patterns as average retail demand deposit balances were higher. Changes in marketing strategies and effectiveness for new demand deposit customers may have also had an impact on the decrease. While an overwhelming majority of WesBanco's heaviest overdraft users have opted-in to continue such coverage, low response rates from infrequent users may have some impact on our ability to earn associated fees, as does continuing higher average customer deposit account balances. Service

## Edgar Filing: WESBANCO INC - Form 10-Q

charges on deposits were relatively unchanged in the third quarter of 2011 as compared to the same quarter in 2010 as the regulatory changes went into effect in the third quarter of 2010.

## Edgar Filing: WESBANCO INC - Form 10-Q

Net losses on the sale of other real estate owned and other assets decreased by \$2.5 million for the nine months ended September 30, 2011 as compared to the first nine months of 2010 due to ongoing property liquidation efforts, as such the real estate owned balances have been reduced by almost 50% over the last year, and a prior year loss taken on a large hospitality-owned property.

Gains on the sale of mortgage loans decreased in 2011 by 37.6% as compared to the same period in 2010 primarily from a strategic effort initiated early in 2011 to retain more residential mortgage loans, with terms of 15 years or less, in the portfolio instead of selling most of these originations to the secondary market.

**Table of Contents****NON-INTEREST EXPENSE****TABLE 5. NON-INTEREST EXPENSE**

<i>(unaudited, dollars in thousands)</i>	<b>For the Three Months Ended September 30,</b>				<b>For the Nine Months Ended September 30,</b>			
	<b>2011</b>	<b>2010</b>	<b>\$ Change</b>	<b>% Change</b>	<b>2011</b>	<b>2010</b>	<b>\$ Change</b>	<b>% Change</b>
Salaries and wages	\$ 14,227	\$ 13,749	\$ 478	3.5%	\$ 41,612	\$ 40,326	\$ 1,286	3.2%
Employee benefits	3,662	4,671	(1,009)	(21.6%)	13,294	14,016	(722)	(5.2%)
Net occupancy	3,068	2,534	534	21.1%	8,450	8,133	317	3.9%
Equipment	2,107	2,460	(353)	(14.3%)	6,552	7,440	(888)	(11.9%)
Marketing	1,214	1,223	(9)	(0.7%)	3,861	3,008	853	28.4%
FDIC insurance	1,091	1,740	(649)	(37.3%)	3,760	5,028	(1,268)	(25.2%)
Amortization of intangible assets	599	676	(77)	(11.4%)	1,822	2,060	(238)	(11.6%)
<i>Other operating expenses:</i>								
Miscellaneous, franchise, and other taxes	1,560	1,518	42	2.8%	4,324	4,546	(222)	(4.9%)
Postage	813	882	(69)	(7.8%)	2,500	2,687	(187)	(7.0%)
Consulting, regulatory, accounting and advisory fees	782	743	39	5.2%	2,701	2,470	231	9.4%
Other real estate owned and foreclosure expenses	767	818	(51)	(6.2%)	2,268	2,280	(12)	(0.5%)
Legal fees	567	739	(172)	(23.3%)	1,941	2,157	(216)	(10.0%)
Communications	641	682	(41)	(6.0%)	1,978	2,052	(74)	(3.6%)
ATM and interchange expenses	736	667	69	10.3%	2,156	2,027	129	6.4%
Supplies	593	583	10	1.7%	1,807	1,770	37	2.1%
Restructuring and merger-related expenses	-	(32)	32	(100.0%)	-	175	(175)	(100.0%)
Other	1,180	2,028	(848)	(41.8%)	5,775	5,465	310	5.7%
Total other operating expenses	7,639	8,628	(989)	(11.5%)	25,450	25,629	(179)	(0.7%)
Total non-interest expense	\$ 33,607	\$ 35,681	\$ (2,074)	(5.8%)	\$ 104,801	\$ 105,640	\$ (839)	(0.8%)

Non-interest expense decreased \$2.1 million or 5.8% in the third quarter and \$0.8 million or 0.8% in the first nine months of 2011, as compared to the same periods in 2010. In the third quarter, employee benefits decreased \$1.0 million due to lower employee health care costs, and FDIC insurance decreased \$0.6 million due to a new calculation of FDIC insurance expense, effective April 1, 2011. Other operating expense decreased by \$1.0 million due to the recovery of a second quarter expensed item relating to retail customer fraud for \$0.7 million and continued expense reductions in many other categories. Year-to-date, FDIC insurance decreased \$1.3 million and employee benefits decreased \$0.7 million, partially offset by increases in salaries and wages of \$1.3 million, due to routine annual adjustments to compensation, and a \$0.9 million increase in marketing due to promotions focused on growing demand deposits and home equity loans. WesBanco's efficiency ratio was 56.8% in the third quarter as compared to 61.1% in the third quarter of 2010. Year-to-date the ratio was 59.4% compared to 61.1% in the 2010 period.

Salaries and wages increased 3.5% and 3.2% for the three and nine months ended September 30, 2011 as compared to the same periods in 2010, primarily due to regular employee compensation increases and higher incentive compensation accruals. Employee benefits declined 21.6% and 5.2% primarily due to lower employee health care partially offset by higher stock compensation expense.

Marketing expenses increased \$0.9 million for the nine months ended September 30, 2011 as compared to the same period in 2010 primarily due to increased customer cash incentives and free checking promotions focused on growing home equity loans and demand deposits throughout the year, while marketing for the quarter remained flat as compared to the third quarter of 2010.

Net occupancy for the three and nine months of 2011 increased due to higher depreciation and normal seasonal factors. Equipment declined in both the third quarter and year-to-date period primarily from depreciation decreases combined with a decline in service agreement expenses.

## Edgar Filing: WESBANCO INC - Form 10-Q

Other operating expenses in the third quarter of 2011 decreased \$1.0 million, as compared to the same period in 2010 primarily due to the recovery in the third quarter of charges recorded in the 2011 second quarter relating to retail customer fraud.

### **INCOME TAXES**

The provision for income taxes increased \$1.7 million in the third quarter of 2011 and \$5.4 million in the nine month period as compared to the same periods in 2010, due to increased earnings and an increase in the estimated effective tax rate for 2011 to 19.2% from 8.9% in 2010 as the ratio of taxable income to tax-exempt income increased. Filed tax return adjustments in the third quarter of each year also somewhat impacted the year-to-date tax rates.

**Table of Contents****FINANCIAL CONDITION**

Total assets increased 2.6% in the first nine months of 2011, while total shareholders' equity increased 4.5% as compared to December 31, 2010. The net loan portfolio declined 1.3% from December 31, 2010, while investment securities and cash and due from banks increased by 13.1%. The loan portfolio decrease is a result of the sale or exit of certain impaired loans, and a continued focus on maintaining credit quality along with normal paydowns. However, excluding the effect of the loan sale during the third quarter, loans decreased only 0.9% from year end and overall loan originations have increased over 2010. Deposits increased 4.4% from December 31, 2010 primarily due to a 16.4% increase in demand deposits, which, combined with a 10.7% increase in savings deposits and a 5.7% increase in money market deposits, more than offset a 5.7% decrease in CDs. The reduction in CDs was due to planned reductions through lower offered rates for new and rollover CDs, and customers' desire to shorten interest rate maturities. FHLB borrowings decreased 30.4% from December 31, 2010 as higher cost FHLB borrowings were paid down using available funding provided by the increase in deposits. Total shareholders' equity increased by approximately \$27.5 million primarily due to net income exceeding dividends for the period by \$20.9 million, coupled with a \$10.4 million increase in unrealized gains in the available-for-sale portfolio, which are included net of the tax effect in accumulated other comprehensive income.

**TABLE 6. COMPOSITION OF SECURITIES (1)**

<i>(unaudited, dollars in thousands)</i>	<b>September 30, 2011</b>	<b>December 31, 2010</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Securities available-for-sale (at fair value):</b>				
Other government agencies	\$ 275,028	\$ 363,135	\$ (88,107)	(24.3%)
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	451,067	353,345	97,722	27.7%
Obligations of states and political subdivisions	189,497	210,808	(21,311)	(10.1%)
Corporate debt securities	31,839	25,583	6,256	24.5%
Equity securities	4,634	4,610	24	0.5%
Total securities available-for-sale	\$ 952,065	\$ 957,481	\$ (5,416)	(0.6%)
<b>Securities held-to-maturity (at amortized cost):</b>				
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	281,025	202,062	78,963	39.1%
Other residential collateralized mortgage obligations	876	1,224	(348)	(28.4%)
Obligations of states and political subdivisions	321,641	263,973	57,668	21.8%
Corporate debt securities	1,452	1,451	1	0.1%
Total securities held-to-maturity	\$ 604,994	\$ 468,710	\$ 136,284	29.1%
Total securities	\$ 1,557,059	\$ 1,426,191	\$ 130,868	9.2%
<b>Available-for-sale securities:</b>				
Weighted average taxable equivalent yield at the respective period end	3.13%	3.46%		
As a % of total securities	61.1%	67.1%		
Weighted average life (in years)	2.8	4.0		
<b>Held-to-maturity securities:</b>				
Weighted average taxable equivalent yield at the respective period end	4.55%	4.84%		
As a % of total securities	38.9%	32.9%		
Weighted average life (in years)	5.5	6.8		

(1) At September 30, 2011 and December 31, 2010, there were no holdings of any one issuer in an amount greater than 10% of WesBanco's shareholders' equity, other than the U.S. government and its agencies.

Total investment securities, which are a source of liquidity for WesBanco as well as a contributor to interest income, increased by 9.2% from December 31, 2010 to September 30, 2011, and by 2.1% from June 30, 2011. Continued risk of future increases in interest rates have caused more purchases to be designated as held-to-maturity, resulting in a 29.1% increase in the held-to-maturity portfolio, and a slight decrease of 0.6% in the available-for-sale portfolio. The increase in securities was funded by increases in deposit balances. For the nine months ended September 30, 2011, security purchases totaled \$528.4 million. These purchases were partially offset by sales of \$5.0 million, and maturities, pay-downs, and calls totaling \$397.1 million.



**Table of Contents****TABLE 7. COMPOSITION OF MUNICIPAL SECURITIES**

The following table presents the allocation of the municipal bond portfolio based on the combined S&P and Moody's ratings of the individual bonds:

<i>(unaudited, dollars in thousands)</i>	<b>September 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
<b>Municipal bonds (at fair value):</b>				
AAA rating	\$ 60,489	11.4%	\$ 44,277	9.4%
AA rating	361,428	68.4%	311,792	66.3%
A rating	60,217	11.4%	55,703	11.8%
Below an A rating (1)	27,736	5.2%	38,321	8.2%
No rating	18,946	3.6%	20,069	4.3%
<b>Total municipal bond portfolio</b>	<b>\$ 528,816</b>	<b>100.0%</b>	<b>\$ 470,162</b>	<b>100.0%</b>

(1) All securities noted as below an A rating are rated as investment grade.

WesBanco's municipal bond portfolio consists of both taxable (primarily Build America Bonds) and tax-exempt general obligation and revenue bonds. The following table presents additional information regarding the municipal bond type and issuer (at fair value):

<i>(unaudited, dollars in thousands)</i>	<b>September 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
<b>Municipal bond type:</b>				
General Obligation	\$ 387,422	73.3%	\$ 346,343	73.7%
Revenue	141,394	26.7%	123,819	26.3%
<b>Total municipal bond portfolio</b>	<b>\$ 528,816</b>	<b>100.0%</b>	<b>\$ 470,162</b>	<b>100.0%</b>
<b>Municipal bond issuer:</b>				
State Issued	\$ 60,754	11.5%	\$ 54,101	11.5%
Local Issued	468,062	88.5%	416,061	88.5%
<b>Total municipal bond portfolio</b>	<b>\$ 528,816</b>	<b>100.0%</b>	<b>\$ 470,162</b>	<b>100.0%</b>

The municipal bond portfolio is broadly spread across the U.S. with 59% of the portfolio's fair value in the top five states of Pennsylvania, Ohio, Illinois, Texas, and West Virginia, respectively.



**Table of Contents****LOANS AND CREDIT RISK**

Loans represent WesBanco's single largest balance sheet asset classification and the largest source of interest income. Business purpose loans consist of commercial real estate ( CRE ) loans and other commercial and industrial ( C&I ) loans that are not secured by real estate. Consumer purpose loans consist of residential real estate loans, home equity lines of credit and other consumer loans. Loans held for sale generally consist of residential real estate loans originated for sale in the secondary market, but at times may also include other types of loans. Each category entails certain distinct elements of risk that impact the manner in which those loans are underwritten, monitored, and administered. The outstanding balance of each major category of the loan portfolio is summarized in Table 8.

The risk that borrowers will be unable or unwilling to repay their obligations and default on loans is inherent in all lending activities. In addition to the inherent risk of a change in a borrower's repayment capacity, economic conditions and other factors beyond WesBanco's control can adversely impact credit risk. WesBanco's primary goal in managing credit risk is to minimize the impact of default by an individual borrower or group of borrowers. Credit risk is managed through the initial underwriting process as well as through ongoing monitoring and administration that varies by the type of loan. WesBanco's credit policies establish standard underwriting guidelines for each type of loan and require an appropriate evaluation of the credit characteristics of each borrower. This evaluation includes the borrower's primary source of repayment capacity; the adequacy of collateral, if any, to secure the loan; and other factors unique to each loan that may increase or mitigate its risk.

Credit risk is mitigated for all types of loans by continuously monitoring delinquency levels and pursuing collection efforts at the earliest stage of delinquency. WesBanco also monitors general economic conditions, including employment, housing activity and real estate values in each of its markets. WesBanco also periodically evaluates and changes its underwriting standards when conditions indicate that a change is warranted based on market conditions, the historical performance of a category of the portfolio, or other external factors. Credit risk is also regularly evaluated for the impact of adverse economic and other events that increase the risk of default and the potential loss in the event of default to understand their impact on the WesBanco's earnings and capital.

**TABLE 8. COMPOSITION OF LOANS (1)**

<i>(unaudited, dollars in thousands)</i>	<b>September 30, 2011</b>		<b>December 31, 2010</b>	
	<b>Amount</b>	<b>% of Loans</b>	<b>Amount</b>	<b>% of Loans</b>
Commercial real estate:				
Land and construction	\$ 195,226	6.0%	\$ 154,841	4.7%
Other	1,502,565	46.3%	1,602,408	48.6%
Total commercial real estate	1,697,791	52.3%	1,757,249	53.3%
Commercial and industrial	426,165	13.1%	412,726	12.5%
Residential real estate	612,647	18.9%	608,693	18.4%
Home equity	250,867	7.7%	249,423	7.6%
Consumer	252,908	7.7%	260,585	7.9%
Total portfolio loans	3,240,378	99.7%	3,288,676	99.7%
Loans held for sale	8,139	0.3%	10,800	0.3%
Total Loans	\$ 3,248,517	100.0%	\$ 3,299,476	100.0%

(1) Loans are presented gross of the allowance for loan losses and net of unearned income, credit valuation adjustments, and unamortized net deferred loan fee income and loan origination costs.

Total loans decreased \$51.0 million or 1.5% from December 31, 2010 to September 30, 2011. CRE land and construction loans increased \$40.4 million or 26.1% as a result of the funding of new commercial construction loans for apartment buildings, pre-leased investment property and owner-occupied commercial real estate, net of \$6.5 million in charge-offs for certain land and residential development loans. Other CRE loans decreased \$99.8 million or 6.2% due to scheduled principal repayments outpacing new loan originations, unscheduled payoffs of loans, and orderly exits of certain non-performing loans, including the sale of under-performing CRE loans in the third quarter with a carrying value of \$17.2 million. C&I loans increased \$13.4 million or 3.3% due to improved business activity and seasonality in certain lines of credit balances. Residential real estate loans increased \$4.0 million or 0.6% from increased volume in 2011 and from an effort to retain mortgages in the portfolio by selling fewer mortgages into the secondary market. Home equity lines of credit were relatively unchanged, while consumer loans decreased \$7.7 million or 2.9% due to reduced loan demand as consumers remain cautious about the economy and continue to deleverage rather than incur new debt. Loans held for sale decreased \$2.7 million primarily from a strategic effort to sell fewer mortgage loans into the secondary market in 2011. All loan categories were also impacted by a continued focus on improving the overall profitability and quality of the loan portfolio through disciplined underwriting and pricing practices.



**Table of Contents****NON-PERFORMING ASSETS, IMPAIRED LOANS AND LOANS PAST DUE 90 DAYS OR MORE**

Non-performing assets consist of non-accrual loans and TDRs, other real estate acquired through or in lieu of foreclosure, bank premises held for sale, and repossessed automobiles acquired to satisfy defaulted consumer loans.

**TABLE 9. NON-PERFORMING ASSETS**

<i>(unaudited, dollars in thousands)</i>	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Non-accrual loans:		
Commercial real estate - land and construction	\$ 9,725	\$ 4,391
Commercial real estate - other	25,563	24,833
Commercial and industrial	9,593	7,933
Residential real estate	10,686	10,688
Home equity	1,109	755
Consumer	141	220
Loans held for sale	-	-
Total non-accrual loans	56,817	48,820
TDRs accruing interest:		
Commercial real estate - land and construction	5,567	10,764
Commercial real estate - other	17,014	33,122
Commercial and industrial	877	73
Residential real estate	3,905	3,443
Home equity	-	-
Consumer	53	81
Total TDRs accruing interest (1)	27,416	47,483
Total non-performing loans	\$ 84,233	\$ 96,303
Other real estate owned and repossessed assets	4,687	8,069
Total non-performing assets	\$ 88,920	\$ 104,372
Non-performing loans/total loans	2.60%	2.93%
Non-performing assets/total assets	1.62%	1.95%
Non-performing assets/total loans, other real estate and repossessed assets	2.74%	3.17%

(1) TDRs on nonaccrual of \$16.3 million and \$9.9 million at September 30, 2011 and December 31, 2010, respectively, are included in total nonaccrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, decreased \$12.1 million from December 31, 2010 to September 30, 2011 primarily due to the sale of twenty-four impaired and classified loans comprising fourteen borrowers with an aggregate book value of \$17.2 million, with the two largest non-performing loans representing \$9.9 million. Reserves associated with these loans were \$4.8 million. Total proceeds from the sale were \$6.9 million, resulting in \$10.3 million in charge-offs in the third quarter of 2011. Non-accrual loans increased \$8.0 million or 16.4% despite the sale of \$6.8 million of commercial loans on nonaccrual in the third quarter. The increase in non-accrual loans is primarily attributed to the migration in 2011 of other previously classified CRE and C&I loans to non-accrual status, including certain loans previously reported as TDRs accruing interest in prior periods. As a result, TDRs accruing interest decreased \$20.1 million or 42.3% with \$9.9 million related to the sale of two CRE loans in the third quarter with specific reserves of \$3.4 million. (Please see the Notes to the Consolidated Financial Statements for additional discussion.)

Other real estate owned and repossessed assets decreased from December 31, 2010 to September 30, 2011 primarily from the sale of assets during the period combined with a reduction in the amount of new foreclosures and repossessions.

**Table of Contents**

The following table presents non-performing and impaired asset activity.

**TABLE 10. NON-PERFORMING AND IMPAIRED ASSET ACTIVITY**

<i>(unaudited, in thousands)</i>	Non-accrual Loans	TDRs Accruing Interest (1)	Other Impaired Loans	Other Real Estate and Reposessed Assets
Beginning balance, December 31, 2010:	\$ 48,820	\$ 47,483	\$ 13,898	\$ 8,069
Additions, including transfers from other categories	42,074	8,439	8,102	-
Real estate foreclosures or deeds in lieu of foreclosure	-	-	-	1,767
Repossessions of other collateral	-	-	-	2,045
Loans returning to accruing or no longer impaired	-	(4,437)	(4,413)	-
Other reductions, including transfers to other categories	-	(12,103)	(8,449)	-
Charge-offs or charge-downs	(24,565)	(5,974)	-	(465)
Other real estate sold	-	-	-	(4,477)
Reposessed assets sold	-	-	-	(2,200)
Loans paid off including loans sold net of charge off	(9,512)	(5,992)	(452)	(52)
Ending balance, September 30, 2011	\$ 56,817	\$ 27,416	\$ 8,686	\$ 4,687

(1) TDRs on nonaccrual are included in total nonaccrual loans.

**TABLE 11. LOANS PAST DUE AND ACCRUING INTEREST**

<i>(unaudited, dollars in thousands)</i>	September 30, 2011	December 31, 2010
Loans past due 90 days or more:		
Commercial real estate - land and construction	\$ 165	\$ 277
Commercial real estate - other	-	692
Commercial and industrial	82	95
Residential real estate	4,659	4,535
Home equity	784	1,126
Consumer	711	958
Total portfolio loans	6,401	7,683
Loans held for sale	-	-
Total loans past due 90 days or more	\$ 6,401	\$ 7,683
Loans past due 30 to 89 days:		
Commercial real estate - land and construction	\$ 1,805	\$ 252
Commercial real estate - other	6,342	4,717
Commercial and industrial	1,840	4,163
Residential real estate	6,287	7,367
Home equity	2,099	2,255
Consumer	5,285	6,020
Total portfolio loans	23,658	24,774
Loans held for sale	-	-
Total loans past due 30 to 89 days	\$ 23,658	\$ 24,774
Loans past due 90 days or more and accruing to total loans	0.20%	0.23%
Loans past due 30-89 days to total loans	0.73%	0.75%

Loans past due 90 days or more and accruing interest decreased \$1.3 million or 16.7% from December 31, 2010 to September 30, 2011 in all categories except for residential real estate which increased slightly. These loans continue to accrue interest because they are both well secured and in the process of collection. Loans past due 30-89 days decreased \$1.1 million or 4.5% from December 31, 2010 to September 30, 2011 but

increased from June 30, 2011 by \$4.6 million due to seasonal fluctuations.

**ALLOWANCE FOR CREDIT LOSSES**

The allowance for loan losses decreased \$6.0 million from December 31, 2010 to September 30, 2011 and represented 1.70% of total loans as compared to 1.86% at December 31, 2010 and 1.78% at September 30, 2010. The decrease in the allowance from December 31, 2010 to September 30, 2011 resulted primarily from the sale of impaired loans in the third quarter of 2011 which reduced previously provided reserves by \$4.8 million.

**Table of Contents**

The decrease in the allowance for loan commitments from December 31, 2010 to September 30, 2011 primarily represents the transfer of a reserve, associated with one loan commitment for tenant improvements to real estate that secures an impaired loan, to the allowance for loan losses during the period.

**TABLE 12. ALLOWANCE FOR CREDIT LOSSES**

<i>(unaudited, in thousands)</i>	<b>For the Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Balance at beginning of period:		
Allowance for loan losses	\$ 61,051	\$ 61,160
Allowance for loan commitments	1,404	195
<b>Total beginning balance</b>	<b>62,455</b>	<b>61,355</b>
Provision for credit losses:		
Provision for loan losses	26,614	34,666
Provision for loan commitments	(934)	287
<b>Total provision for credit losses</b>	<b>25,680</b>	<b>34,953</b>
Charge-offs:		
Commercial real estate - land and construction	6,485	1,035
Commercial real estate - other	15,673	18,474
Commercial and industrial	6,194	10,189
Residential real estate	3,115	4,015
Home equity	642	437
Consumer	2,909	4,002
<b>Total loan charge-offs</b>	<b>35,018</b>	<b>38,152</b>
Deposit account overdrafts	685	767
<b>Total loan and deposit account overdraft charge-offs</b>	<b>35,703</b>	<b>38,919</b>
Recoveries:		
Commercial real estate - land and construction	33	-
Commercial real estate - other	930	598
Commercial and industrial	733	292
Residential real estate	342	54
Home equity	10	38
Consumer	849	865
<b>Total loan recoveries</b>	<b>2,897</b>	<b>1,847</b>
Deposit account overdrafts	239	235
<b>Total loan and deposit account overdraft recoveries</b>	<b>3,136</b>	<b>2,082</b>
<b>Net loan and deposit account overdraft charge-offs</b>	<b>32,567</b>	<b>36,837</b>
Balance at end of period:		
Allowance for loan losses	55,098	58,989
Allowance for loan commitments	470	482

## Edgar Filing: WESBANCO INC - Form 10-Q

Total ending balance	\$ 55,568	\$ 59,471
----------------------	-----------	-----------

Third quarter 2011 net charge-offs decreased slightly from the third quarter of 2010, and decreased \$4.3 million in the first nine months as compared to the same period in 2010. Third quarter 2011 charge-offs included \$10.3 million related to the loan sale, while the third quarter of 2010 also included a loan sale resulting in \$10.5 million in additional charge-offs. Net annualized loan charge-offs to average loans were 1.33% for the nine months ended September 30, 2011 compared to 1.44% for same period last year.

The increase in non-accrual loans since December 31, 2010 did not have a material effect on the allowance for credit losses at September 30, 2011 or the provision for credit losses in the first nine months of 2011 because the loans were adequately reserved in prior periods. The internal risk grading of loans has more influence on the amount of the allowance than the categorization of loans as non-performing. The internal risk rating is the primary factor for establishing the allowance for commercial loans, including commercial real estate except for loans that are evaluated individually for impairment, in which case a specific reserve is established pursuant to GAAP, and portfolio segment loss history is the primary factor for establishing the allowance for residential real estate, home equity and consumer loans. Total commercial criticized and classified loans at September 30, 2011 decreased \$50.7 million compared to September 30, 2010 and \$49.5 million compared to December 31, 2010, which together with a decrease in total loans and lower historical loss rates positively impacted the provision for the nine months ended September 30, 2011. The

**Table of Contents**

decrease in commercial criticized and classified loans was partially attributable to the loan sale with the remainder resulting from improvement in credit quality and principal reductions.

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The allowance allocated in each category decreased from December 31, 2010. The allocation to CRE loans decreased primarily due to the loan sale, as previously provided reserves of \$4.8 million on certain impaired and classified loans were removed. The allocation to C&I loans decreased primarily due to a charge-off in the third quarter that was previously reserved. Lower historical loss rates and lower delinquency in the CRE other and C&I portfolio also contributed, to a lesser extent, in the reduction of the allocated allowance. The allowance for residential real estate, home equity, and consumer loans and overdrafts decreased due to moderately lower historical loss rates in most categories and lower delinquency in all categories of the portfolio.

**TABLE 13. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES**

<i>(unaudited, dollars in thousands)</i>	September 30, 2011	Percent of Total	December 31, 2010	Percent of Total
Allowance for loan losses:				
Commercial real estate - land and construction	\$ 4,147	7.5%	\$ 4,701	7.5%
Commercial real estate - other	27,014	48.6%	30,836	49.4%
Commercial and industrial	10,164	18.3%	10,793	17.3%
Residential real estate	5,673	10.2%	5,950	9.5%
Home equity	1,971	3.6%	2,073	3.3%
Consumer	5,401	9.7%	5,641	9.0%
Deposit account overdrafts	728	1.3%	1,057	1.7%
Total allowance for loan losses	\$ 55,098	99.2%	\$ 61,051	97.7%
Allowance for loan commitments:				
Commercial real estate - land and construction	\$ 107	0.2%	\$ 1,037	1.7%
Commercial real estate - other	9	0.0%	285	0.5%
Commercial and industrial	299	0.5%	65	0.1%
Residential real estate	4	0.0%	1	0.0%
Home equity	37	0.1%	14	0.0%
Consumer	14	0.0%	2	0.0%
Total allowance for loan commitments	470	0.8%	1,404	2.3%
Total allowance for credit losses	\$ 55,568	100.0%	\$ 62,455	100.0%

Table 14 summarizes the impact of changes in various factors that affect the allowance for loan losses in each segment of the portfolio. The allowance for all segments is impacted by changes in loan balances as well as changes in historical loss rates adjusted for qualitative factors such as economic conditions. The CRE and C&I segments of the portfolio are also impacted by changes in the risk grading distribution of the portfolio.



**Table of Contents****TABLE 14. RECONCILIATION OF THE ALLOWANCE FOR CREDIT LOSSES BY LOAN CATEGORY**

	For the Nine Months Ended September 30,							September 30,	
	2011							2010	
(unaudited, in thousands)	Commercial Real Estate - Land and Construction	Commercial Other Real Estate	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total	Total
Balance at beginning of year:									
Allowance for loan losses	\$ 4,701	\$ 30,836	\$ 10,793	\$ 5,950	\$ 2,073	\$ 5,641	\$ 1,057	\$ 61,051	\$ 61,160
Allowance for loan commitments	1,037	285	65	1	14	2	-	1,404	195
Total beginning allowance for credit losses	5,738	31,121	10,858	5,951	2,087	5,643	1,057	62,455	61,355
Provision for credit losses:									
Provision for loan losses	5,898	10,921	4,832	2,496	530	1,820	117	26,614	34,666
Provision for loan commitments	(930)	(276)	234	3	23	12	-	(934)	287
Total provision for credit losses	4,968	10,645	5,066	2,499	553	1,832	117	25,680	34,953
Charge-offs	(6,485)	(15,673)	(6,194)	(3,115)	(642)	(2,909)	(685)	(35,703)	(38,919)
Recoveries	33	930	733	342	10	849	239	3,136	2,082
Net charge-offs	(6,452)	(14,743)	(5,461)	(2,773)	(632)	(2,060)	(446)	(32,567)	(36,837)
Balance at end of period:									
Allowance for loan losses	4,147	27,014	10,164	5,673	1,971	5,401	728	55,098	58,989
Allowance for loan commitments	107	9	299	4	37	14	-	470	482
Total ending allowance for credit losses	\$ 4,254	\$ 27,023	\$ 10,463	\$ 5,677	\$ 2,008	\$ 5,415	\$ 728	\$ 55,568	\$ 59,471

Although the allowance for credit losses is allocated as described in Tables 13 and 14, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management's estimation of probable losses and actual incurred losses in subsequent periods for any category may necessitate future adjustments to the provision for loan losses applicable to the category. Management believes the allowance for credit losses is appropriate to absorb probable losses at September 30, 2011.

**Table of Contents****DEPOSITS****TABLE 15. DEPOSITS**

<i>(unaudited, dollars in thousands)</i>	September 30, 2011	December 31, 2010	\$ Change	% Change
Non-interest bearing demand	\$ 676,724	\$ 591,052	\$ 85,672	14.5%
Interest bearing demand	571,736	481,129	90,607	18.8%
Money market	903,724	854,836	48,888	5.7%
Savings deposits	587,263	530,701	56,562	10.7%
Certificates of deposit	1,616,961	1,714,705	(97,744)	(5.7%)
Total deposits	\$ 4,356,408	\$ 4,172,423	\$ 183,985	4.4%

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 112 branches in West Virginia, Ohio and Western Pennsylvania. Total deposits increased by \$184.0 million or 4.4% during the nine months ended September 30, 2011.

Demand deposits, savings deposits and money market deposits increased by 16.4%, 10.7% and 5.7%, respectively, in the first nine months of 2011 due to continued efforts to obtain more account relationships and customers' preference for short-term maturities. Deposits were also affected by an increase in trust account deposits and heavier end of quarter deposit activity.

The decline in certificates of deposit of 5.7% is due to the effects of an overall corporate strategy designed to re-mix retail deposit relationships with a focus on overall products that can be offered at a lower cost to the Bank. The decline in certificates of deposit is also impacted by customer preferences in the current low interest rate environment and other alternatives in the marketplace. WesBanco does not typically solicit brokered or other deposits out-of-market or over the internet, but does participate in the CDARS® program, which had \$253.8 million in total outstanding balances at September 30, 2011 of which \$192.0 million represented one-way buys, as compared to \$246.3 million in total outstanding balances at December 31, 2010. Certificates of deposit greater than \$250,000 were approximately \$158.2 million at September 30, 2011 as compared to \$186.5 million at December 31, 2010. Certificates of deposit of \$100,000 or more were approximately \$777.5 million at September 30, 2011 as compared to \$791.7 million at December 31, 2010. Certificates of deposit totaling approximately \$721.9 million at September 30, 2011 at a cost of 1.14% are scheduled to mature within the next year. WesBanco will continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs, although in the current interest rate environment, CD rate offerings are generally lower for all maturities and types as compared to rates paid on existing CDs.

**BORROWINGS****TABLE 16. BORROWINGS**

<i>(unaudited, dollars in thousands)</i>	September 30, 2011	December 31, 2010	\$ Change	% Change
Federal Home Loan Bank borrowings	\$ 176,581	\$ 253,606	\$ (77,025)	(30.4%)
Other short-term borrowings	192,780	187,385	5,395	2.9%
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,058	106,034	24	0.0%
Total borrowings	\$ 475,419	\$ 547,025	\$ (71,606)	(13.1%)

## Edgar Filing: WESBANCO INC - Form 10-Q

Borrowings are currently a less significant source of funding for WesBanco compared to retail core deposits. During the first nine months of 2011, WesBanco paid down Federal Home Loan Bank borrowings scheduled to mature utilizing funds provided by lower cost deposits or other available cash flows for their payoff. Additional maturities of \$8.0 million with a weighted average rate of 3.86% are scheduled for the remainder of the year, and \$76.5 million with a weighted average rate of 3.64% is scheduled to mature in 2012, which should permit a further lowering of the cost of wholesale borrowings as current borrowing rates are lower. Junior subordinated debt, most of which is allowed to be included in Tier I regulatory capital, was unchanged from December 31, 2010.

Other short-term borrowings, which consist of federal funds purchased, securities sold under agreements to repurchase and treasury tax and loan notes were \$192.8 million at September 30, 2011 as compared to \$187.4 million at December 31, 2010. The increase in these borrowings has occurred primarily as a result of a \$4.6 million increase in securities sold under agreements to repurchase and a \$0.8 million increase in treasury tax and loan notes. A revolving line of credit, which is a senior obligation of the parent company, matured on July 31, 2011 and was subsequently renewed with the same correspondent bank on August 1, 2011. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregate borrowings of up to \$25.0 million, secured by a pledge of WesBanco's banking subsidiary common stock. There were no outstanding balances as of September 30, 2011 or December 31, 2010.

**Table of Contents****OFF-BALANCE SHEET ARRANGEMENTS**

WesBanco enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, letters of credit and affordable housing plan guarantees. Since many of these commitments expire unused or partially used, these commitments may not reflect future cash requirements. Please refer to Note 9, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

**CAPITAL RESOURCES**

Shareholders' equity was \$634.4 million at September 30, 2011 compared to \$606.9 million at December 31, 2010. Total equity increased due to net income during the current nine month period of \$33.2 million and a \$6.2 million other comprehensive income gain. The increase was partially offset by the declaration of common shareholder dividends totaling \$12.2 million for the nine months ended September 30, 2011. WesBanco also increased its quarterly dividend rate to \$0.15 per share in February and to \$0.16 per share in August, representing a cumulative 14.3% increase over the prior year rate.

On May 18, 2011, WesBanco granted 66,250 stock options to selected officers at an exercise price of \$19.76. These options are service-based and vest 50% at December 31, 2011, and 50% at December 31, 2012. On the same date, WesBanco also granted 35,850 shares of restricted stock to selected officers. The restricted shares are service-based and vest 24 months from the date of grant. Prior to May 18, 2011 WesBanco granted 4,782 shares of restricted stock under employment agreements.

WesBanco did not purchase any shares during the current three month period under an existing one million share repurchase plan. At September 30, 2011, remaining WesBanco common stock authorized to be purchased as part of the current one million share repurchase plan totaled 584,325 shares.

WesBanco is subject to regulatory promulgated leverage and risk-based capital guidelines that measure capital relative to risk-weighted assets and off-balance sheet instruments. The Bank, as well as WesBanco maintain Tier 1, Total Capital and Leverage ratios well above minimum regulatory levels. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to WesBanco. As of September 30, 2011, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of approximately \$20.0 million from the Bank. WesBanco seeks to continue improving its consolidated and Bank capital ratios as short-term debt matures and is paid down from investment and loan cash flows, while also retaining a majority of its increasing earnings.

The following table summarizes risk-based capital amounts and ratios for WesBanco and the Bank for the periods indicated:

<i>(unaudited, dollars in thousands)</i>	Minimum	Well	September 30, 2011		December 31, 2010	
	Value <sup>(1)</sup>	Capitalized <sup>(2)</sup>	Amount	Ratio	Amount	Ratio
<b>WesBanco, Inc.</b>						
Tier 1 Leverage	4.00% <sup>(3)</sup>	N/A	\$ 450,593	8.69%	\$ 428,001	8.35%
Tier 1 Capital to Risk-Weighted Assets	4.00%	6.00%	450,593	12.49%	428,001	11.94%
Total Capital to Risk-Weighted Assets	8.00%	10.00%	495,834	13.74%	473,020	13.20%
<b>WesBanco Bank, Inc.</b>						
Tier 1 Leverage	4.00%	5.00%	\$ 420,539	8.14%	\$ 398,171	7.80%
Tier 1 Capital to Risk-Weighted Assets	4.00%	6.00%	420,539	11.72%	398,171	11.15%
Total Capital to Risk-Weighted Assets	8.00%	10.00%	465,513	12.98%	443,013	12.41%

<sup>(1)</sup> Minimum requirements to remain adequately capitalized.

<sup>(2)</sup> Well capitalized under prompt corrective action regulations.

<sup>(3)</sup> Minimum requirement is 3% for certain highly-rated bank holding companies.

---

## **Table of Contents**

### **DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT**

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which contains numerous and wide-ranging reforms to the structure of the U.S. financial system. Portions of the Dodd-Frank Act are effective at different times, and many of the provisions are general statements directing regulators to draft more detailed rules. Although the full scope of the Dodd-Frank Act's impact remains somewhat unclear, management expects that it will, over time, reduce revenue and increase expenses.

As a bank holding company, WesBanco will be subjected to increased capital requirements (further discussed in WesBanco's Form 10-K for the year ended December 31, 2010 filed with the SEC under Item 1. Business Capital Requirements). A provision known as the Volcker Rule will limit WesBanco's ability to engage in proprietary trading, as well as its ability to sponsor or invest in hedge funds or private equity funds. A provision known as the Lincoln Rule will prevent WesBanco Bank from engaging in certain swap transactions unless they are carried out through a separately capitalized affiliate. Increased restrictions also will apply to transactions with and among WesBanco subsidiaries, and the Federal Reserve Board will have increased authority to examine and take enforcement action against WesBanco and its subsidiaries that are not banks.

The Dodd-Frank Act makes several changes affecting the securitization markets, which may affect WesBanco's ability or desire to use those markets to meet funding or liquidity needs. One of these changes calls for federal regulators to adopt regulations requiring the sponsor of a securitization to retain at least 5 percent of the credit risk, with exceptions for qualified residential mortgages, a term that regulators are in the process of defining.

As a publicly traded company, WesBanco is required to give shareholders an advisory vote on executive compensation, and, in some cases, golden parachute arrangements. The Dodd-Frank Act also calls for regulators to issue new rules relating to compensation committee independence, incentive-based compensation arrangements deemed excessive, and proxy access by shareholders.

The Bank and other insured depository institutions will have increased authority to open new branches across state lines. A provision authorizing insured depository institutions to pay interest on checking accounts will likely increase WesBanco's interest expenses. A new government agency, the Bureau of Consumer Financial Protection (Consumer Bureau), will have the authority to write rules implementing numerous consumer protection laws applicable to all banks.

### **BASEL III CAPITAL AND LIQUIDITY STANDARDS**

The federal regulatory authorities' risk-based capital and liquidity guidelines are based upon agreements reached by the Basel Committee on Banking Supervision (the Basel Committee). The Basel Committee is a committee of central banks and bank supervisors and regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. In December 2010, the Basel Committee issued a strengthened set of international capital and liquidity standards for banks and bank holding companies, known as Basel III. The Basel III reforms are supported by the U.S. federal banking agencies and will increase both the quantity and quality of capital banks and bank holding companies are required to hold. Regulators in each participating country will be expected to implement Basel III beginning January 1, 2013.

When Basel III is fully phased-in on January 1, 2019, banks and bank holding companies will be required to maintain: (i) a minimum Tier 1 common equity ratio of at least 4.5 percent, (ii) a minimum Tier 1 capital ratio of at least 6 percent, (iii) a minimum total capital ratio (Tier 1 and Tier 2 capital) of at least 8 percent; and (iv) a non-risk-based minimum leverage ratio (Tier 1 capital to average consolidated assets) of 3 percent. Although not presented as a minimum requirement, banks and bank holding companies will not be able to pay dividends unless they have an additional capital conservation buffer equal to a Tier 1 common equity ratio of 2.5 percent. Adding the capital conservation buffer on top of the minimums, banks and bank holding companies will generally need a Tier 1 common equity ratio of 7 percent, a Tier 1 capital ratio of 8.5 percent, and a total capital ratio of 10.5 percent. Under Basel III, regulators would also be able to impose a countercyclical capital buffer during periods of excessive credit growth. The countercyclical capital buffer would be an additional Tier 1 common equity ratio of up to 2.5 percent. Under Basel III, regulatory adjustments to common equity will generally be eliminated by January 1, 2018, although an exception will permit a portion of mortgage servicing rights to continue being treated as common equity.

Basel III also calls for new liquidity standards to help ensure adequate sources of funding are available in times of stress. When implemented, the liquidity coverage ratio is intended to measure the amount of high quality liquid assets that are available throughout a short-term period of stress lasting 30 days. The net stable funding ratio is intended to meet liquidity needs over a longer, 1-year period. To meet these standards, WesBanco and WesBanco Bank may need to invest a larger portion of their assets in liquid, lower yield instruments.

## Edgar Filing: WESBANCO INC - Form 10-Q

WesBanco cannot predict the precise timing or final form of forthcoming capital and liquidity regulations that could be applicable to WesBanco or their impact on WesBanco. Capital and liquidity requirements that may arise from regulations issued under the Dodd-Frank Act, Basel III, or some other initiative could increase the minimum capital or liquidity requirements applicable to WesBanco and its subsidiaries.

---

**Table of Contents****LIQUIDITY RISK**

Liquidity is defined as a financial institution's capacity to meet its cash and collateral obligations at a reasonable cost. Liquidity risk is the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its obligations. An institution's obligations, and the funding sources to meet them, depend significantly on its business mix, balance sheet structure, and the cash flows of its on- and off-balance sheet obligations. Institutions confront various internal and external situations that can give rise to increased liquidity risk including funding mismatches, market constraints on funding sources, contingent liquidity events, changes in economic conditions, and exposure to credit, market, operation, legal and reputation risk. WesBanco actively manages liquidity risk through its ability to provide adequate funds to meet changes in loan demand, unexpected outflows in deposits and other borrowings as well as to take advantage of market opportunities and meet operating cash needs. This is accomplished by maintaining liquid assets in the form of securities, sufficient borrowing capacity and a stable core deposit base. Liquidity is centrally monitored by WesBanco's Asset/Liability Committee (ALCO).

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. Federal funds sold and U.S. Treasury and government agency securities maturing within three months are classified as secondary reserve assets. These secondary reserve assets, combined with the cash flow from the loan portfolio and the remaining sectors of the investment portfolio, and other sources, adequately meet the liquidity requirements of WesBanco.

Securities are the principal source of short-term liquidity for WesBanco. Securities totaled \$1.6 billion at September 30, 2011, of which \$952.1 million were classified as available-for-sale, including net unrealized pretax gains of \$18.2 million. The remaining securities were classified as held-to-maturity. At September 30, 2011, WesBanco has approximately \$15.8 million in securities scheduled to mature within one year; however, additional cash flows may be anticipated from approximately \$313.8 million in callable bonds which have call dates within the next year, from projected prepayments on mortgage-backed securities and collateralized mortgage obligations of approximately \$132.4 million based on current prepayment speeds, from loans held for sale totaling \$8.1 million, from accruing loans scheduled to mature within the next year of \$526.6 million and from normal loan repayments anticipated to be \$652.8 million within the next year. At September 30, 2011, WesBanco had \$145.5 million of cash and cash equivalents, which serves as operating cash for the branches and an additional source of liquidity. Sources of liquidity within the next year listed above approximate \$1.8 billion at September 30, 2011.

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$4.4 billion at September 30, 2011. Deposit flows are impacted by current interest rates, products and rates offered by WesBanco versus various forms of competition, as well as customer behavior. Certificates of deposit scheduled to mature within one year totaled \$721.9 million at September 30, 2011 which includes jumbo regular certificates of deposit and jumbo CDARS<sup>®</sup> deposits totaling \$173.6 million with a weighted-average cost of 1.06% and \$118.4 million with a cost of 1.28%, respectively. In addition to the historically relatively stable core deposit base, WesBanco maintains a line of credit with the FHLB as an additional funding source. Available lines of credit with the FHLB at September 30, 2011 approximated \$1.0 billion in excess of current outstandings, which is unchanged from December 31, 2010. At September 30, 2011, the Bank had unpledged available-for-sale securities with an amortized cost of \$484.2 million, a portion of which is an available liquidity source, or could be pledged to secure additional FHLB borrowings. In addition, WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program (BIC) whereby WesBanco pledges certain consumer loans as collateral for borrowings. At September 30, 2011, WesBanco had a BIC line of credit totaling \$143.2 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$165.0 million, none of which was outstanding at September 30, 2011, along with seeking other lines of credit, borrowings under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing brokered deposits, or selling securities available-for-sale or certain types of loans.

Other short-term borrowings of \$192.8 million at September 30, 2011 primarily include callable repurchase agreements of \$189.7 million and several overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balance of these overnight sweep checking accounts during 2011. The repurchase agreements require securities to be pledged equal to or greater than the instrument's purchase price and may be called within the next year. The overnight sweep checking accounts require securities to be pledged equal to or greater than the deposit balance. In the third quarter new regulatory guidelines permitted, for the first time, the payment of interest on certain corporate checking accounts. WesBanco does not expect this to significantly impact sweep account and related deposit account balances.

In July 2009, the FHLB began requiring securities to be specifically pledged to the FHLB and maintained in a FHLB approved custodial arrangement if the member wishes to include such securities in the maximum borrowings capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities. To increase its remaining capacity, WesBanco can at any time decide to pledge a portion of its unpledged securities to the FHLB.

## Edgar Filing: WESBANCO INC - Form 10-Q

The principal sources of parent company liquidity are dividends from the Bank, \$16.8 million in cash and investments on hand, and a \$25 million revolving line of credit with another bank, which did not have an outstanding balance at September 30, 2011. WesBanco is in compliance with all loan covenants. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of September 30, 2011, under FDIC and state of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$20.0 million from the Bank.

At September 30, 2011, WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating \$746.7 million, compared to \$648.8 million at December 31, 2010. On a historical basis, only a small portion of these commitments will result in an outflow of funds. Please refer to Note 9, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

Federal financial regulatory agencies recently issued guidance to provide sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. The guidance recommends that financial institutions maintain a comprehensive management process for identifying, measuring, monitoring, and controlling liquidity risk and that liquidity risk management be fully integrated into its risk



**Table of Contents**

management process. WesBanco has completed the implementation of these policies, and management believes WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others as of September 30, 2011 and that WesBanco's current liquidity risk management policies and procedures adequately address the recently issued guidance.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The disclosures set forth in this item are qualified by the section captioned "Forward-Looking Statements" included in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.

**MARKET RISK**

The primary objective of WesBanco's ALCO is to maximize net interest income within established policy parameters. This objective is accomplished through the management of balance sheet composition, market risk exposures arising from changing economic conditions and liquidity risk.

Market risk is defined as the risk of loss due to adverse changes in the fair value of financial instruments resulting from fluctuations in interest rates and equity prices. Management considers interest rate risk to be WesBanco's most significant market risk. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. The relative consistency of WesBanco's net interest income is largely dependent on effective management of interest rate risk. As interest rates change in the market, rates earned on interest rate sensitive assets and rates paid on interest rate sensitive liabilities do not necessarily move concurrently. Differing rate sensitivities may arise because fixed rate assets and liabilities may not have the same maturities, or because variable rate assets and liabilities differ in the timing and/or the percentage of rate changes.

WesBanco's ALCO, comprised of senior management from various functional areas, monitors and manages interest rate risk within Board approved policy limits. Interest rate risk is monitored primarily through the use of an earnings simulation model. The model is highly dependent on various assumptions, which change regularly as the balance sheet and market interest rates change. The key assumptions and strategies employed are analyzed bi-monthly and reviewed and documented by the ALCO.

The earnings simulation model projects changes in net interest income resulting from the effect of changes in interest rates. Forecasting changes in net interest income requires management to make certain assumptions regarding loan and security prepayment rates, bond call dates, and adjustments to non-maturing deposit rates, which may not necessarily reflect the manner in which actual yields and costs respond to changes in market interest rates. Assumptions used are based primarily on historical experience and current market rates. Security portfolio maturities and prepayments are assumed to be reinvested in similar instruments and callable bond forecasts are adjusted at varying levels of interest rates. While management believes such assumptions to be reasonable, there can be no assurance that assumed prepayment rates, callable bond forecasts and non-maturing deposit rates will approximate actual future results. Moreover, the net interest income sensitivity chart presented in Table 1, "Net Interest Income Sensitivity," assumes the composition of interest sensitive assets and liabilities existing at the beginning of the period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve, regardless of the duration of the maturity or re-pricing of specific assets and liabilities. Since the assumptions used in the model relative to changes in interest rates are uncertain, the simulation analysis may not be indicative of actual results. In addition, the analysis may not consider all actions that management could employ in response to changes in interest rates and various earning asset and costing liability balances.

Management is aware of the significant effect inflation or deflation has upon interest rates and ultimately upon financial performance. WesBanco's ability to cope with inflation or deflation is best determined by analyzing its capability to respond to changing market interest rates, as well as its ability to manage the various elements of noninterest income and expense during periods of increasing or decreasing inflation or deflation. WesBanco monitors the level and mix of interest-rate sensitive assets and liabilities through ALCO in order to reduce the impact of inflation or deflation on net interest income. Management also controls the effects of inflation or deflation by conducting periodic reviews of the prices and terms of its various products and services, both in terms of the costs to offer the services as well as outside market influences upon such pricing, by introducing new products and services or reducing the availability of existing products and services, and by controlling overhead expenses.

Interest rate risk policy limits are determined by measuring the anticipated change in net interest income over a twelve month period assuming an immediate and sustained 100 and 200 basis point increase or decrease in market interest rates as compared to a stable rate environment or base model. WesBanco's current policy limits this exposure to a reduction of 5.0% and 12.5% or less, respectively, of net interest income from the base model over a twelve month period. The table below shows WesBanco's interest rate sensitivity at September 30, 2011 and December 31, 2010 assuming both a 100 and 200 basis point interest rate change, compared to a base model. Due to the current low interest rate environment,

## Edgar Filing: WESBANCO INC - Form 10-Q

particularly for short-term rates, the 200 basis point decreasing change is not calculated, and instead a 300 basis point rising rate environment is shown. The policy limit for an increasing 300 basis point rising rate environment is a negative 25%.

**Table of Contents****TABLE 1. NET INTEREST INCOME SENSITIVITY**

Immediate Change in Interest Rates  (basis points)	Percentage Change in Net Interest Income from Base over One Year		ALCO
	September 30, 2011	December 31, 2010	Guidelines
+300	1.2%	0.8%	-25.0%
+200	2.0%	1.7%	- 12.5%
+100	2.2%	2.4%	- 5.0%
-100	(4.1%)	(2.9%)	- 5.0%
-200	N/A	N/A	-12.5%

As per the table above, the earnings simulation model at September 30, 2011 currently projects that net interest income for the next twelve month period would decrease by 4.1% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 2.9% for the same scenario as of December 31, 2010.

For rising rate scenarios, net interest income would increase by 2.2%, 2.0% and 1.2% if rates increased by 100, 200 and 300 basis points, respectively, as of September 30, 2011 as compared to increases of 2.4%, 1.7% and 0.8% in a 100, 200 and 300 basis point increasing rate environment as of December 31, 2010. The balance sheet is slightly more asset sensitive in the third quarter of 2011 due to additional short term liquidity balances and changes in the deposit mix and the overall level of borrowings, offset somewhat by a slight duration extension in the investment portfolio. Should rates rise more rapidly and by a higher amount, which is not currently anticipated, the asset sensitivity is somewhat neutralized due to slower anticipated prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities. In addition, variable rate commercial loans with rate floors approximated \$971.5 million at September 30, 2011, which represented approximately 46% of commercial loans with an average floor of 5.13%. In the current flat interest rate environment, WesBanco expects that the net interest margin may be slightly negatively impacted throughout the rest of 2011, as short term interest rates are not anticipated to increase until mid to late 2013, and loan runoff and investment security maturities are reinvested at lower rates.

The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh, the Federal Reserve Bank of Cleveland, and various correspondent banks, and may utilize these funding sources as necessary to mitigate the impact on our balance sheet of embedded options in commercial and residential loans and to lengthen liabilities to help offset mismatches in various asset maturities. CDARS<sup>®</sup> deposits have also been used to lengthen maturities in certificates of deposit.

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve month period. WesBanco's current policy limits this exposure to 5.0% of net interest income from the base model for a twelve month period. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at September 30, 2011, using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 2.2% over the next twelve months, compared to a 2.3% increase at December 31, 2010.

WesBanco also periodically measures the economic value of equity, which is defined as the market value of equity in various increasing and decreasing rate scenarios. At September 30, 2011, the market value of equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 10.3% as compared to an increase of 4.4% at December 31, 2010. In a 100 basis point falling rate environment, the model indicates an increase of 2.2%, as compared to a decrease of 4.1% as of December 31, 2010. WesBanco's policy is to limit such change to minus 25% for a 200 basis point change in interest rates, as long as the Tier I capital leverage ratio is not forecasted to decrease below 5.0% as a result of the change.

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES** WesBanco's Chief Executive Officer ( CEO ) and Chief Financial Officer ( CFO ) have concluded that WesBanco's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), based on their evaluation of these controls and procedures as of the end of the period covered by this Form 10-Q, are effective at the reasonable assurance level as discussed below to ensure that information required to be disclosed by WesBanco in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to WesBanco's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS** WesBanco's management, including the CEO and CFO, does not expect that WesBanco's disclosure controls and internal controls will prevent all errors and all fraud. While WesBanco's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objective, no control system, no matter how well conceived and operated, can provide absolute assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

**CHANGES IN INTERNAL CONTROLS** There were no changes in WesBanco's internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2011 as required to be reported by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, that materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

**Table of Contents****PART II OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

WesBanco is involved in lawsuits, claims, investigations and proceedings which arise in the ordinary course of business. There are no such matters pending that WesBanco expects to be material in relation to its business, financial condition or results of operations.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

As of September 30, 2011, WesBanco had a current stock repurchase plan in which up to one million shares can be acquired. The plan was originally approved by the Board of Directors on March 21, 2007 and provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time. There were no general open market repurchases during the third quarter of 2011, other than those for KSOP and dividend reinvestment plans.

The following table presents the monthly share purchase activity during the quarter ended September 30, 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
Balance at June 30, 2011				584,325
<b>July 1, 2011 to July 31, 2011</b>				
Open market repurchases	-	-	-	584,325
Other transactions (1)	20,194	\$ 19.92	N/A	N/A
<b>August 1, 2011 to August 31, 2011</b>				
Open market repurchases	-	-	-	584,325
Other transactions (1)	2,736	\$ 18.79	N/A	N/A
<b>September 1, 2011 to September 30, 2011</b>				
Open market repurchases	-	-	-	584,325
Other transactions (1)	11,018	\$ 17.70	N/A	N/A
<b>Third Quarter 2011</b>				
Open market repurchases	-	-	-	584,325
Other transactions (1)	33,948	\$ 19.11	N/A	N/A
Total	33,948	\$ 19.11	-	584,325

(1) Consists of open market purchases transacted in the KSOP and dividend reinvestment plans.

**Table of Contents**

**ITEM 6. EXHIBITS**

- 10.1 Amended and Restated Credit Agreement between JPMorgan Chase Bank, N.A. and WesBanco, Inc. (incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 5, 2011).
- 10.2 Line of Credit Note between JPMorgan Chase Bank, N.A. and WesBanco, Inc. (incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 5, 2011).
- 31.1 Chief Executive Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Chief Financial Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Chief Executive Officer's and Chief Financial Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from WesBanco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at September 30, 2011 and December 31, 2010, (ii) the Consolidated Statements of Income for the three and nine months ended September 30, 2011 and 2010, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2011 and 2010, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010, and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.\*

\*Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**Table of Contents**

**SIGNATURES**

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

**WESBANCO, INC.**

Date: October 27, 2011

/s/ Paul M. Limbert  
Paul M. Limbert  
President and Chief Executive Officer

(Principal Executive Officer)

Date: October 27, 2011

/s/ Robert H. Young  
Robert H. Young  
Executive Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)