WESBANCO INC
Form 10-Q
November 05, 2009

## UNITED STATES <br> 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, 2009

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

For the transition period from $\qquad$ to $\qquad$
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 26003
(Address of principal executive offices)
(Zip Code)

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes p No *

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to
submit and post such files). Yes "No *
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act

filer p
Non-acceleratedfiler (Donotcheckif a 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 p

As of October 31, 2009, there were 26,567,653 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

## WESBANCO, INC. TABLE OF CONTENTS

Item ITEM Page
No. ..... No.
PART I - FINANCIAL INFORMATION
1 Financial Statements
Consolidated Balance Sheets at September 30, 2009 (unaudited) and December 31, 2008 ..... 3
Consolidated Statements of Income for the three and nine months ended September 30, 2009 and ..... 4
2008 (unaudited)
Consolidated Statements of Changes in Shareholders' Equity for the nine months ended ..... 5
September 30, 2009 and 2008 (unaudited)
Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008 ..... 6(unaudited)Notes to Consolidated Financial Statements7
2 Management's Discussion and Analysis of Financial Condition and Results of Operations ..... 19
3 Quantitative and Qualitative Disclosures About Market Risk ..... 35
4 Controls and Procedures ..... 37
1 Legal Proceedings ..... 38
2 Unregistered Sales of Equity Securities and Use of Proceeds ..... 38
6 Exhibits ..... 39
Signatures ..... 40

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

WESBANCO, INC. CONSOLIDATED BALANCE SHEETS
(unaudited, dollars in thousands, except per share amounts)

## ASSETS

Cash and due from banks, including interest bearing amounts of $\$ 11,999$ and $\$ 65,145$, respectively
Securities:

| Available-for-sale, at fair value | $1,417,687$ | 934,138 |
| :--- | ---: | ---: |
| Held-to-maturity (fair values of $\$ 1,372$ and $\$ 1,214$, respectively) | 1,450 | 1,450 |
| $\quad$ Total securities | $1,419,137$ | 935,588 |
| Loans held for sale | 6,860 | 3,874 |
| Portfolio loans: |  |  |
| Commercial | 463,948 | 510,902 |
| Commercial real estate | $1,764,791$ | $1,699,023$ |
| Residential real estate | 739,151 | 856,999 |
| Home equity | 235,427 | 217,436 |
| Consumer | 298,305 | 319,949 |
| Total portfolio loans, net of unearned income | $3,501,622$ | $3,604,309$ |
| Allowance for loan losses | $60,755)$ | $(49,803)$ |
| $\quad$ Net portfolio loans | $3,440,867$ | $3,554,506$ |
| Premises and equipment, net | 91,411 | 93,693 |
| Accrued interest receivable | 22,091 | 19,966 |
| Goodwill and other intangible assets, net | 289,087 | 267,883 |
| Bank-owned life insurance | 102,670 | 101,229 |
| Other assets | 101,712 | 104,132 |
| Total Assets | $5,561,091$ | $\$, 222,041$ |

Non-interest bearing demand
September 30, December 31, 20092008 (unaudited)
\$ 87,256 \$ 141,170 87,256 1,417,687 934,138

$$
1,419,137 \quad 935,588
$$

$$
3,874
$$

$$
510,902
$$

## LIABILITIES

Deposits:
Commercial real estate
1,764,791 1,699,023
739,151 856,999
Home equity
235,427
217,436
Total portfolio loans, net of unearned income
3,501,622
3,604,309
Allowance for loan losses
$(60,755)$
$(49,803)$
Premises and equipment, net
Accrued interest receivable
Goodwill and other intangible assets, net
Bank-owned life insurance
Total Assets
\$ 5,561,091 \$
5,222,041

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| Interest bearing demand |  | 467,085 |  | 429,414 |
| :---: | :---: | :---: | :---: | :---: |
| Money market |  | 678,099 |  | 479,256 |
| Savings deposits |  | 479,342 |  | 423,830 |
| Certificates of deposit |  | 1,866,256 |  | 1,684,664 |
| Total deposits |  | 4,005,508 |  | 3,503,916 |
| Federal Home Loan Bank borrowings |  | 567,939 |  | 596,890 |
| Other short-term borrowings |  | 236,884 |  | 297,805 |
| Junior subordinated debt owed to unconsolidated subsidiary trusts |  | 111,175 |  | 111,110 |
| Total borrowings |  | 915,998 |  | 1,005,805 |
| Accrued interest payable |  | 10,664 |  | 10,492 |
| Other liabilities |  | 36,586 |  | 42,457 |
| Total Liabilities |  | 4,968,756 |  | 4,562,670 |
| SHAREHOLDERS' EQUITY |  |  |  |  |
| Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value; $1,000,000$ shares |  |  |  |  |
| authorized; 0 shares and 75,000 shares issued and outstanding in 2009 and 2008, respectively |  |  |  | 72,332 |
| Common stock, $\$ 2.0833$ par value; $50,000,000$ shares authorized; $26,633,848$ shares issued; |  |  |  |  |
| 26,567,653 shares and 26,560,889 shares outstanding in 2009 and |  | 55,487 |  | 55,487 |
| 2008, respectively |  |  |  |  |
| Capital surplus |  | 193,211 |  | 193,221 |
| Retained earnings |  | 337,211 |  | 344,403 |
| Treasury stock ( 66,195 and 72,959 shares - at cost for 2009 and 2008, respectively) |  | $(1,498)$ |  | $(1,661)$ |
| Accumulated other comprehensive income |  | 9,195 |  | $(3,182)$ |
| Deferred benefits for directors |  | $(1,271)$ |  | $(1,229)$ |
| Total Shareholders' Equity |  | 592,335 |  | 659,371 |
| Total Liabilities and Shareholders' Equity | \$ | 5,561,091 | \$ | 5,222,041 |

See Notes to Consolidated Financial Statements.

3

WESBANCO, INC. CONSOLIDATED STATEMENTS OF
INCOME

|  | For the Three Months Ended September 30, |  |  |  | For the Nine Months Ended September 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (unaudited, dollars in thousands, except per share amounts) | 2009 |  | 2008 |  | 2009 |  | 2008 |  |
| INTEREST AND DIVIDEND |  |  |  |  |  |  |  |  |
| INCOME |  |  |  |  |  |  |  |  |
| Loans, including fees | \$ | 50,970 | \$ | 57,842 | \$ | 154,513 | \$ | 180,602 |
| Interest and dividends on securities: |  |  |  |  |  |  |  |  |
| Taxable |  | 10,563 |  | 6,870 |  | 28,872 |  | 21,188 |
| Tax-exempt |  | 3,595 |  | 3,589 |  | 10,806 |  | 10,913 |


| Total interest and dividends on | 14,158 |  | 10,459 |  | 39,678 |  | 32,101 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| securities |  |  |  |  |  |  |  |  |
| Other interest income |  | 84 |  | 374 |  | 302 |  | 1,340 |
| Total interest and dividend |  | 65,212 |  | 68,675 |  | 194,493 |  | 214,043 |
| income |  |  |  |  |  |  |  |  |
| INTEREST EXPENSE |  |  |  |  |  |  |  |  |
| Interest bearing demand deposits |  | 787 |  | 894 |  | 2,163 |  | 4,070 |
| Money market deposits |  | 1,758 |  | 2,167 |  | 4,853 |  | 6,699 |
| Savings deposits |  | 606 |  | 726 |  | 1,784 |  | 2,457 |
| Certificates of deposit |  | 13,062 |  | 15,288 |  | 41,221 |  | 54,237 |
| Total interest expense on |  | 16,213 |  | 19,075 |  | 50,021 |  | 67,463 |
| deposits |  |  |  |  |  |  |  |  |
| Federal Home Loan Bank |  | 5,568 |  | 5,521 |  | 16,814 |  | 14,730 |
| borrowings |  |  |  |  |  |  |  |  |
| Other short-term borrowings |  | 1,780 |  | 2,096 |  | 5,619 |  | 6,850 |
| Junior subordinated debt owed to |  | 1,222 |  | 1,696 |  | 4,232 |  | 5,310 |
| unconsolidated subsidiary trusts |  |  |  |  |  |  |  |  |
| Total interest expense |  | 24,783 |  | 28,388 |  | 76,686 |  | 94,353 |
| NET INTEREST INCOME |  | 40,429 |  | 40,287 |  | 117,807 |  | 119,690 |
| Provision for credit losses |  | 16,200 |  | 6,457 |  | 36,019 |  | 17,605 |
| Net interest income after provision for credit losses |  | 24,229 |  | 33,830 |  | 81,788 |  | 102,085 |
| NON-INTEREST INCOME |  |  |  |  |  |  |  |  |
| Trust fees |  | 3,508 |  | 3,639 |  | 10,149 |  | 11,702 |
| Service charges on deposits |  | 6,648 |  | 6,280 |  | 17,941 |  | 17,903 |
| Bank-owned life insurance |  | 1,873 |  | 934 |  | 3,661 |  | 2,696 |
| Net securities gains |  | 1,329 |  | 276 |  | 3,933 |  | 1,182 |
| Net gains on sales of mortgage |  | 820 |  | 595 |  | 1,606 |  | 1,059 |
| loans |  |  |  |  |  |  |  |  |
| Other income |  | 4,377 |  | 3,246 |  | 10,011 |  | 10,314 |
| Total non-interest income |  | 18,555 |  | 14,970 |  | 47,301 |  | 44,856 |
| NON-INTEREST EXPENSE |  |  |  |  |  |  |  |  |
| Salaries and wages |  | 13,920 |  | 14,185 |  | 41,085 |  | 42,423 |
| Employee benefits |  | 5,240 |  | 3,857 |  | 15,008 |  | 12,409 |
| Net occupancy |  | 2,572 |  | 2,511 |  | 7,676 |  | 8,034 |
| Equipment |  | 2,888 |  | 2,739 |  | 8,117 |  | 8,185 |
| Marketing |  | 1,486 |  | 2,078 |  | 3,961 |  | 4,458 |
| FDIC insurance |  | 1,528 |  | 310 |  | 7,104 |  | 574 |
| Amortization of intangible assets |  | 806 |  | 950 |  | 2,315 |  | 2,872 |
| Restructuring and merger-related |  | 2 |  | 539 |  | 623 |  | 3,244 |
| expenses |  |  |  |  |  |  |  |  |
| Other operating expenses |  | 9,263 |  | 8,996 |  | 26,174 |  | 26,696 |
| Total non-interest expense |  | 37,705 |  | 36,165 |  | 112,063 |  | 108,895 |
| Income before provision for income taxes |  | 5,079 |  | 12,635 |  | 17,026 |  | 38,046 |
| Provision for income taxes |  | (363) |  | 1,126 |  | 390 |  | 5,750 |
| NET INCOME | \$ | 5,442 | \$ | 11,509 | \$ | 16,636 | \$ | 32,296 |
| Preferred dividends and expense <br> associated with unamortized discount |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

NET INCOME AVAILABLE TO
COMMON SHAREHOLDERS
EARNINGS PER COMMON SHARE

| Basic | $\$$ | 0.09 | $\$$ | 0.43 | $\$$ | 0.43 | $\$$ | 1.22 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | ---: |
| Diluted | $\$$ | 0.09 | $\$$ | 0.43 | $\$$ | 0.43 | $\$$ | 1.22 |
| AVERAGE SHARES |  |  |  |  |  |  |  |  |
| OUTSTANDING |  |  |  |  |  |  |  |  |
| Basic | $26,567,653$ | $26,550,318$ | $26,565,621$ |  | $26,548,304$ |  |  |  |
| Diluted | $26,568,081$ | $26,561,874$ | $26,567,174$ | $26,558,421$ |  |  |  |  |
| DIVIDENDS DECLARED PER | $\$$ | 0.14 | $\$$ | 0.28 | $\$$ | 0.70 | $\$$ | 0.84 |
| COMMON SHARE |  |  |  |  |  |  |  |  |

See Notes to Consolidated Financial Statements.

4

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER

For the Nine Months Ended September 30, 2009 and 2008

directors- net
September 30, $\quad-\quad \$ \quad-\quad 26,567,653 \quad \$ 55,487 \quad \$ 193,211 \quad \$ 337,211 \quad \$(1,498) \quad \$$ 2009
$\begin{array}{llllllllll}\text { January } 1,2008 & -\$ & - & 26,547,073 \$ & 55,487 & \$ & 190,222\end{array}$
Net income 32,296
Other
comprehensive
income (loss)
Total
comprehensive
income
Common
dividends
declared
(\$0.84 per
share)
$\begin{array}{lll}\text { Treasury shares } & 13,816 & 17\end{array}$
sold
Stock option 191
expense
Deferred 41
benefits for
directors - net
 2008

See Notes to Consolidated Financial Statements.

5

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)
OPERATING ACTIVITIES:
Net income
Adjustments to reconcile net income to net cash provided by operating activities:

| Depreciation | 5,840 | 5,533 |
| :--- | ---: | ---: |
| Net amortization (accretion) | 1,476 | $(386)$ |
| Provision for credit losses | 36,019 | 17,605 |
| Net securities gains | $(3,933)$ | $(1,182)$ |
| Net gains on sales of mortgage loans | $(1,606)$ | $(1,059)$ |

Increase in deferred income taxes
Increase in cash surrender value of bank-owned life insurance Loans originated for sale
Proceeds from the sale of loans originated for sale
Net change in: other assets and accrued interest receivable
Net change in: other liabilities and accrued interest payable
Other - net
Net cash provided by operating activities
INVESTING ACTIVITIES:
Securities available-for-sale and other short-term investments:
Proceeds from sales
Proceeds from maturities, prepayments and calls
Purchases of securities
Net cash received from acquisitions
Net decrease in loans
Sale of branches
Purchases of premises and equipment - net
Net cash provided by investing activities
FINANCING ACTIVITIES:
Decrease in deposits
Proceeds from Federal Home Loan Bank borrowings
Repayment of Federal Home Loan Bank borrowings
Decrease in other short-term borrowings
Decrease in federal funds purchased
Repayment of preferred stock
Dividends paid to common and preferred shareholders
Treasury shares sold - net
Net cash used in financing activities
Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of the period
Cash and cash equivalents at end of the period
SUPPLEMENTAL DISCLOSURES:
Interest paid on deposits and other borrowings
Income taxes paid
Transfers of loans to other real estate owned
Summary of business acquistion:
Fair value of tangible assets acquired (including cash of $\$ 599,266)$
Fair value of liabilities assumed
Cash paid in the acquisition
Goodwill and other intangibles recognized

| $(8,335)$ | $(2,325)$ |
| ---: | ---: |
| $(1,441)$ | $(2,643)$ |
| $(124,273)$ | $(88,195)$ |
| 122,870 | 88,331 |
| 9,067 | 7,225 |
| $(5,411)$ | $(9,573)$ |
| 1,063 | 1,754 |
| 47,972 | 47,381 |

418,869 29,474
280,427 170,332
$(1,164,469) \quad(137,706)$
578,573
70,879
$(2,605)$ 181,674
$(95,878) \quad(321,084)$ 250,000

$$
(27,014) \quad(40,583)
$$

$(28,603) \quad(6,431)$
$(32,000) \quad(52,000)$

## $(75,000)$

 $(25,176)$111
$(22,180)$
339
$(283,560) \quad(191,939)$
$\begin{array}{lr}(53,914) & (3,667) \\ 141,170 & 130,495\end{array}$
\$ 87,256 \$ 126,828
\$ 76,514 \$ 94,582
4,975 4,400
7,535 1,158

See Notes to Consolidated Financial Statements.

6

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION—The accompanying unaudited interim financial statements of WesBanco, Inc. ("WesBanco") have been prepared in accordance with U.S. generally accepted accounting principles ("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, 2008.

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 2008 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. WesBanco has evaluated subsequent events through November 5, 2009, the date that these financial statements were filed with the Securities and Exchange Commission.

RECENT ACCOUNTING PRONOUNCEMENTS— In June 2009, the Financial Accounting Standards Board ("FASB") issued an accounting pronouncement which establishes the FASB Accounting Standards Codification ${ }^{\mathrm{TM}}$ ("the Codification" or "ASC") as the source of accounting principles and the framework for selecting the principles used in the preparation of financial statements by nongovernmental entities. All guidance contained in the Codification will carry an equal level of authority. However, in addition to the Codification rules, all interpretive releases of the SEC under federal securities laws are also sources of authoritative GAAP. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASU") which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. The Codification is effective for interim reporting periods ending after September 15, 2009. The adoption of this pronouncement did not have a material impact on WesBanco's consolidated financial statements.

In June 2009, the FASB issued an accounting pronouncement regarding accounting for transfers of financial assets which removes the concept of a qualifying special-purpose entity and removes the exception from applying consolidation guidance to these entities. This pronouncement also requires that a transferor recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. This pronouncement must be applied as of the beginning of the first interim and annual period that begins after November 15, 2009. WesBanco is currently evaluating the impact of adopting this pronouncement on its consolidated financial statements.

In June 2009, the FASB issued a pronouncement regarding consolidation accounting which requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. The pronouncement also requires ongoing reassessments of whether an enterprise is the primary beneficiary; eliminates the quantitative approach previously required for determining the primary beneficiary, and requires enhanced disclosures to provide more transparent information about an enterprise's involvement in a variable interest entity. This pronouncement must be applied as of the beginning of the first interim and annual period that begins after November 15, 2009. WesBanco is currently evaluating the impact of adopting this pronouncement on its consolidated financial statements.

In May 2009, the FASB issued an accounting pronouncement which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This pronouncement also requires entities to disclose the date through which subsequent events have been evaluated. It is effective for interim reporting periods ending after June 15, 2009. The adoption of this
pronouncement did not have a material impact on WesBanco's consolidated financial statements.
In April 2009, the FASB issued an accounting pronouncement which requires disclosures on the fair value of financial instruments in interim financial statements as well as in annual financial statements. The disclosures are effective for interim reporting periods ending after June 15, 2009 and did not have a material impact on WesBanco's consolidated financial statements.

In April 2009, the FASB issued an accounting pronouncement to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The pronouncement also provides additional guidance on circumstances that may indicate that a transaction is not orderly. It is effective for interim and annual periods ending after June 15, 2009, and is being applied prospectively. The adoption of this pronouncement did not have a material impact on WesBanco's consolidated financial statements.

In April 2009, the FASB issued an accounting pronouncement which provides new guidance on the recognition and presentation of an other-than-temporary impairment of debt securities classified as available-for-sale and held-to-maturity, and provides some new disclosure requirements. To avoid considering an impairment to be other-than-temporary management must assert that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost. This pronouncement also changes the total amount recognized in earnings when other-than-temporary impairment exists to require the estimated credit loss to be recorded in earnings and the noncredit portion of the loss to be recorded in other comprehensive income. It is effective for interim and annual periods ending after June 15,2009 , and is being applied prospectively. The adoption of this pronouncement did not have a material impact on WesBanco's consolidated financial statements.

7

## NOTE 2. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

|  | For the Three Months Ended September 30, |  |  |  | For the Nine Months Ended September 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| (unaudited, in thousands, except shares and per share amounts) |  | 2009 |  | 2008 |  | 2009 |  | 2008 |
| Numerator for both basic and diluted earnings per share: |  |  |  |  |  |  |  |  |
| Net Income | \$ | 5,442 | \$ | 11,509 | \$ | 16,636 | \$ | 32,296 |
| Less: Preferred dividends and expense associated with unamortized discount and |  |  |  |  |  |  |  |  |
| issuance costs |  | $(3,121)$ | \$ |  |  | $(5,233)$ | \$ |  |
| Net Income Available to Common | \$ | 2,321 | \$ | 11,509 | \$ | 11,403 | \$ | 32,296 |
| Shareholders |  |  |  |  |  |  |  |  |
| Denominator: |  |  |  |  |  |  |  |  |
| Total average basic common shares outstanding |  | 26,567,653 |  | 26,550,318 |  | 26,565,621 |  | 26,548,304 |
| Effect of dilutive stock options |  | 428 |  | 11,556 |  | 1,553 |  | 10,117 |

Total diluted average common shares outstanding

| Earnings per share - basic | $\$$ | 0.09 | $\$$ | 0.43 | $\$$ | 0.43 | $\$$ | 1.22 |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Earnings per share - diluted | $\$$ | 0.09 | $\$$ | 0.43 | $\$$ | 0.43 | $\$$ | 1.22 |

In 2008, WesBanco issued a warrant to purchase 439,282 shares of the Company's common stock to the U.S. Department of the Treasury (the "Treasury"). The warrant is considered in the calculation of diluted earnings per share, but due to its anti-dilutive impact at September 30, 2009, it had no effect on earnings per share.

## NOTE 3. REPURCHASE OF PREFERRED STOCK

On September 9, 2009 WesBanco repurchased from the U.S. Department of the Treasury 75,000 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, issued under the Troubled Asset Relief Program ("TARP"), at a purchase price of $\$ 75$ million plus a final accrued dividend of $\$ 250,000$. The repurchase of the preferred stock resulted in WesBanco recording a $\$ 2.3$ million charge in the third quarter representing the remaining unamortized discount on the preferred stock on the repurchase date, as well as certain unamortized issuance costs. These charges, along with $\$ 0.8$ million of discount amortization and dividends are reflected on the income statement in the third quarter after net income. WesBanco also issued a warrant to the Treasury Department with the preferred stock in December 2008 and is currently negotiating terms for the repurchase of this warrant. WesBanco's consolidated and bank subsidiary capital ratios continue to be in excess of the "well capitalized" benchmarks for regulatory purposes at September 30, 2009 after repurchase of the preferred stock.

## NOTE 4. BUSINESS COMBINATION

On March 27, 2009, WesBanco completed the purchase of all five of AmTrust Bank's Columbus, Ohio branches. As part of the agreement, WesBanco assumed all of the deposit liabilities of $\$ 599.4$ million and purchased, or assumed the leases of, the related fixed assets of the branches. WesBanco did not acquire loans as part of the transaction, and is now operating the acquired branches under the WesBanco Bank, Inc., (the "Bank") name. The acquisition was intended to improve WesBanco's competitive position in the Columbus, Ohio market, with a larger market share and broader retail distribution and improve the liquidity of the corporation. WesBanco's Consolidated Statements of Income include the results of operations of the AmTrust branches from the closing date of the acquisition. The aggregate purchase price for the five AmTrust branches was $\$ 21.2$ million, net of cash and other assets received.

Following is a reconciliation of the preliminary purchase price allocation:
(unaudited, in thousands)
Cash
Other tangible assets
Goodwill and other intangibles
Deposits
Other liabilities
Total purchase price

Fair Value of Tangible Net Assets

Acquired \$ 599,265 991

$$
\begin{equation*}
23,522 \tag{599,353}
\end{equation*}
$$

\$ 21,152

Goodwill and other intangible assets were allocated to WesBanco's community banking segment. The AmTrust core deposit intangible was valued at $\$ 2.8$ million and has a weighted-average useful life of approximately 10 years.

## NOTE 5. SECURITIES

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

| (unaudited, in thousands) | September 30, 2009 |  |  |  | December 31, 2008 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Gross | Gross | Estimated |  | Gross | Gross | Estimated |
|  | Amortized Cost | Unrealized Unrealized |  | Fair <br> Value | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair <br> Value |
|  |  | Gains | Losses |  |  |  |  |  |
| Available-for-sale |  |  |  |  |  |  |  |  |
| Other government agencies | \$ 219,161 \$ | 1,368 \$ | (207) | 220,322 | \$ 39,241 | \$ 768 | \$ | - \$ 40,009 |
| Corporate debt securities | 23,663 | 471 |  | 24,134 | 3,019 | 130 |  | 3,149 |
| Residential mortgage-backed securities and collateralized mortgage obligations of |  |  |  |  |  |  |  |  |
| government agencies | 785,661 | 19,274 | (96) | 804,839 | 513,942 | 10,130 | (175) | 523,897 |
| Other residential collateralized mortgage obligations | 3,477 | 28 |  | 3,505 | 4,242 | 19 | (111) | 4,150 |
| Obligations of state and political subdivisions | 346,296 | 14,962 | (149) | 361,109 | 352,995 | 7,834 | $(1,404)$ | 359,425 |
| Total debt securities | 1,378,258 | 36,103 | (452) | 1,413,909 | 913,439 | 18,881 | $(1,690)$ | 930,630 |
| Equity securities | 3,453 | 326 | (1) | 3,778 | 3,143 | 394 | (29) | 3,508 |
| Total available-for-sale securities | \$1,381,711 \$ | 36,429 \$ | (453) | \$1,417,687 | \$916,582 | \$ 19,275 | \$ $(1,719)$ | \$934,138 |
| Held-to-maturity |  |  |  |  |  |  |  |  |
| Corporate debt securities | 1,450 | - | (78) | 1,372 | 1,450 |  | (236) | 1,214 |
| Total securities | \$1,383,161 \$ | 36,429 \$ | (531) | \$1,419,059 | \$918,032 | \$ 19,275 | \$ $(1,955)$ | \$935,352 |

At September 30, 2009, and December 31, 2008, 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.

Securities with aggregate par values of $\$ 570.6$ million and $\$ 551.1$ million and aggregate carrying values of $\$ 576.3$ million and $\$ 552.8$ million at September 30, 2009 and December 31, 2008, 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 and other short-term investments were $\$ 135.4$ million and $\$ 418.9$ million for the three and nine months ended September 30, 2009, respectively, compared to $\$ 0.5$ million and $\$ 29.5$ million for the same periods in 2008.

For the nine months ended September 30, 2009, realized gains on available-for-sale securities were $\$ 4.1$ million and realized losses were $\$ 211,000$. For the nine months ended September 30, 2008, realized gains on available-for-sale securities were $\$ 1.2$ million with no realized losses.

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

| (unaudited in thousands) | September 30, 2009 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Within One Year Amount |  | After One But Within Five Years Amount |  | After Five But Within Ten Years Amount |  | After Ten Years Amount |  |
| Available-for-sale |  |  |  |  |  |  |  |  |
| Other government agencies | \$ | 146,400 | \$ | 63,093 | \$ | 10,830 | \$ |  |
| Corporate debt securities |  | 3,892 |  | 20,241 |  | - |  |  |
| Residential mortgage-backed securities and collateralized mortgage obligations of government agencies |  | 53,714 |  | 588,842 |  | 139,857 |  | 22,426 |
| (1) <br> Other residential |  | - |  | 3,462 |  | - |  | 43 |
| collateralized mortgage obligations |  |  |  |  |  |  |  |  |
| Obligations of states and political subdivisions |  | 84,780 |  | 151,419 |  | 98,896 |  | 26,014 |
| Equity securities |  | - |  | - |  | - |  | 3,778 |
| Total | \$ | 288,786 | \$ | 827,057 | \$ | 249,583 | \$ | 52,261 |
| available-for-sale securities |  |  |  |  |  |  |  |  |
| Held-to-maturity |  |  |  |  |  |  |  |  |
| Corporate debt securities (2) |  | - |  | - |  | - |  | 1,372 |
| Total securities | \$ | 288,786 | \$ | 827,057 | \$ | 249,583 | \$ | 53,633 |
| (1) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are assigned to maturity categories based on estimated average lives or repricing information. |  |  |  |  |  |  |  |  |

(2) The held-to-maturity corporate debt securities are carried at amortized cost of $\$ 1.5$ million.

2008:


mortgage
obligations
Obligations of
states and
political
subdivisions

| Corporate debt | 1,214 | $(236)$ | 1 | - | - | - | 1,214 |  |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| securities |  |  |  |  |  |  |  |  |
| Equity securities |  | 1,289 | $(29)$ | 2 | - | - | - | 1,289 |
| $\quad$Total | $\$$ | 47,493 | $\$$ | $(1,442)$ | 87 | $\$$ | 32,918 | $\$$ |
| temporarily |  |  |  |  |  | $(513)$ | 39 | 80,411 |

impaired
securities

Unrealized losses in the table represent temporary fluctuations resulting from changes in market rates in relation to fixed yields. Losses in the available-for-sale portfolio are accounted for as an adjustment to other comprehensive income in shareholders' equity. WesBanco may impact the magnitude of the fair value adjustment by managing both the volume and average maturities of securities that are classified as available-for-sale.

WesBanco does not believe any of the securities presented above are impaired due to reasons of credit quality, as debt securities are of investment grade quality and are paying principal and interest according to their contractual terms. The unrealized losses are primarily attributable to changes in broad interest rate indices. WesBanco does not intend to sell, and it is more likely than not that it will not be required to sell loss position securities prior to recovery of their cost. Accordingly, as of September 30, 2009, management believes the unrealized losses detailed above are temporary and no impairment loss relating to these securities has been recognized in the Consolidated Statements of Income.

10

## NOTE 6. LOANS AND THE ALLOWANCE FOR LOAN LOSSES

Loans are presented in the Consolidated Balance Sheets net of deferred loan fees and costs of $\$ 3.3$ million at September 30, 2009 and $\$ 3.3$ million at December 31, 2008.

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

| (unaudited, in thousands) |  | 2009 |  |
| :--- | :---: | ---: | ---: |
| Balance at beginning of period | $\$$ | 49,803 | $\$$ |
| Provision for loan losses | 36,150 | 38,543 |  |
| Charge-offs |  | $(26,540)$ | $(17,530$ |
| Recoveries |  | 1,342 | 2,586 |
| $\quad$ Net charge-offs |  | $(25,198)$ | $(12,593)$ |
| Balance at end of period | $\$$ | 60,755 | $\$$ |

The following tables summarize loans classified as impaired:
(unaudited, in thousands)
Balance of impaired loans with no allocated allowance for loan losses Balance of impaired loans with an allocated allowance for loan losses Total impaired loans

Allowance for loan losses allocated to impaired loans

September 30, December 31, 20092008
\$ 61,205 \$ 25,296
32,250 22,202
\$ 93,455 \$ 47,498
\$ 9,719 \$ 5,113

At September 30, 2009, WesBanco had unfunded commitments to debtors whose loans were classified as impaired or renegotiated of $\$ 0.1$ million. At December 31, 2008, WesBanco had no material commitments to lend additional funds to debtors whose loans were classified as impaired or renegotiated.

## NOTE 7. FEDERAL HOME LOAN BANK BORROWINGS

WesBanco is a member of the Federal Home Loan Bank ("FHLB") System. WesBanco's FHLB borrowings are secured by a blanket lien by the FHLB on certain residential mortgage and other loan types and a specific lien on certain securities if pledged directly with the FHLB with a market value in excess of the outstanding balances of the borrowings. At September 30, 2009 and December 31, 2008, WesBanco had FHLB borrowings of $\$ 567.9$ million and $\$ 596.9$ million, respectively, with a weighted-average interest rate of $3.90 \%$. 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 totaling $\$ 31.0$ million at September 30, 2009 and $\$ 32.1$ million at December 31, 2008 is also pledged as collateral on these advances. The remaining maximum borrowing capacity by WesBanco with the FHLB at September 30, 2009 and December 31, 2008 was estimated to be approximately $\$ 528.4$ million and $\$ 848.8$ million, respectively.

In December 2008, the FHLB of Pittsburgh announced that it would suspend dividends and the repurchase of excess capital stock from its member banks. The FHLB of Pittsburgh stock owned by WesBanco totaled $\$ 26.4$ million at September 30, 2009 and December 31, 2008, and is held primarily to serve as collateral on FHLB borrowings. Dividend income recognized on FHLB of Pittsburgh stock totaled $\$ 0.4$ million for 2008. Additionally, WesBanco owned $\$ 4.6$ million and $\$ 5.7$ million of FHLB of Cincinnati stock at September 30, 2009 and December 31,2008 , respectively, which paid a cash dividend at an annualized rate of approximately $4.75 \%$ over the last four quarters.

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 $\$ 567.9$ million outstanding at September 30, 2009, $\$ 264.9$ million in FHLB convertible advances are subject to call or conversion to a variable rate advance by the FHLB.

11

The following table presents the aggregate annual maturities and weighted-average interest rates of FHLB borrowings at September 30, 2009 based on their contractual maturity dates and effective interest rates:

| (unaudited, dollars in thousands) | Scheduled Weighted |
| :--- | :---: |
| Year | Maturity |


|  |  | Average |  |
| :--- | ---: | ---: | ---: |
|  |  | Rate |  |
| 2009 | $\$$ | 70,654 | $4.31 \%$ |
| 2010 |  | 261,270 | $3.84 \%$ |
| 2011 | 84,889 | $3.76 \%$ |  |
| 2012 | 56,687 | $4.45 \%$ |  |
| 2013 | 50,976 | $3.28 \%$ |  |
| 2014 and thereafter | 43,463 | $3.86 \%$ |  |
| Total | $\$ 567,939$ | $3.90 \%$ |  |

## NOTE 8. OTHER SHORT-TERM BORROWINGS

Other short-term borrowings are comprised of the following:

| (unaudited, in thousands) | 2009 |  | 2008 |
| :--- | :---: | :---: | ---: |
| Federal funds purchased | $\$$ | $20,000 \$$ | 52,000 |
| Securities sold under agreements to repurchase |  | 214,130 | 245,165 |
| Treasury tax and loan notes and other | 2,754 | 640 |  |
| Total | $\$$ | $236,884 \$$ | 297,805 |

## NOTE 9. PENSION PLAN

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

| (unaudited, in thousands) | For the Three Months Ended September 30, |  |  |  | For the Nine Months Ended September 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2009 |  | 2008 |  | 2009 |  | 2008 |  |
| Service cost - benefits earned during year | \$ | 599 | \$ | 577 | \$ | 1,798 | \$ | 1,730 |
| Interest cost on projected benefit obligation |  | 837 |  | 792 |  | 2,511 |  | 2,376 |
| Expected return on plan assets |  | (945) |  | $(1,138)$ |  | $(2,834)$ |  | $(3,413)$ |
| Amortization of prior service cost |  | (29) |  | (29) |  | (88) |  | (88) |
| Amortization of net loss |  | 476 |  | 129 |  | 1,428 |  | 387 |
| Net periodic pension cost | \$ | 938 | \$ | 331 | \$ | 2,815 | \$ | 992 |

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.

There is no minimum contribution due for 2009, and no decision has been made as of September 30, 2009 relative to the level of contribution that will be made to the plan, if any.

## NOTE 10. FAIR VALUE MEASUREMENTS

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


December 31, 2008
Fair Value Measurements Using:
Quoted Prices in
Active Markets Significant Other Significant


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) | For the Three Months Ended |  |  | s Ended | For the Nine Months Ended September 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2009 |  | 2008 |  |  |  |  | 008 |
| Balance at beginning of period | \$ | 1,736 | \$ | 5,438 | \$ | 1,768 | \$ | 5,994 |
| Total gains (losses) - (realized/unrealized): |  |  |  |  |  |  |  |  |
| Included in earnings |  | - |  | - |  | - |  |  |
| Included in other comprehensive |  | 51 |  | 492 |  | 45 |  | (64) |
| Purchases, issuances, and settlements |  | - |  | (90) |  | - |  | (90) |
| Transfers in or (out) of Level 3 |  | (65) |  | $(3,919)$ |  | (91) |  | $(3,919)$ |
| Balance at end of | \$ | 1,722 | \$ | 1,921 | \$ | 1,722 | \$ | 1,921 |

13

We may be required from time to time to measure certain assets at fair value on a nonrecurring basis in accordance with 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 at quarter end:

| (unaudited, in thousands) | Assets at Fair Value |  | Fair Value Measurements Using: |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Quoted Prices in Active Markets for Identical Assets (Level 1) |  | Significant Other <br> Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |  |
| September 30, 2009 |  |  |  |  |  |  |  |
| Impaired loans (1) | \$ | 22,531 | \$ | - \$ |  | - \$ | 22,531 |
| Other real estate owned and repossessed assets (2) |  | 8,665 |  |  |  | - | 8,665 |
| Mortgage servicing rights (3) |  | 2,465 |  |  |  | - | 2,465 |
| December 31, 2008 |  |  |  |  |  |  |  |
| Impaired loans (1) | \$ | 17,089 |  | - \$ |  | - \$ | 17,089 |
| Other real estate owned and repossessed |  | 2,554 |  |  |  | - | 2,554 |

assets (2)
(1) Represents the carrying value of loans for which adjustments are based on the appraised value of the 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 written down to their fair value as determined from independent valuations.

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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.

The aggregate fair value of amounts presented does not represent the underlying value of WesBanco. 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, |  |  |
| :--- | ---: | ---: | ---: | ---: | ---: |
|  | 2009 |  |  | 2008 |  |
| (unaudited, in thousands) | Carrying | Fair | Carrying | Fair |  |
| Financial assets: | Amount | Value | Amount | Value |  |
| Cash and due from banks |  |  |  |  |  |
| Securities held-to-maturity | $87,256 \$$ | 87,256 | $\$$ | $141,170 \$$ | 141,170 |
| Securities available-for-sale | 1,450 | 1,372 | 1,450 | 1,214 |  |
| Net loans | $1,417,687$ | $1,417,687$ | 934,138 | 934,138 |  |
| Loans held for sale | $3,440,867$ | $3,493,343$ | $3,554,506$ | $3,626,774$ |  |
| Accrued interest receivable | 6,860 | 6,860 | 3,874 | 3,874 |  |
| Bank owned life insurance | 22,091 | 22,091 | 19,966 | 19,966 |  |
| Financial liabilities: | 102,670 | 102,670 | 101,229 | 101,229 |  |
| Deposits |  |  |  |  |  |
| Federal Home Loan Bank borrowings | $4,005,508$ | $4,021,278$ | $3,503,916$ | $3,508,233$ |  |
| Other borrowings | 567,939 | 575,782 | 596,890 | 617,518 |  |
| Junior subordinated debt | 236,884 | 230,474 | 297,805 | 297,741 |  |
| Accrued interest payable | 111,175 | 65,950 | 111,110 | 53,178 |  |
|  | 10,664 | 10,664 | 10,492 | 10,492 |  |

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. The fair value of securities accounted for using the cost method is only estimated if events or changes in circumstances that may have a significant adverse effect on their fair value have been identified. Other short-term investments consist of money market funds.

14

Net Loans -Fair values of commercial real estate, construction, residential mortgage and personal loans are based on a discounted value of the estimated future cash flows expected to be received. The current interest rates applied in the discounted cash flow method reflect rates used to price new loans of similar type, adjusted for relative risk and remaining maturity. Non-performing loans and loans past due 90 days or more and accruing interest are recorded at carrying amount. The fair value, as well as the carrying amount of total loans is net of the allowance for loan losses.

Loans Held for Sale - The carrying amount of loans held for sale approximates its fair value.
Accrued interest receivable - The carrying amount of accrued interest receivable approximates its fair value.
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 issuances.

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.

15

## NOTE 12. COMPREHENSIVE INCOME

The components of other comprehensive income are as follows:

| (unaudited, in thousands) | For the Three Months Ended September 30, |  |  |  | For the Nine Months Ended September 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2009 |  | 2008 |  | 2009 |  | 2008 |  |
| Net Income | \$ | 5,442 | \$ | 11,509 | \$ | 16,636 | \$ | 32,296 |
| Securities available-for-sale: |  |  |  |  |  |  |  |  |
| Net change in unrealized gains (losses) on securities available-for-sale |  | 20,949 |  | $(4,131)$ |  | 22,352 |  | $(8,161)$ |
| Related income tax (expense) benefit (1) |  | $(7,824)$ |  | 1,635 |  | $(8,348)$ |  | 3,200 |


| Net securities (gains) losses reclassified into earnings |  | $(1,329)$ |  | (276) |  | $(3,933)$ |  | $(1,182)$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Related income tax expense (benefit) (1) |  | 496 |  | 109 |  | 1,469 |  | 467 |
| Net effect on other comprehensive |  | 12,292 |  | $(2,663)$ |  | 11,540 |  | $(5,676)$ |
| income for the period |  |  |  |  |  |  |  |  |
| Cash flow hedge derivatives: |  |  |  |  |  |  |  |  |
| derivatives |  |  |  |  |  |  |  |  |
| Related income tax (expense) benefit (1) |  | - |  |  |  | - |  | (23) |
| Net effect on other comprehensive |  | - |  | 1 |  | - |  | 36 |
| income for the period |  |  |  |  |  |  |  |  |
| Defined benefit pension plan |  |  |  |  |  |  |  |  |
| Amortization of prior service costs |  | (30) |  | (29) |  | (88) |  | (88) |
| Related income tax expense (benefit) (1) |  | 11 |  | 12 |  | 33 |  | 36 |
| Amortization of unrealized loss |  | 480 |  | 129 |  | 1,424 |  | 386 |
| Related income tax expense (benefit) (1) |  | (179) |  | (51) |  | (532) |  | (153) |
| Net effect on other comprehensive |  | 282 |  | 61 |  | 837 |  | 181 |
| income for the period |  |  |  |  |  |  |  |  |
| Other comprehensive income |  | 12,574 |  | $(2,601)$ |  | 12,377 |  | $(5,459)$ |
| Total comprehensive income | \$ | 18,016 | \$ | 8,908 |  | 29,013 | \$ | 26,837 |
| (1) Related income tax expense or benefit calcu approximately $40 \%$. |  | ng a con |  | al and S |  | ncome |  |  |

The activity in accumulated other comprehensive income (loss) for the nine months ended September 30, 2009 and 2008 is as follows:

| (unaudited, in thousands) | Defined <br> Benefit <br> Pension Plan |  | Unrealized |  | Net Unrealized Gains (Losses) on Derivative <br> Instruments Used in Cash Flow Hedging Relationships |  |  | Total |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  | osses) <br> rities <br> for-Sale |  |  |  |  |
| Balance at January 1, 2009 | \$ | $(14,132)$ | \$ | 10,950 | \$ | - |  | $\begin{gathered} \$ \\ (3,182) \end{gathered}$ |
| Period change, net of tax |  | 837 |  | 11,540 |  | - |  | 12,377 |
| Balance at September 30, 2009 | \$ | $(13,295)$ | \$ | 22,490 | \$ | - | \$ | 9,195 |
| Balance at January 1, 2008 |  | $\begin{gathered} \$ \\ (3,893) \end{gathered}$ | \$ | 5,379 | \$ | (36) | \$ | 1,450 |
| Period change, net of tax |  | 181 |  | $(5,676)$ |  | 36 |  | $(5,459)$ |
| Balance at September 30, 2008 |  | $\begin{aligned} & \$ \\ & (3,712) \end{aligned}$ | \$ | (297) | \$ | - |  | $\begin{gathered} \$ \\ (4,009) \end{gathered}$ |

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## NOTE 13. 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. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts 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, standby letters of credit and other guarantees 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 similar 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 $\$ 0.2$ million and $\$ 0.4$ million as of September 30, 2009 and December 31, 2008, respectively.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. These 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 and $\$ 0.1$ million as of September 30, 2009 and December 31, 2008, 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 down as the loan balances decrease.

The following table presents total commitments, guarantees and various letters of credit outstanding:
(unaudited, in thousands)
Commitments to extend credit
Standby letters of credit
Affordable housing plan guarantees
Commercial letters of credit

| September 30, December 31, |  |  |
| :---: | :---: | ---: |
| 2009 | 2008 |  |
| $\$ \quad 660,428 \$$ | 728,994 |  |
|  | 33,300 | 34,209 |
| 4,393 | 4,472 |  |
|  | 171 | 2,585 |

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.

## NOTE 14. STOCK-BASED COMPENSATION

WesBanco sponsors a Key Executive Incentive Bonus and Option Plan (the "Plan") that includes three components, an Annual Bonus, a Long-Term Incentive Bonus and a Stock Option component. The three components allow for payments of cash, a mixture of cash and stock, or the granting of non-qualified stock options, depending upon the component of the Plan in which the award is earned. Under the terms of the Plan, 0.2 million shares remain available for issuance. Stock options are granted by, and at the discretion of, the Compensation Committee of the Board of Directors and may be either service or performance based. The maximum term of all options granted under the Stock Option component of the Plan is ten years from the original grant date.

The following table presents stock option activity for the nine months ended September 30, 2009:
$\left.\begin{array}{lrl} & \begin{array}{c}\text { Weighted } \\ \text { Average }\end{array} \\ \text { Weighted } \\ \text { Average } \\ \text { Remaining } \\ \text { Exercise } \\ \text { Contractual }\end{array}\right)$

The aggregate intrinsic value of the outstanding options and the options exercisable at quarter end was $\$ 15,000$. There were no options awarded during the nine months ended September 30, 2009.

17

## NOTE 15. 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 of the trust and investment services segment was approximately $\$ 2.6$ billion and $\$ 2.7$ billion at September 30, 2009 and 2008, 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:

|  | Trust and <br> Community <br> (nvestment <br> Services |  |  |  |
| :--- | :---: | :---: | :---: | :---: |
| (unaudited, in thousands) |  |  | Consolidated |  |
| Income Statement Data |  |  |  |  |
| For the Three Months ended September 30, 2009: | 65,212 | $\$$ | $-\$$ | 65,212 |
| Interest income | 24,783 | - | 24,783 |  |
| Interest expense | 40,429 | - | 40,429 |  |
| Net interest income | 16,200 | - | 16,200 |  |
| Provision for credit losses | 24,229 | - | 24,229 |  |


| Non-interest income | 15,047 | 3,508 | 18,555 |
| :--- | ---: | ---: | ---: |
| Non-interest expense | 35,400 | 2,305 | 37,705 |
| Income before provision for income taxes | 3,876 | 1,203 | 5,079 |
| Provision for income taxes |  | $(844)$ | 481 |
| Net income | $\$$ | $4,720 \$$ | $722 \$$ |

For the Three Months ended September 30, 2008:
Interest income

Interest expense
Net interest income
Provision for credit losses
Net interest income after provision for credit losses
Non-interest income
Non-interest expense
Income before provision for income taxes
Provision for income taxes
Net income
For the Nine Months ended September 30, 2009:

| Interest income | $\$$ | 194,493 | $\$$ | $-\$$ |
| :--- | ---: | ---: | ---: | ---: |
| Interest expense |  | 76,686 |  | 194,493 |
| Net interest income |  | 117,807 | - | 76,686 |
| Provision for credit losses |  | $-117,007$ |  |  |
| Net interest income after provision for credit losses |  | 81,788 | - | 36,019 |
| Non-interest income | 37,152 | 10,149 | 81,788 |  |
| Non-interest expense |  | 105,080 | 6,983 | 17,301 |
| Income before provision for income taxes |  | 13,860 | 3,166 | 17,026 |
| Provision for income taxes |  | $(876)$ | 1,266 | 390 |
| Net income | $\$$ | $14,736 \$$ | $1,900 \$$ | 16,636 |

For the Nine Months ended September 30, 2008:

| Interest income | $\$$ | 214,043 | $\$$ | $-\$$ |
| :--- | ---: | ---: | ---: | ---: |
| Interest expense | 94,353 |  | 214,043 |  |
| Net interest income |  | - | 94,353 |  |
| Provision for credit losses | 19,690 | - | 119,690 |  |
| Net interest income after provision for credit losses |  | 17,605 | - | 17,605 |
| Non-interest income | 33,085 | - | 102,085 |  |
| Non-interest expense | 101,582 | 11,702 | 44,856 |  |
| Income before provision for income taxes |  | 33,657 | 4,389 | 108,895 |
| Provision for income taxes |  | 3,994 | 1,756 | 38,046 |
| Net income |  |  | 5,750 |  |
|  | $\$$ | $29,663 \$$ | 2,633 | $\$$ |

Total non-fiduciary assets of the trust and investment services segment were $\$ 18.8$ million and $\$ 16.8$ million at September 30, 2009 and 2008, respectively. All goodwill and other intangible assets were allocated to the community banking segment.

## 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. 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, 2008 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, 2009, which are available at the SEC's website www.sec.gov or at WesBanco's website, 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 Part I, Item 1A. Risk Factors. 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, Federal Deposit Insurance Corporation, the SEC, the Financial Institution Regulatory Authority and other regulatory bodies; potential legislative and federal and state regulatory actions and reform; 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, greater than expected outflows on recent branch acquisition deposits; 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.

## 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, 2009 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2008 under the section "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Goodwill - The carrying value of goodwill is tested at least annually for impairment or when indicators of potential impairment are present. The evaluation for impairment involves comparing the estimated current fair value of each reporting unit to its carrying value, including goodwill. If the estimated current fair value of a reporting unit exceeds its carrying value, no additional testing is required and an impairment loss is not recorded. Otherwise, additional testing is performed and to the extent such additional testing results in a conclusion that the carrying value of goodwill exceeds its implied fair value, an impairment loss is recognized. WesBanco uses market capitalization, multiples of tangible book value, and discounted cash flow methods to determine the estimated current fair value of its reporting units. Given the declines in WesBanco's market capitalization during 2009, management performed an impairment test of goodwill related to the community banking reporting unit. As of September 30, 2009, there was $\$ 274.1$ million of goodwill recorded at the community banking reporting unit level. Management estimated the fair value of the community banking reporting unit at September 30, 2009 using a market approach and an income approach. Based on this analysis, the estimated fair value of the community banking reporting unit could decline by approximately $9 \%$ before further analysis of goodwill impairment would be required.

In the event WesBanco determined that its goodwill was impaired, recognition of an impairment charge could have a significant adverse impact on its financial position or results of operations in the period in which the impairment occurred.

## OVERVIEW

WesBanco is a multi-state bank holding company operating through 114 branches and 138 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 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 and loan terms offered by competing lenders.

As noted in the first quarter of 2009, WesBanco completed the purchase of all five of AmTrust Bank's Columbus, Ohio branches on March 27, 2009. WesBanco assumed all of the deposit liabilities of $\$ 599.4$ million for a total purchase price of $\$ 21.2$ million and is now operating the acquired branches under the WesBanco Bank name.

On September 9, 2009 WesBanco repurchased from the U.S. Department of the Treasury 75,000 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, originally issued on December 5, 2008 under the Troubled Asset Relief Program ("TARP"), at a purchase price of $\$ 75$ million plus a final accrued dividend of $\$ 250,000$. The funds used to redeem the preferred stock were derived from security sales and other internal sources, including a special dividend from the Bank paid during the quarter that was previously approved by the Bank's regulators. The repurchase of the preferred stock resulted in WesBanco recording a $\$ 2.3$ million charge in the third quarter representing the remaining unamortized discount on the preferred stock on the repurchase date, as well as certain unamortized issuance costs. These charges, along with $\$ 0.8$ million of discount amortization and dividends are reflected on the income statement in the third quarter after net income. WesBanco also issued a warrant to the Treasury Department with the preferred stock in December 2008 and is currently

19
negotiating terms for the repurchase of this warrant. WesBanco's consolidated and bank subsidiary capital ratios continue to be in excess of the "well capitalized" benchmarks for regulatory purposes at September 30, 2009 after repurchase of the preferred stock.

On August 27, 2009 the Board of Directors of WesBanco declared a third quarter common stock dividend of $\$ 0.14$ per share, a $50 \%$ reduction in the quarterly dividend rate as compared to the prior quarterly rate. The reduction was taken to address the impact of the recession on earnings and to increase capital internally by reducing the payout ratio. The dividend reduction will better match dividends to current earnings opportunities.

## RESULTS OF OPERATIONS

## EARNINGS SUMMARY

For the quarter ended September 30, 2009
WesBanco's net income available to common shareholders for the quarter ended September 30, 2009 was $\$ 2.3$ million while diluted earnings per common share were $\$ 0.09$, as compared to $\$ 11.5$ million or $\$ 0.43$ per common share for the third quarter of 2008 , and $\$ 4.7$ million or $\$ 0.18$ per share in the prior quarter ended June 30,2009 . Earnings per common share in the third quarter included a charge of $\$ 0.09$ per common share for the unamortized discount on the repurchase of the TARP preferred stock and an additional $\$ 0.03$ per share for preferred stock dividends paid in the third quarter. For the nine month period ended September 30, 2009, net income available to common shareholders was $\$ 11.4$ million or $\$ 0.43$ per common share, while for the same period in 2008, net income was $\$ 32.3$ million or $\$ 1.22$ per common share. Net income before preferred stock dividends and the accounting adjustment for the TARP repurchase was $\$ 16.6$ million year to date.

Net income decreased by $\$ 6.1$ million during the third quarter of 2009, as compared to the third quarter of 2008, primarily due to a $\$ 9.7$ million increase in the provision for loan losses, which reflects loan charge-offs of $\$ 14.0$ million as compared to loan charge-offs of $\$ 4.9$ million in the 2008 quarter. During the quarter WesBanco charged-down two commercial loans by $\$ 8.5$ million, with $\$ 2.0$ million of this charge reserved for in the second quarter. One of the charge-offs was caused by a fraudulent equipment leasing scheme which impacted a borrower's equipment leasing activities, and the other loss was on a hotel which was previously identified as impaired. Higher provision expense also reflects the general deterioration of credit quality across all segments of the loan portfolio due to the prolonged recession, which has caused increases in net charge-offs and non-performing assets. The allowance for loan losses increased to $1.74 \%$ of total loans at September 30, 2009 as compared to $1.21 \%$ at September 30, 2008, and $1.65 \%$ at the end of the second quarter. In addition, FDIC insurance increased by $\$ 1.2$ million from industry wide higher assessments and employee benefits increased $\$ 1.3$ million due to higher pension and health care costs. Partially offsetting these increases were net securities gains of $\$ 1.0$ million, a bank owned life insurance claim of $\$ 1.0$ million and a $\$ 1.5$ million decrease in the tax provision due to lower pre-tax income and a lower effective tax rate during the 2009 quarter.

Net interest income increased slightly in the third quarter of 2009 as compared to the third quarter of 2008, but increased $3.0 \%$ versus the second quarter of 2009 and $6.0 \%$ over the first quarter of 2009 as a result of increased earning assets from the branch acquisition. Also contributing to improved net interest income were lower rates on interest bearing liabilities, particularly for deposits, as a result of decreasing market interest rates, certificate of deposit maturities and WesBanco's focus on improving the net interest margin by reducing higher cost funding sources.

For the year-to-date period ended September 30, 2009
For the 2009 nine month period, the decrease in net income was primarily due to an $\$ 18.4$ million increase in the provision for credit losses, a $\$ 6.5$ million increase in FDIC insurance, and a $\$ 2.6$ million increase in employee benefits, partially offset by decreased merger and acquisition costs of $\$ 2.6$ million, a $\$ 2.8$ million increase in net security gains and a $\$ 5.4$ million decrease in the provision for income taxes. The effective tax rate in the 2009 period was $2.3 \%$ as compared to $15.1 \%$ in the nine month period of 2008. In addition, non-interest expenses, excluding FDIC insurance, merger-related expenses and employee benefits declined $\$ 3.3$ million which reflects ongoing efficiency improvements throughout WesBanco and in many expense categories. Salaries and wages, net occupancy and equipment, consulting fees, marketing, amortization of intangibles and miscellaneous taxes were the principal categories where expense reductions were achieved. These improvements were mitigated somewhat by the branch acquisition, which added 30 full time equivalent employees and five new branch facilities at the end of the first quarter.

## NON-GAAP MEASURES

The following non-GAAP financial measures used by WesBanco provide information that WesBanco believes is useful to investors in understanding WesBanco's operating performance and trends, and facilitates comparisons with the performance of WesBanco's peers. The following tables summarize the non-GAAP financial measures derived from amounts reported in WesBanco's financial statements.

## TABLE 1. NON-GAAP MEASURES

| (unaudited, dollars in thousands) | $\begin{gathered} \text { September 30, } \\ 2009 \end{gathered}$ |  | $\begin{gathered} \text { December 31, } \\ 2008 \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: |
| Tangible equity to tangible assets: |  |  |  |  |
| Total shareholders' equity | \$ | 592,335 | \$ | 659,371 |
| Less: goodwill and other intangible assets |  | $(289,087)$ |  | $(267,883)$ |
| Tangible equity |  | 303,248 |  | 391,488 |
| Total assets |  | 5,561,091 |  | 5,222,041 |
| Less: goodwill and other intangible assets |  | $(289,087)$ |  | $(267,883)$ |
| Tangible assets |  | 5,272,004 |  | 4,954,158 |
| Tangible equity to tangible assets |  | 5.75\% |  | 7.90\% |
| Tangible common equity to tangible assets: |  |  |  |  |
| Total shareholders' equity | \$ | 592,335 | \$ | 659,371 |
| Less: goodwill and other intangible assets |  | $(289,087)$ |  | $(267,883)$ |
| Less: preferred shareholders' equity |  | - |  | $(72,332)$ |
| Tangible common equity |  | 303,248 |  | 319,156 |
| Total assets |  | 5,561,091 |  | 5,222,041 |
| Less: goodwill and other intangible assets |  | $(289,087)$ |  | $(267,883)$ |
| Tangible assets |  | 5,272,004 |  | 4,954,158 |
| Tangible common equity to tangible assets |  | 5.75\% |  | 6.44\% |

The decline in the equity ratios was primarily caused by the acquisition of AmTrust deposits of $\$ 599.4$ million.

## NET INTEREST INCOME

TABLE 2. NET INTEREST INCOME
(unaudited, dollars in thousands)
Net interest income
Taxable equivalent adjustments to net interest income
Net interest income, fully taxable equivalent \$

| For the Three Months Ended September 30, |  |  | For the Nine Months Ended September 30, |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2009 | 2008 |  | 2009 | 2008 |
|  | 40,429 \$ | 40,287 | \$ | 117,807 \$ | 119,690 |
|  | 1,936 | 1,933 |  | 5,819 | 5,87 |
|  | 42,365 \$ | 42,220 |  | 123,626 \$ | 125,56 |

Net interest spread, non-taxable equivalent
Benefit of net non-interest bearing liabilities
Net interest margin
Taxable equivalent adjustment
Net interest margin, fully taxable equivalent

| $2.94 \%$ | $3.21 \%$ | $2.87 \%$ | $3.22 \%$ |
| :--- | :--- | :--- | :--- |
| $0.26 \%$ | $0.32 \%$ | $0.29 \%$ | $0.30 \%$ |
| $3.20 \%$ | $3.53 \%$ | $3.16 \%$ | $3.52 \%$ |
| $0.15 \%$ | $0.17 \%$ | $0.16 \%$ | $0.17 \%$ |
| $3.35 \%$ | $3.70 \%$ | $3.32 \%$ | $3.69 \%$ |

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 (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 $0.4 \%$ in the third quarter and decreased $1.6 \%$ in the nine month period of 2009 as compared to the same periods in 2008. Average earning assets increased $\$ 483.4$ million or $10.6 \%$ for the quarter and $\$ 416.1$ million or $9.1 \%$ for the year-to-date period; however, the net interest margin decreased by 35 and 37 basis points in the third quarter and year-to-date periods, respectively, as compared to the same periods in 2008. The investment of the cash proceeds from the branch acquisition is the primary reason for the increase in earning assets, but it also contributed to the decreases in margin as investment opportunities were lower yielding, and of shorter duration, than the overall portfolio. The continuation of the low interest environment in 2009 has also impacted the margin as lower security and loan yields and a reduction of interest income from the increased nonperforming loans have not been fully offset by decreases in deposit and borrowing cost of funds. However, the margin has somewhat benefited from a $5.0 \%$ increase in average non-interest bearing deposit balances year to date, the result of marketing campaigns focused on checking account products.

21

As compared to the second quarter of 2009, net interest income for the third quarter increased $\$ 1.2$ million or $3.0 \%$ due to the acquisition and a higher net interest margin. The margin increase, totaling 18 basis points, resulted from a combination of an increase in the yield in earning assets, reflecting the full benefit of the second quarter investment of the cash received from the branch acquisition, and a 13 basis point decline in the cost of interest bearing liabilities resulting from the lower interest rate environment and re-pricing of higher rate CDs and certain term borrowings. The benefit of the improved rates was partially offset by a $3.3 \%$ decline in average earning assets used to fund the previously anticipated third quarter run off of some of AmTrust's former higher rate, single service customer CDs.

Interest income decreased $5.0 \%$ in the third quarter and $9.1 \%$ in the nine month period as compared to the same periods in 2008. These decreases were due to a lower yield on earning assets of 88 basis points to $5.30 \%$ in the third quarter and 107 basis points to $5.39 \%$ for the year-to-date period of 2009, and was also partially offset by increases in both periods in average earning assets. In addition to the decrease in taxable securities yields from the investment of cash acquired with the branches and the resulting overall shorter portfolio average duration, repricing of loans over the last seven quarters as a result of a lower interest rate environment and the reduction in interest income related to increases in nonperforming loans caused a decline in loan yields of 63 basis points in the third quarter and 78 basis points in the year-to-date period of 2009. The increase in average earning assets due to the acquisition was partially offset by a decrease in average loan balances of $\$ 87.9$ million and $\$ 101.3$ million respectively. Proceeds from decreases in residential mortgage loans, which generally have higher yields than typical investment types, have been reinvested at lower yields, thus reducing the overall yield of the earning assets.

Average loan balance decreases are primarily due to continued strategic decreases in residential real estate loans through the sale of most originations and reduced commercial line usage, partially offset by increases in commercial real estate due to origination volumes and reduced prepayments from property refinancing and sales. Home equity
loans also increased through various marketing and targeted sales efforts in our branches. Consumer loans declined due to reduced demand for automobile loans, and a strategic reduction in recreational vehicle product lending.

Interest expense decreased $12.7 \%$ in the third quarter and $18.7 \%$ in the nine month period as compared to the same periods in 2008 primarily due to a decline in the average rate paid on deposits of 65 basis points to $1.82 \%$ for the third quarter and 86 basis points to $1.95 \%$ for the year-to-date period of 2009. These decreases were partially offset by increases in average interest bearing liabilities of $9.9 \%$ in the third quarter and $6.1 \%$ in the nine month period. The rate decline was due to management reducing certain interest rates on maturing CDs, MMDA and interest bearing demand deposit accounts in order to realize a lower cost of funds during a period of declining loan yields, while focusing marketing efforts on non-interest bearing demand deposits. The cost of CDs, MMDA and interest bearing demand deposit accounts declined by 117 basis points, 85 basis points and 63 basis points, respectively, in the nine month period of 2009. Average deposits increased $\$ 474.5$ million in the third quarter of 2009 as compared to the third quarter of 2008 and total deposits increased $\$ 501.6$ million from December 31, 2008 primarily due to the branch acquisition in the first quarter of 2009. In addition, non-AmTrust branch deposit levels have been generally stable in the nine month period of 2009 through growth in competitively priced deposits in certain regions as a result of somewhat reduced competition as compared to prior periods, overall stock market volatility and an increase in the national personal savings rate. CD balances decreased $5.8 \%$ in the third quarter as compared to the second quarter of 2009 due to the Bank's strategy of allowing certain high rate, single service former AmTrust CDs to mature without renewal due to the current rate environment. The increase in deposits from the branch acquisition and other sources caused a reduction in the loan to deposit ratio from approximately $103 \%$ at December 31, 2008 to $88 \%$ at September 30, 2009. In addition, the increased liquidity provided by the branch acquisition will permit WesBanco to continue to reduce higher cost FHLB and certain repurchase agreements as they mature which, combined with continued repricing of higher cost certificates of deposit, is expected to continue to improve the net interest margin.

22

TABLE 3. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

| (unaudited, dollars in thousands) | For the Three Months Ended September 30, 2009 2008 |  |  |  |  | For the Nine Months Ended September 30,2009 |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Average Balance |  | Average <br> Rate | Average Balance | Average Rate | Average Balance | Average Rate | Average Balance | Average Rate |
|  |  |  |  |  |  |  |  |  |  |
| ASSETS |  |  |  |  |  |  |  |  |  |
| Due from banks interest bearing | \$ | 38,772 | 0.19\% \$ | 18,953 | 1.15\% \$ | 43,606 | 0.19\% \$ | 10,365 | 2.85\% |
| Loans, net of unearned income (1) |  | 3,529,534 | 5.73\% | 3,617,444 | 6.36\% | 3,563,632 | 5.80\% | 3,664,935 | 6.58\% |
| Securities: (2) |  |  |  |  |  |  |  |  |  |
| Taxable |  | 1,100,345 | 3.84\% | 549,070 | 5.04\% | 991,584 | 3.88\% | 509,108 | 5.61\% |
| Tax-exempt (3) |  | 337,130 | 6.56\% | 335,850 | 6.58\% | 336,334 | 6.59\% | 325,841 | 6.87\% |
| Total securities |  | 1,437,475 | 4.48\% | 884,920 | 5.63\% | 1,327,918 | 4.57\% | 834,949 | 6.10\% |
| Federal funds sold |  |  | - | 598 | 2.01\% | 2,755 | 0.24\% | 13,575 | 2.65\% |
| Other earning assets |  | 31,911 | 0.83\% | 32,357 | 3.91\% | 32,055 | 0.97\% | 30,060 | 3.77\% |
| Total earning assets |  | 5,037,692 | 5.30\% | 4,554,272 | 6.18\% | 4,969,966 | 5.39\% | 4,553,884 | 6.46\% |


| Other assets | 624,389 | 621,838 | 620,730 | 682,845 |
| :--- | ---: | ---: | ---: | ---: | ---: |
| Total Assets | $\$ 5,662,081$ | $\$ 5,176,110$ | $\$ 5,590,696$ | $\$ 5,236,729$ |

LIABILITIES AND SHAREHOLDERS'
EQUITY

| Interest bearing demand deposits |  | 456,939 | 0.68\% | \$ 432,706 | 0.82\% |  | 452,836 | 0.64\% \$ | 429,623 | 1.27\% |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Money market accounts |  | 680,008 | 1.03\% | 518,629 | 1.66\% |  | 604,735 | 1.07\% | 466,035 | 1.92\% |
| Savings deposits |  | 483,273 | 0.50\% | 438,142 | 0.66\% |  | 466,819 | 0.51\% | 530,890 | 0.62\% |
| Certificates of deposit |  | 1,905,645 | 2.72\% | 1,679,159 | 3.62\% |  | 1,906,149 | 2.89\% | 1,786,016 | 4.06\% |
| Total interest bearing deposits |  | 3,525,865 | 1.82\% | 3,068,636 | 2.47\% |  | 3,430,539 | 1.95\% | 3,212,564 | 2.81\% |
| Federal Home Loan |  | 574,097 | 3.85\% | 557,365 | 3.94\% |  | 583,837 | 3.85\% | 491,989 | 4.00\% |
| Bank borrowings |  |  |  |  |  |  |  |  |  |  |
| Other borrowings |  | 228,514 | 3.09\% | 302,842 | 2.75\% |  | 232,982 | 3.22\% | 293,645 | 3.12\% |
| Junior subordinated debt |  | 111,164 | 4.36\% | 111,073 | 6.07\% |  | 111,143 | 5.09\% | 111,051 | 6.39\% |
| Total interest bearing |  | 4,439,640 | 2.21\% | 4,039,916 | 2.80\% |  | 4,358,501 | 2.35\% | 4,109,249 | 3.07\% |
| liabilities |  |  |  |  |  |  |  |  |  |  |
| demand deposits |  |  |  |  |  |  |  |  |  |  |
| Other liabilities |  | 57,260 |  | 43,345 |  |  | 54,405 |  | 43,375 |  |
| Shareholders' Equity |  | 643,704 |  | 588,617 |  |  | 656,633 |  | 587,568 |  |
| Total Liabilities and | \$ | 5,662,081 |  | \$ |  |  |  |  | \$ |  |
| Shareholders' Equity |  |  |  | 5,176,110 |  |  | 5,590,696 |  | 236,729 |  |
| Net Interest Spread |  |  | 3.09\% |  | 3.38\% |  |  | 3.03\% |  | 3.39\% |
| Taxable equivalent net yie | eld o | on average | 3.35\% |  | 3.70\% |  |  | 3.32\% |  | 3.69\% | earning assets (3)

(1) 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 are not material.
(2) Average yields on available-for-sale securities are calculated based on amortized cost.
(3) Taxable equivalent basis is calculated on tax-exempt securities using a tax rate of $35 \%$ for each year presented.

23

TABLE 4. RATE/VOLUME ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE
Three Months Ended September 30, 2009 Nine Months Ended September 30, 2009 Compared to September 30, 2008

Compared to September 30, 2008

| Net Increase <br> (Decrease) | Volume | Rate |
| :---: | :--- | :--- | | Net Increase |
| :---: |
| (Decrease) |

(unaudited, in Volume Rate (Decrease) Volume Rate (Decrease)
thousands)
Increase (decrease) in interest income:
Due from banks interest bearing
(37)

197 \$
(355) \$
(158)
$(1,351) \quad(5,520) \quad(4,871) \quad(21,165)$
$(26,089)$

Loans, net of unearned income

| Taxable securities |  | 5,655 | $(1,963)$ |  | 3,692 |  | 15,753 | $(8,069)$ |  | 7,684 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Tax-exempt |  | 21 | (12) |  | 9 |  | 531 | (696) |  | (165) |
| securities (1) |  |  |  |  |  |  |  |  |  |  |
| Federal funds sold |  | (2) | (1) |  | (3) |  | (124) | (141) |  | (265) |
| Other interest |  | (4) | (246) |  | (250) |  | 53 | (668) |  | (615) |
| income |  |  |  |  |  |  |  |  |  |  |
| Total interest |  | 4,350 | $(7,810)$ |  | $(3,460)$ |  | 11,486 | $(31,094)$ |  | $(19,608)$ |
| income change (1) |  |  |  |  |  |  |  |  |  |  |
| Increase (decrease) in interest expense: |  |  |  |  |  |  |  |  |  |  |
| Interest bearing |  | 49 | (156) |  | (107) |  | 209 | $(2,115)$ |  | $(1,906)$ |
| Money market accounts |  | 563 | (972) |  | (409) |  | 1,639 | $(3,485)$ |  | $(1,846)$ |
| Savings deposits |  | 70 | (190) |  | (120) |  | (275) | (398) |  | (673) |
| Certificates of deposit |  | 1,901 | $(4,127)$ |  | $(2,226)$ |  | 3,449 | $(16,465)$ |  | $(13,016)$ |
| Federal Home Loan |  | 172 | (125) |  | 47 |  | 2,663 | (579) |  | 2,084 |
| Bank borrowings |  |  |  |  |  |  |  |  |  |  |
| Other borrowings |  | (554) | 238 |  | (316) |  | $(1,456)$ | 224 |  | $(1,232)$ |
| Junior subordinated |  | 1 | (475) |  | (474) |  | 4 | $(1,082)$ |  | $(1,078)$ |
| debt |  |  |  |  |  |  |  |  |  |  |
| Total interest expense change |  | 2,202 | $(5,807)$ |  | $(3,605)$ |  | 6,233 | $(23,900)$ |  | $(17,667)$ |
| Net interest income increase (decrease) (1) | \$ | 2,148 \$ | $(2,003)$ | \$ | 145 | \$ | 5,253 \$ | $(7,194)$ | \$ | $(1,941)$ |

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

## PROVISION FOR LOAN LOSSES

The provision for loan losses is determined by management as the amount to be added to the allowance for loan losses after net charge-offs have been deducted to bring the allowance to a level considered appropriate to absorb probable losses in the loan portfolio. The provision for loan losses was $\$ 16.2$ million in the third quarter of 2009 , an increase of $\$ 9.7$ million from the third quarter of 2008. For the year to date period the provision was $\$ 36.2$ million, as compared to $\$ 17.5$ million in the same period of 2008. Higher provision expense for the third quarter reflects a $\$ 3.8$ million charge-off on a loan secured by a hotel, with $\$ 2.0$ million of this charge reserved for in the second quarter. The hotel has been transferred to other real estate owned. Also in the third quarter, an impairment of $\$ 4.7$ million was determined on a commercial loan to an equipment leasing company, of which $\$ 3.6$ million was charged off. The charged-off portion of this loss was incurred mostly as a result of fraudulent activities by a major customer of the Bank's borrower. Higher provision expense also reflects the general deterioration of credit quality across all segments of the loan portfolio due to the prolonged recession. Net charge-offs for the third quarter of 2009 increased $\$ 7.9$ million compared to the second quarter of 2009 and $\$ 9.1$ million compared to the third quarter of 2008, with $\$ 7.4$ million of these increases from the two previously discussed loans. Worsening economic conditions and declining property values have resulted in higher residential and commercial real estate losses while consumer loan losses have been relatively stable. The provision for loan losses exceeded net charge-offs by $\$ 2.2$ million in the third quarter of 2009 and $\$ 11.0$ million for the first nine months of 2009 , which increased the allowance for loan losses to $1.74 \%$ of total loans at September 30, 2009 compared to $1.65 \%$ at June 30, 2009 and $1.21 \%$ at September 30, 2008. Non-performing loans increased $\$ 0.8$ million from the second quarter to $\$ 82.4$ million at September 30, 2009
or $2.35 \%$ as a percent of total loans, and increased $\$ 46.1$ million from December 31, 2008. The non-performing loan increase from year-end reflects general deterioration of credit quality which has been most prevalent in the commercial and residential real estate portfolios, but migration into non-accrual status and overall new loan delinquencies have slowed since the first quarter. For additional information relating to the provision for loan losses, see the "Allowance for Loan Losses" section of "Loans and Credit Risk" included in this MD\&A.

24

## NON-INTEREST INCOME

TABLE 5. NON-INTEREST INCOME


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 strategy to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. As compared to the third quarter of 2008, non-interest income increased by $\$ 3.6$ million, due to increased net securities gains of $\$ 1.1$ million, a bank owned life insurance claim of $\$ 1.0$ million, a $\$ 0.4$ million increase in service charges on deposits and higher income from sales of mortgage loans, securities brokerage and ATM fees. For the three and nine months ending September 30, 2009, total non-interest income comprised $31.5 \%$ and $28.7 \%$ of total net revenues as compared to $27.1 \%$ and $27.3 \%$ for the same 2008 periods.

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Net realized gains on the securities portfolio increased $\$ 1.1$ million and $\$ 2.8$ million, respectively in the third quarter and year-to-date periods of 2009 as compared to 2008. This was partially offset by declines in trust fees of $\$ 0.1$ million and $\$ 1.6$ million during the three and nine months ending September 30, 2009 as compared to the prior year due to decreased managed asset market values. The market value of total trust assets at September 30, 2009 and 2008, was $\$ 2.6$ billion and $\$ 2.7$ billion, respectively. The decline in trust assets was principally due to the downturn in the markets in late 2008 and early 2009.

Net securities brokerage revenue increased $\$ 0.6$ million and $\$ 1.1$ million from the third quarter and first nine months of 2008, due primarily to new customer representatives in the Columbus, Ohio market. Service fees on ATM's and debit cards added $\$ 0.2$ million and $\$ 0.5$ million as compared to the third quarter and first nine months of 2008, due to a higher volume of debit card transactions during the periods, while gains on the sale of mortgage loans contributed an additional $\$ 0.2$ million and $\$ 0.5$ million compared to the third quarter and nine months of 2008.

Other declines in non-interest income in the year-to-date period of 2009 which mostly occurred in the first half of 2009, included lower mortgage servicing fees of $\$ 0.7$ million, a $\$ 0.4$ million loss due to a market adjustment of the deferred compensation plan assets for the period, and a $\$ 0.3$ million decrease in net insurance revenue. Other income in 2008 included a gain of $\$ 0.4$ million in the first quarter relating to the mandatory sale of VISA stock.

25

## NON-INTEREST EXPENSE

TABLE 6. NON-INTEREST EXPENSE

|  | For the Three <br> Months <br> Ended September <br> 30, |  | For the Nine Months |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | Ended September 30, |  |  |  |  |  |  |
| (unaudited, dollars in | 2009 | 2008 | \$ Change | \% |  | 2009 | 2008 | \$ Change | \% |
| thousands) |  |  |  | Change |  |  |  |  | Change |
| Salaries and wages | \$ 13,920 | \$ 14,185 | \$ (265) | (1.9\%) | \$ | 41,085 \$ | 42,423 | \$ (1,338) | (3.2\%) |
| Employee benefits | 5,240 | 3,857 | 1,383 | 35.9\% |  | 15,008 | 12,409 | 2,599 | 20.9\% |
| Net occupancy | 2,572 | 2,511 | 61 | 2.4\% |  | 7,676 | 8,034 | (358) | (4.5\%) |
| Equipment | 2,888 | 2,739 | 149 | 5.4\% |  | 8,117 | 8,185 | (68) | (0.8\%) |
| Marketing | 1,486 | 2,078 | (592) | (28.5\%) |  | 3,961 | 4,458 | (497) | (11.1\%) |
| FDIC Insurance | 1,528 | 310 | 1,218 | 392.9\% |  | 7,104 | 574 | 6,530 | 1137.6\% |
| Amortization of intangible assets | 806 | 950 | (144) | (15.2\%) |  | 2,315 | 2,872 | (557) | (19.4\%) |
| Restructuring and merger-related expenses | 2 | 539 | (537) | (99.6\%) |  | 623 | 3,244 | $(2,621)$ | (80.8\%) |
| Other operating expenses |  |  |  |  |  |  |  |  |  |
| Miscellaneous franchise, and other taxes | 1,487 | 1,894 | (407) | (21.5\%) |  | 4,416 | 5,730 | $(1,314)$ | (22.9\%) |
| Consulting, regulatory, and | 988 | 1,106 | (118) | (10.7\%) |  | 3,288 | 3,750 | (462) | (12.3\%) |


| Postage | 964 | 922 | 42 | $4.6 \%$ | 2,730 | 3,068 | $(338)$ | $(11.0 \%)$ |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |
| ATM and interchange expenses | 857 | 772 | 85 | $11.0 \%$ | 2,543 | 2,041 | 502 | $24.6 \%$ |
| Communications | 734 | 827 | $(93)(11.2 \%)$ | 2,215 | 2,240 | $(25)$ | $(1.1 \%)$ |  |
| Legal fees | 690 | 602 | 88 | $14.6 \%$ | 2,049 | 1,513 | 536 | $35.4 \%$ |
| Supplies | 593 | 743 | $(150)(20.2 \%)$ | 1,896 | 2,066 | $(170)$ | $(8.2 \%)$ |  |
| Other | 2,950 | 2,130 | 820 | $38.5 \%$ | 7,037 | 6,288 | 749 | $11.9 \%$ |
| $\quad$ Total other operating | 9,263 | 8,996 | 267 | $3.0 \%$ | 26,174 | 26,696 | $(522)$ | $(2.0 \%)$ |
| expenses |  |  |  |  |  |  |  |  |
| Total non-interest expense |  |  |  |  |  |  |  |  |

Non-interest expense increased $\$ 1.5$ million or $4.3 \%$ for the third quarter 2009 compared to the third quarter 2008 due to increases in FDIC insurance, employee health care and pension expenses, partially offset by a decline in merger-related expenses, marketing and miscellaneous taxes. For the first nine months of 2009 expenses increased $\$ 3.2$ million or $2.9 \%$ compared to 2008 , primarily due to the increase in employee related expenses and FDIC insurance, partially offset by declines in restructuring and merger-related expenses and miscellaneous taxes.

FDIC insurance for the first nine months of 2009 increased $\$ 6.5$ million compared to the same period in 2008 due to a $\$ 2.6$ million special assessment effective June 30, 2009, the reduction in certain prior FDIC credits, an increase in the FDIC rate from approximately 6 basis points to 13 basis points on insured deposits, and, to a lesser extent, the increase in deposits derived from the AmTrust branch acquisition.

Salaries and wages were down $\$ 0.3$ million and $\$ 1.3$ million in the third quarter and nine month period of 2009 as compared to 2008, due to a decrease in the number of full time equivalent employees from 1,519 at September 30, 2008 to 1,428 at September 30, 2009, primarily resulting from planned efficiencies created through the Oak Hill acquisition in late 2007, and the company's overall strategy to manage expenses. However, the reduction in salaries was offset by increases in employee benefits of $\$ 1.4$ million and $\$ 2.6$ million for the three and nine month periods compared to the prior year, due to higher defined benefit pension expenses resulting from market declines on pension plan assets experienced in 2008 and higher employee health insurance costs.

Marketing expenses have declined $\$ 0.6$ million and $\$ 0.5$ million for the third quarter and year-to-date periods as compared to 2008. The 2008 marketing expenses reflected increased marketing costs to establish name identity in the former Oak Hill banking markets. This decline on a year-to-date basis was somewhat offset by increased marketing efforts primarily in the Columbus, Ohio market in the second quarter of 2009 to both welcome our new AmTrust banking customers and to establish greater name identity in the former AmTrust branch market area.

Merger-related expenses declined by $\$ 0.5$ million and $\$ 2.6$ million for third quarter and year-to-date periods compared to the prior year due to Oak Hill acquisition expenses in 2008. Miscellaneous taxes decreased $\$ 0.4$ million and $\$ 1.3$ million for the three and nine months ending September 30, 2009 compared to last year due to a reduction in certain state franchise taxes from a subsidiary restructuring. This reduction may be somewhat offset by higher state income tax levels in the future.

Net occupancy, equipment, and postage remained relatively flat in the third quarter of 2009 compared to 2008, however they all experienced decreases in the first nine months of 2009 mostly related to the full integration of Oak Hill with some additional impact to net occupancy and equipment due to a reduction in ATMs and other building lease expenses from the sale of five former Oak Hill branches. Intangible asset amortization was down due to the end of certain prior acquisition-related core deposit intangible amortization, offset somewhat by the new AmTrust-related amortization. These cost reductions were partially offset by an online customer services contract termination fee of $\$ 0.5$ million, as a new internet banking product was placed in service in October, increased foreclosure expenses, and higher processing fees to service greater customer activity in electronic transactions.

## INCOME TAXES

The provision for income taxes decreased $\$ 5.4$ million in the first nine months of 2009 compared to the same period in 2008 due to a decrease in pre-tax income and a decrease in the effective tax rate. For 2009 the effective tax rate decreased to $2.3 \%$ as compared to $15.1 \%$ in the first nine months of 2008, due primarily to the decrease in pre-tax income as well as a higher percentage of tax-exempt income to total income.

## FINANCIAL CONDITION

Total assets increased $6.5 \%$ in the first nine months of 2009, while total shareholders' equity was down $10.2 \%$ as compared to December 31, 2008. Increases in total assets and deposits were primarily the result of the AmTrust branch acquisition, which represented an increase of $\$ 599.4$ million in deposits on March 27, 2009. Total shareholders' equity decreased by approximately $\$ 67.0$ million primarily due to the $\$ 75$ million repurchase of the TARP preferred stock in the third quarter. Dividends paid to preferred and common shareholders also contributed to the decline as the dividends exceeded net income for the period. This was somewhat offset by unrealized gains in the available-for-sale securities portfolio, which are included net of tax effect in accumulated other comprehensive income, effectively increasing shareholders' equity by $\$ 12.4$ million from December 31, 2008. Total tangible equity to tangible assets (non-GAAP measure) decreased from 7.90\% at December 31, 2008 to $5.75 \%$ at September 30, 2009, primarily as a result of the acquisition and the TARP repurchase, while total tangible common equity to tangible assets (non-GAAP measure) declined from $6.44 \%$ to $5.75 \%$, for the same periods, respectively due to the acquisition.

TABLE 7. COMPOSITION OF SECURITIES (1)

| (unaudited, dollars in thousands) | $\begin{gathered} \text { September } \\ 30, \\ 2009 \end{gathered}$ |  | $\begin{gathered} \text { December } \\ 31, \\ 2008 \end{gathered}$ |  | \$ Change |  | $\begin{gathered} \text { \% } \\ \text { Change } \end{gathered}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  |  |  |  |  |  |
| Securities available-for-sale (at fair value): |  |  |  |  |  |  |  |
| Other government agencies | \$ | 220,322 | \$ | 40,009 | \$ | 180,313 | 450.7\% |
| Corporate debt securities |  | 24,134 |  | 3,149 |  | 20,985 | 666.4\% |
| Residential mortgage-backed securities and |  | 804,839 |  | 523,897 |  | 280,942 | 53.6\% |
| collateralized |  |  |  |  |  |  |  |
| mortgage obligations of government agencies |  |  |  |  |  |  |  |
| Other residential collateralized mortgage obligations |  | 3,505 |  | 4,150 |  | (645) | (15.5\%) |
| Obligations of states and political subdivisions |  | 361,109 |  | 359,425 |  | 1,684 | 0.5\% |
| Equity securities |  | 3,778 |  | 3,508 |  | 270 | 7.7\% |
| Total securities available-for-sale | \$ | 1,417,687 | \$ | 934,138 | \$ | 483,549 | 51.8\% |
| Securities held-to-maturity (at amortized cost): |  |  |  |  |  |  |  |
| Corporate debt securities |  | 1,450 |  | 1,450 |  | - | 0.0\% |
| Total securities |  | 1,419,137 | \$ | 935,588 | \$ | 483,549 | 51.7\% |
| Available-for-sale securities: |  |  |  |  |  |  |  |
| Weighted average taxable equivalent yield at the respective period end |  | 4.51\% |  | 5.51\% |  |  |  |
| As a \% of total securities |  | 99.9\% |  | 99.8\% |  |  |  |
| Weighted average life (in years) |  | 3.5 |  | 3.6 |  |  |  |

Held-to-maturity securities:
$\begin{array}{lrr}\text { Weighted average yield at the respective period end } & 9.71 \% & 9.72 \% \\ \text { As a \% of total securities } & 0.1 \% & 0.2 \% \\ \text { Weighted average life (in years) } & 20.6 & 21.3\end{array}$
(1) At September 30, 2009 and December 31, 2008, 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 $51.7 \%$ from December 31, 2008 to September 30, 2009, while decreasing $5.9 \%$ from the previous quarter. The increase from year end was due primarily to the investment of cash received in the AmTrust branch acquisition into other government agencies, corporate securities, mortgage-backed securities, and municipal securities. These additional investments were partially offset by sales of $\$ 148.6$ million, calls of $\$ 114.9$ million, maturities of $\$ 6.0$ million, and mortgage backed principal paydowns during the year. The decline in investments over the previous quarter was due to sales at net gains that funded the repurchase of TARP, as well as intentional reductions in CDs and certain borrowings.

## LOANS AND CREDIT RISK

The loan portfolio is WesBanco's single largest balance sheet asset classification and the largest source of interest income. 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 of the loan portfolio that varies by loan category. 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 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.

27

WesBanco's loan portfolio consists of the major categories set forth in Table 8. WesBanco makes loans for business and consumer purposes. Business purpose loans consist of commercial and industrial loans as well as commercial real estate loans, while consumer purpose loans consist of residential real estate loans, home equity and other consumer loans. Loans held for sale generally consist of residential real estate loans originated for sale in the secondary market and 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.

TABLE 8. COMPOSITION OF LOANS (1)

| (unaudited, dollars in thousands) | September 30, 2009 |  |  | December 31, 2008 |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Amount |  | \% of <br> Loans |  | mount | \% of Loans |
| Loans: (1) |  |  |  |  |  |  |
| Commercial and industrial | \$ | 463,948 | 13.2\% | \$ | 510,902 | 14.2\% |
| Commercial real estate: |  |  |  |  |  |  |
| Land and construction |  | 248,021 | 7.1\% |  | 230,865 | 6.4\% |

Other
Residential real estate:
Land and construction
Other
Home equity
Consumer
Total portfolio loans
Loans held for sale
Total Loans

| 1,516,770 | 43.2\% |  | 1,468,158 | 40.7\% |
| :---: | :---: | :---: | :---: | :---: |
| 9,488 | 0.3\% |  | 15,896 | 0.4\% |
| 729,663 | 20.8\% |  | 841,103 | 23.3\% |
| 235,427 | 6.7\% |  | 217,436 | 6.0\% |
| 298,305 | 8.5\% |  | 319,949 | 8.9\% |
| 3,501,622 | 99.8\% |  | 3,604,309 | 99.9\% |
| 6,860 | 0.2\% |  | 3,874 | 0.1\% |
| 3,508,482 | 100.0\% | \$ | 3,608,183 | 100.0\% |

(1) Loans are presented gross of the allowance for loan losses, and net of unearned income on consumer loans, SOP 03-3 credit valuation adjustments, and unamortized net deferred loan fee income and loan origination costs.

Total loans decreased $\$ 99.7$ million or $2.8 \%$ between December 31, 2008 and September 30, 2009, primarily due to the intentional reduction of fixed rate residential real estate loans due to scheduled repayments on these loans. Commercial and industrial loans declined $\$ 47.0$ million or $9.2 \%$ due primarily to lower usage of lines of credit and reduced demand in the current economic environment. Commercial real estate loans have increased due primarily to new lending opportunities particularly in our Upper Ohio Valley and Western Pennsylvania markets. Retention of commercial real estate loans was also aided by a reduction in the frequency of prepayments from secondary or capital market sources of refinancing of portfolio loans. Commercial real estate land and construction, which includes residential development loans increased from December 31, 2008 to September 30, 2009 as a result of advances for completed construction on commercial properties and multifamily apartments. Although the balances of commercial land and construction loans increased, total commitments for these loans decreased approximately $\$ 27.7$ million or $43 \%$ since December 31, 2008 as volumes of new construction loans have been reduced. The residential development component of commercial real estate land and construction loans also decreased approximately $\$ 16.3$ million or $27 \%$ from $\$ 60.4$ million at December 31, 2008 to $\$ 44.1$ million at September 30, 2009. During the same period, commitments for new residential construction projects also decreased approximately $\$ 9.4$ million or $37 \%$ from $\$ 25.2$ million to $\$ 15.8$ million. The $\$ 117.9$ million decline in residential real estate loans primarily reflects planned decreases consistent with WesBanco's strategy of selling most new residential mortgages into the secondary market. Home equity lines of credit continued to increase in 2009 by $\$ 18.0$ million or $8.3 \%$ as a result of marketing campaigns despite a recent tightening of credit standards to control risk, while consumer loans decreased \$21.6 million or $6.8 \%$ primarily due to reduced demand and stricter underwriting standards. WesBanco continues to focus on improving the overall profitability of the loan portfolio through disciplined underwriting and pricing practices.

## NON-PERFORMING ASSETS, IMPAIRED LOANS AND LOANS PAST DUE 90 DAYS OR MORE

Non-performing assets consist of non-accrual and renegotiated loans, other real estate acquired through or in lieu of foreclosure, bank premises held for sale, and repossessed automobiles acquired to satisfy defaulted consumer loans. Other impaired loans include certain loans that are internally classified as substandard or doubtful.

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. WesBanco generally only recognizes cash received as interest income on non-accrual loans if recovery of principal is reasonably assured.

Loans are categorized as renegotiated when WesBanco, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Concessions that may be granted include a reduction of the interest rate, the amount of accrued interest, or the principal amount of the loan, as well as an extension of the maturity date or the amortization schedule. Loans may be removed from renegotiated status after they have performed according to the renegotiated terms for a period of time, or they may move to non-accrual if they do not perform in accordance with the loans' modified terms.

Other real estate and repossessed assets consist primarily of real estate acquired through or in lieu of foreclosure and repossessed automobiles or other personal property.

28

TABLE 9. NON-PERFORMING ASSETS

|  | September | December |
| :--- | ---: | ---: |
|  | 30, | 31, |
| (unaudited, dollars in thousands) | 2009 | 2008 |
| Non-accrual loans: |  |  |
| Commercial and industrial | $\$ 13,440$ | $\$$ |
| Commercial real estate | 41,632 | 5,369 |
| Residential real estate | 11,433 | 1,252 |
| Home equity | 715 | 72 |
| Consumer | 135 | 29 |
| Total non-accrual loans | 67,355 | 31,737 |
| Renegotiated loans: |  |  |
| Commercial and industrial | 819 | 4,559 |
| Commercial real estate | 11,226 | - |
| Residential real estate | 2,825 | - |
| Consumer | 143 | - |
| Total renegotiated loans | 15,013 | 4,559 |
| Total non-performing loans | 82,368 | $\$$ |
| Other real estate owned and repossessed assets | 8,665 | 36,296 |
| Total non-performing assets | 91,033 | $\$$ |
|  | 38,554 |  |
| Non-performing loans/total loans | $2.35 \%$ | $1.01 \%$ |
| Non-performing assets/total loans, other real estate and repossessed assets | $2.59 \%$ | $1.08 \%$ |

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

| (unaudited, in thousands) | Non-accrual Loans | Renegotiated Loans | Other <br> Impaired <br> Loans | Other Real <br> Estate and Repossessed Assets |
| :---: | :---: | :---: | :---: | :---: |
| Beginning balance | \$31,737 | \$4,559 | \$11,202 | \$2,554 |
| Activity during the year: |  |  |  |  |
| Additions to non-accrual, renegotiated or other impaired loans | 69,122 | 19,700 | 9,963 |  |
| Real estate foreclosures or deeds in lieu of foreclosure |  |  |  | 7,535 |
| Repossessions of other collateral |  |  |  | 5,376 |
|  | $(24,034)$ | $(7,751)$ |  | (344) |


|  | Loans and other real estate charged down <br> or charged off <br> Loans returned to accruing or no longer <br> renegotiated or impaired <br> Other real estate sold | $(2,099)$ |  | $(7,337)$ |
| :--- | :--- | :--- | :--- | ---: |
|  | Repossessed assets sold <br> Principal payments and other changes, <br> net | $(7,371)$ | $(1,495)$ | $(2,741)$ |

Non-performing loans, which consist of non-accrual and renegotiated loans, increased $\$ 0.8$ million from the second quarter to $\$ 82.4$ million at September 30, 2009 or $2.35 \%$ as a percent of total loans, and increased $\$ 46.1$ million from December 31, 2008. The increase from December 31, 2008 in non-performing loans reflects general deterioration of credit quality which has been most prevalent in the commercial and residential real estate portfolios which have increased $\$ 27.7$ million and $\$ 13.0$ million, respectively during the first nine months of 2009 , but migration into non-accrual status and overall new loan delinquencies have slowed since the first quarter. Commercial real estate and residential real estate loans represent approximately $64 \%$ and $17 \%$, respectively of non-performing loans at September 30, 2009. Commercial real estate has been impacted by rising vacancy rates and declining property values across all classes of property particularly in the metropolitan markets of central and southwestern Ohio. More residential real estate loans are experiencing extended delinquency that requires them either to be renegotiated to avoid foreclosure whenever possible, or placed on non-accrual even if they remain adequately secured.

Renegotiated loans at September 30, 2009 increased $\$ 10.5$ million from December 31, 2008 primarily due to a modification of terms for several smaller commercial real estate loans aggregating $\$ 3.7$ million, residential real estate loans aggregating $\$ 3.2$ million, and two larger commercial real estate loans approximating $\$ 3.0$ million. Although categorized as non-performing loans, most renegotiated loans are accruing as they generally continue to perform in accordance with their modified terms.

Total impaired loans increased $\$ 46.0$ million from December 31, 2008 to $\$ 93.5$ million at September 30, 2009. In addition, impaired loans with an allocated allowance for loan losses increased $\$ 10.0$ million from December 31, 2008 to $\$ 32.3$ million, reflecting the value of the underlying collateral associated with these loans.

29

TABLE 11. LOANS ACCRUING INTEREST PAST DUE

|  | $\begin{array}{c}\text { September 30, } \\ \text { (unaudited, dollars in thousands) }\end{array}$ |  | $\begin{array}{c}\text { December 31, } \\ \text { Loans past due 90 days or more: }\end{array}$ |  |
| :--- | ---: | ---: | ---: | ---: |
| 2009 |  |  |  |  |$)$

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| Commercial real estate | 7,630 | 14,592 |
| :--- | ---: | ---: |
| Residential real estate | 5,758 | 8,457 |
| Home equity | 1,653 | 1,903 |
| Consumer | 6,777 | 7,169 |
| Total loans past due 30 to 89 days | $\$ 4,833$ | $\$$ |
|  |  | 35,606 |
| Loans past due 90 days or more and accruing/total loans | $0.22 \%$ | $0.52 \%$ |
| Loans past due 30-89 days/total loans | $0.71 \%$ | $0.99 \%$ |

The decrease in loans past due reflected in the foregoing table are the result of loans migrating to non-performing status as well as the decrease in early stage delinquencies in recent months. Loans past due 90 days or more and still accruing interest decreased $\$ 11.0$ million from December 31, 2008 to September 30, 2009 as a result of placing a number of residential real estate loans that are 90 days or more past due on non-accrual even though the current value of their collateral is generally sufficient to secure the loans.

## ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses at September 30, 2009 increased $\$ 11.0$ million to $1.73 \%$ of total loans as compared to $1.38 \%$ at December 31, 2008, due to economic conditions and other correlated factors that indicate a higher level of probable but unconfirmed loss in all categories of loans. Net charge-offs increased $\$ 12.7$ million for the nine months ended September 30, 2009 compared to the same period last year, primarily due to a $\$ 3.8$ million charge-off on a loan secured by a hotel, which has been transferred to other real estate owned, and a $\$ 3.6$ million charge-off on a commercial loan to an equipment leasing company. See further discussion of net charge-offs within the "Provision for Loan Losses" section of Management's Discussion and Analysis. Net annualized loan charge-offs to average loans were $1.58 \%$ for the quarter ended September 30, 2009 compared to $0.55 \%$ for same period last year, while net annualized loan charge-offs to average loans were $0.94 \%$ for the nine month period ended September 30, 2009 compared to $0.46 \%$ for the same period last year.

TABLE 12. ALLOWANCE FOR LOAN LOSSES
(unaudited, dollars in thousands)
Beginning balance of allowance for loan losses
Provision for loan losses
Charge-offs:
$\begin{array}{lll}\text { Commercial and industrial } & 7,588 & 2,774\end{array}$
$\begin{array}{lll}\text { Commercial real estate } & \text { 4,892 }\end{array}$
Residential real estate $\quad 2,126 \quad 1,161$
Home equity $\quad 856 \quad 752$
Consumer 4,437
Total loan charge-offs $\quad$ 25,701 14,016
Deposit account overdrafts 838 1,163
$\begin{array}{lll}\text { Total loan and deposit account overdraft charge-offs } & \mathbf{1 5 , 1 7 9}\end{array}$

| For the Nine Months Ended |  |
| :---: | :---: |
| September 30, | September 30, |
| 2009 | 2008 |
| $\$ \quad 49,803$ | $\$$ |
| 36,150 | 38,543 |
|  |  |
| 7,588 | 17,530 |
| 10,638 | 2,774 |
| 2,126 | 4,892 |
| 856 | 1,161 |
| 4,493 | 752 |
| 25,701 | 4,437 |
| 838 | 14,016 |
| 26,539 | 1,163 |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

## Recoveries:

Commercial and industrial $116 \quad 516$
Commercial real estate 147
427
Residential real estate 71

Home equity 12
Consumer 724
43
1,070
995
Total loan recoveries
Deposit account overdrafts
271
1,341
Total loan and deposit account overdraft recoveries
Net loan and deposit account overdraft charge-offs
Ending balance of allowance for loan losses
Net charge-offs as a percentage of average total loans:
Commercial and industrial
2.12\%
0.62\%

Commercial real estate
Residential real estate
Home equity
Consumer
Total loan charge-offs
0.79\%
0.35\%
$0.34 \% \quad 0.16 \%$
0.50\% 0.48\%
1.64\%
1.32\%
0.92\%
0.43\%

| Allowance for loan losses as a percentage of total loans | $1.73 \%$ | $1.21 \%$ |  |
| :--- | ---: | ---: | ---: |
| Allowance for loan losses to total non-performing loans | 0.74 x | 1.26 x |  |
| Allowance for loan losses to total non-performing loans and loans past <br> due 90 days or more | 0.67 x | 0.93 x |  |
| Allowance for loan losses to trailing twelve months' net charge-offs 1.80 x | 2.74 x |  |  |

The allowance for loan losses provided coverage of $74 \%$ of non-performing loans at September 30, 2009 compared to coverage of $126 \%$ at September 30, 2008. The decrease in this coverage ratio reflects an increase in non-performing loans from $\$ 36.3$ million at September 30, 2008 to $\$ 82.4$ million at September 30, 2009. Most non-performing loans have significant amounts of collateral or other resources pledged as security for the loans; therefore, a lower non-performing coverage ratio is not necessarily an appropriate measure of the allowance for loan losses coverage but an indication of the movement to non-performing quicker and not directly as a result of insufficient collateral. The increase in non-performing loans resulted in a $\$ 5.2$ million increase in specific reserves pursuant to SFAS 114 since September 30, 2008. The remaining $\$ 12.1$ million increase in the allowance between September 30, 2008 and September 30, 2009 was equally attributable to the impact of higher historical net charge-off rates and management's assessment of economic conditions in establishing the appropriate allowance. The $\$ 60.8$ million allowance at September 30, 2009 represented $180 \%$ of net charge-offs for the trailing twelve months ended September 30, 2009 and $108 \%$ of annualized third quarter 2009 net charge-offs.

31

Table 13 summarizes the allowance for loan losses allocated to each major segment of the loan portfolio.
TABLE 13. ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES

| September <br> 30, | Percent of | December | Percent |
| :---: | :---: | :---: | :---: |
| 2009 | Total | 2008 | of |
| Total |  |  |  |

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| Commercial and industrial | $\$$ | 14,527 | $23.9 \%$ | $\$$ | 13,392 |
| :--- | ---: | ---: | ---: | ---: | ---: |

The allowance for all categories of loans except deposit account overdrafts increased from December 31, 2008 to September 30, 2009. The allowance for commercial and industrial loans increased primarily due to the addition of a FAS 114 reserve on the balance of a loan to an equipment leasing company that was not charged off. The allowances for commercial real estate, residential real estate and home equity loans reflect general market conditions that have resulted in decreased collateral values, increased non-performing loans and higher net charge-offs. The allowance for consumer loans reflects recent increases in unemployment in all markets.

Although the allowance is allocated as described in Table 13, the total allowance is available to absorb actual losses in any category of the loan portfolio along with deposit account overdraft losses. Management believes the allowance for loan losses is appropriate to absorb probable credit losses associated with the loan portfolio and deposit overdrafts at September 30, 2009. In the event that management's estimation of probable losses is different from actual experience, future adjustments to the allowance may be necessary to reflect differences between original estimates of loss in previous periods and actual observed losses in subsequent periods.

## DEPOSITS

TABLE 14. DEPOSITS
(unaudited, dollars in thousands)
Non-interest bearing demand
Interest bearing demand
Money market
Savings deposits
Certificates of deposit
Total deposits

September 30, December 31,

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 114 branches in West Virginia, Ohio and Western Pennsylvania. Total deposits increased by $\$ 501.6$ million or $14.3 \%$ during the nine months ended September 30, 2009 primarily due to the AmTrust branch acquisition which provided $\$ 599.4$ million of additional deposits.

Certificates of deposit and money market deposits increased by $10.8 \%$ and $41.5 \%$, respectively, during the nine months ended September 30, 2009 due primarily to the AmTrust branch acquisition. Certificates of deposit and money market accounts acquired through the branch acquisition were $\$ 381.7$ million and $\$ 126.1$ million respectively. Non-interest bearing demand, interest bearing demand and savings deposits increased by $5.7 \%, 8.8 \%$ and $13.1 \%$, respectively, due to the branch acquisition and corresponding marketing efforts. Over the last two
quarters an expected runoff of acquired, higher cost CDs has occurred as new offerings are significantly below the current contractual rate from AmTrust's higher rate offerings in prior periods. Some of this runoff has contributed to a remix into low cost money market and checking account deposits.

WesBanco does not typically solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Service (CDARS®) program, which had $\$ 127.8$ million in total outstanding balances at September 30, 2009, as compared to $\$ 89.1$ million at December 31, 2008. Certificates of deposit of $\$ 100,000$ or more were approximately $\$ 662.6$ million, while certificates of deposit totaling approximately $\$ 1.4$ billion at September 30, 2009 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 as well as offering special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs.

## BORROWINGS

## TABLE 15. BORROWINGS

| (unaudited, dollars in thousands) | $\begin{gathered} \text { September } \\ 30, \\ 2009 \end{gathered}$ |  | $\begin{gathered} \text { December } \\ 31, \\ 2008 \end{gathered}$ |  | \$ Change |  | \% <br> Change |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | \$ |  | \$ |  |  |  |  |
| Other short-term borrowings |  | $236,884$ |  | 297,805 |  | $(60,921)$ | (20.5\%) |
| Junior subordinated debt owed to unconsolidated subsidiary trusts |  | 111,175 |  | 111,110 |  | 65 | 0.1\% |
| Total borrowings | \$ | 915,998 | \$ | 1,005,805 |  | $(89,807)$ | (8.9\%) |

Borrowings are a significant source of funding for WesBanco, however, in the current yield curve environment, certain borrowings may be more expensive than other available funding sources including deposits. During the nine months ended September 30, 2009, WesBanco reduced Federal Home Loan Bank and other short-term borrowings, including federal funds purchased, using the liquidity acquired in the AmTrust transaction.

Other short-term borrowings, which consist of federal funds purchased, securities sold under agreements to repurchase and treasury tax and loan notes were $\$ 236.9$ million at September 30, 2009 as compared to $\$ 297.8$ million at December 31, 2008. The decrease in these borrowings have occurred primarily as a result of a $\$ 32.0$ million decrease in federal funds purchased and a $\$ 31.0$ million decrease in securities sold under agreements to repurchase, which was partially offset by a $\$ 2.1$ million increase in treasury tax and loan notes. Repayments totaling $\$ 48.0$ million were made on a revolving line of credit during the 2008 year. The revolving line of credit is a senior obligation of the parent company that matured July 31, 2009. On September 16, 2009, WesBanco renewed a line of credit with a correspondent bank. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregated secured borrowings of up to $\$ 25.0$ million. There were no outstanding balances as of September 30, 2009 or December 31, 2008.

## CAPITAL RESOURCES

On August 27, 2009 the Board of Directors of WesBanco declared a third quarter common stock dividend of $\$ 0.14$ per share, a $50 \%$ reduction in the quarterly dividend rate as compared to the prior quarterly rate. The reduction was taken to address the impact of the recession on earnings and to increase capital internally by reducing the payout ratio. The dividend reduction will better match dividends to current earnings opportunities.

Shareholders' equity was $\$ 592.3$ million at September 30, 2009 compared to $\$ 659.4$ million at December 31, 2008. Total equity decreased for the current nine month period due to the repurchase from the U.S. Treasury of $\$ 75.0$ million of preferred stock, the declaration of common shareholder dividends of $\$ 18.6$ million and $\$ 2.8$ million in preferred dividends to the U.S. Treasury excluding the $\$ 2.3$ million unamortized discount on the preferred stock which had no effect on shareholders' equity. The decline was partially offset by net income during the nine month period of $\$ 16.6$ million and a $\$ 12.4$ million change in other comprehensive income. No common shares were repurchased during the year to date period of 2009 .

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, 2009, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of up to $\$ 12.9$ million from the Bank. In May 2009, the Bank requested and received regulatory approval from the FDIC and the West Virginia Department of Banking for a dividend of $\$ 60$ million that was in excess of the net profits limitation of the Bank, which was paid in July 2009.

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

Minimum Well September 30, 2009 December 31, 2008
(unaudited, dollars in thousands) Value (1) Capitalized Amount Ratio Amount Ratio
WesBanco, Inc.

| Tier 1 Leverage | $4.00 \%(3)$ | N/A | $\$$ | 407,016 | $7.55 \%$ |  | 507,075 |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Tier 1 Capital to Risk-Weighted | $4.00 \%$ | $6.00 \%$ |  | 407,016 | $10.95 \%$ | 507,075 | $13.27 \%$ |

Assets
$\begin{array}{lllllll}\text { Total Capital to Risk-Weighted } & 8.00 \% & 10.00 \% & 453,649 & 12.21 \% & 555,084 & 14.46 \%\end{array}$
Assets
WesBanco Bank, Inc.
$\begin{array}{llllllll}\text { Tier 1 Leverage } & 4.00 \% & 5.00 \% & \$ & 382,484 & 7.13 \% & \text { \$ } & 456,882\end{array} 9.28 \%$
$\begin{array}{lllllll}\text { Tier } 1 \text { Capital to Risk-Weighted } & 4.00 \% & 6.00 \% & 382,484 & 10.35 \% & 456,882 & 11.99 \%\end{array}$
Assets
$\begin{array}{lllllll}\text { Total Capital to Risk-Weighted } & 8.00 \% & 10.00 \% & 428,874 & 11.60 \% & 504,557 & 13.24 \%\end{array}$
Assets
(1) Minimum requirements to remain adequately capitalized.
(2) Well capitalized under prompt corrective action regulations.
(3) Minimum requirement is $3 \%$ for certain highly-rated bank holding companies.

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## LIQUIDITY RISK

Liquidity is defined as the degree of readiness to convert assets into cash with minimum loss. Liquidity risk is managed through WesBanco's 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. The first quarter branch acquisition provided an additional source of liquidity through the assumption of $\$ 599.4$ million in deposits, with the proceeds currently invested in available-for-sale securities. Securities totaled $\$ 1,419.1$ million at September 30, 2009, of which $\$ 1,417.7$ million were classified as available-for-sale, including unrealized gains of $\$ 36.0$ million. At September 30, 2009, WesBanco has approximately $\$ 10.6$ million in securities scheduled to mature within one year; however, additional cash flows may be anticipated from approximately $\$ 225.9$ million in callable bonds which have call dates within the next year, from projected prepayments on mortgage-backed securities and collateralized mortgage obligations, from loans scheduled to mature within the next year of $\$ 617.4$ million and normal monthly loan repayments. At September 30, 2009, WesBanco had $\$ 87.3$ million of cash and cash equivalents, much of which serves as both operating cash for the branches and an additional source of liquidity.

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled $\$ 4.0$ billion at September 30, 2009. 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 $\$ 1.4$ billion at September 30, 2009. 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, 2009 approximated $\$ 528.4$ million, which is somewhat reduced from prior periods due to FHLB of Pittsburgh collateral policy changes affecting the maximum borrowing capacity calculation for its members. At September 30, 2009, WesBanco had unpledged available-for-sale securities with a book value of $\$ 803.4$ million, a portion of which is an available liquidity source, or could be pledged to secure additional FHLB borrowings. Alternative funding sources may include the utilization of existing lines of credit with third party banks totaling $\$ 150$ million at September 30, 2009 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.

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.

The principal sources of parent company liquidity are dividends from the Bank, a total of $\$ 15.9$ million in cash and investments on hand, and a $\$ 25$ million revolving line of credit with another bank, of which none was outstanding at September 30, 2009. The original line of credit expired at the end of July 2009; however, the line of credit has been
renewed for $\$ 25$ million from a correspondent bank. 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, 2009, under FDIC regulations, WesBanco could receive, without prior regulatory approval, dividends totaling $\$ 12.9$ million from the Bank. In May 2009, WesBanco requested and received regulatory approval for a dividend of $\$ 60$ million that was in excess of the net profits limitation of the Bank, which enhanced parent company liquidity in July and was used to repurchase preferred stock in September.

At September 30, 2009, WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating $\$ 664.8$ million, compared to $\$ 729.0$ million at December 31, 2008. On a historical basis, only a small portion of these commitments will result in an outflow of funds.

Management believes WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others.

34

## 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 Asset/Liability Committee ("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 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. Modeling changes in net interest income requires making certain assumptions regarding prepayment rates, callable bonds, and adjustments to non-time deposit interest rates which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. Prepayment assumptions and adjustments to non-time deposit rates at varying levels of interest rates are based primarily on historical experience and current

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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 we believe such assumptions to be reasonable, there can be no assurance that assumed prepayment rates, callable bond forecasts and non-time deposit rate changes 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 repricing of specific assets and liabilities. Since the assumptions used in the model relative to changes in interest rates are uncertain, the simulation analysis should not be relied upon as being indicative of projected results. The analysis may not consider all actions that WesBanco would employ in response to changes in interest rates and various earning asset and costing liability balances.

Management is aware of the significant effect inflation/deflation may have upon interest rates and ultimately upon financial performance. WesBanco's ability to cope with inflation/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/deflation. WesBanco monitors the level and mix of interest-rate sensitive assets and liabilities through ALCO in order to reduce the impact of inflation/deflation on net interest income. Management also controls the effects of inflation/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 deleting 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. Table 1, "Net Interest Income Sensitivity," shows WesBanco's interest rate sensitivity at September 30, 2009 and December 31, 2008 assuming both a 100 and 200 basis point interest rate change, compared to a base model, except that due to current low interest rates, the 200 basis point decreasing change is shown as not applicable, and instead a 300 basis point rising rate environment is shown.

## TABLE 1. NET INTEREST INCOME SENSITIVITY

Immediate Change in
Interest Rates
(basis points)
+300
+200
+100
-100
-200

| Percentage Change in |  |
| :---: | :---: |
| Net Interest Income from Base over One Year |  |
| September 30, 2009 | December 31, 2008 |
| $(8.9 \%)$ | $(1.9 \%)$ |
| $(3.9 \%)$ | $(0.5 \%)$ |
| $0.4 \%$ | $0.8 \%$ |
| $(2.1 \%)$ | $(3.5 \%)$ |
| N/A | N/A |

ALCO
Guidelines
N/A
$-12.5 \%$
$-5 \%$
$-5 \%$
$-12.5 \%$

Interest rates decreased rapidly over the past two years due to the severe economic recession, but have been relatively flat on the short end for much of 2009, with a current federal funds rate ranging from $0.0 \%$ to $0.25 \%$ and a discount rate of $0.50 \%$, as targeted by the Federal Reserve Board's Open Market Committee. Rates are expected by most economists to remain substantially at such low levels for the

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remainder of 2009 and for the first part of 2010 due to the current severe global recession. A widening of the curve between short and longer term interest rates in 2008, which remains so today, contributed to margin expansion in 2008 due to the Bank's liability sensitive balance sheet, as lower overall funding costs more than offset lower loan and investment rates. However, due to the continuing low rate environment, deposit rate floors began to impact WesBanco in the first quarter of 2009 and, combined with interest accrual reversals relating to increased levels of non-accrual loans and investment of acquired funds from the AmTrust transaction in relatively lower yielding securities in the second quarter, resulted in margin compression in the first half of this year. As the cash received from the acquisition of branch deposits was initially invested in short term money market funds at very low starting rates until investments could be purchased throughout the early part of the second quarter, a portion of the net interest margin expansion in the third quarter from $3.17 \%$ in the second quarter to $3.35 \%$ was due to having the investment strategy fully in place for the third quarter, but in addition, funding costs dropped more rapidly in the third quarter than asset yields as CDs continued to mature or re-price downward, favorably impacting the mix of deposits, and certain borrowings including junior subordinated debt re-priced at lower rates as well in the third quarter. While the net interest margin for the nine month period of 2009 remains down as compared to 2008 , at $3.32 \%$ for 2009 versus $3.69 \%$ last year, the more recent quarter over quarter expansion assisted in providing an increase in net interest income for the third quarter as compared to second quarter levels. Further borrowing maturities in the fourth quarter should also assist in some near term margin improvement.

The earnings simulation model currently projects that net interest income for the next twelve month period would decrease by $2.1 \%$ if interest rates were to fall immediately by 100 basis points, compared to a decrease of $3.5 \%$, for the same scenario as of December 31, 2008. While a 200 basis point falling interest rate scenario is unrealistic in the present interest rate environment, a decrease of 100 basis points in certain sectors of the interest rate curve is possible and is shown above despite the historic low levels of U.S. Treasury and other benchmark interest rates. Given the current rate environment, the Bank may not have the ability to further lower certain deposit rates and other short term funding rates. This is primarily due to the natural interest rate floors on certain deposit types and competition throughout our markets from small and large banks and thrifts. Also, certain term borrowings do not re-price in the near future, thus increasing the overall cost of funds while the lower interest rate environment continues.

Net interest income would increase by $0.4 \%$ and decrease by $3.9 \%$ and $8.9 \%$ if rates increased by 100,200 and 300, basis points respectively, as compared to an increase of $0.8 \%$, and decreases of $0.5 \%$ and $1.9 \%$ at December 31, 2008 for the same categories, reflecting a more significant liability sensitive position whereby more liabilities are predicted to re-price or mature in the short run at a faster pace than various asset types. The increase in liability sensitivity between December 31, 2008 and September 30, 2009 was a result of certain changes in balance sheet composition primarily due to an increase in securities as a result of receiving funds from the AmTrust branch deposit purchase, and the run off since acquisition of certificates of deposit primarily acquired in the AmTrust purchase, which shortened the average maturity of deposits. The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh and from other correspondent banks, and may utilize these funding sources to mitigate the impact on our balance sheet of various term commercial and residential loans and to shorten or lengthen liabilities to help offset mismatches in various asset maturities.

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, 2009 using the 200 basis point increasing rate ramp analysis projects that net interest income would increase $1.1 \%$ over the next twelve months, compared to a $0.7 \%$ increase at December 31, 2008.

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, 2009, the market value of equity as a percent of base in a 200 basis point rising rate environment would decrease $1.0 \%$ as compared to an increase of $3.7 \%$ for the same increasing rate environment as of December 31, 2008. WesBanco's policy is to limit such change to a decrease of $25 \%$ for a $+/-200$ basis point change in interest rates, with the decreasing 200 basis point rate environment not currently applicable.

WesBanco's ALCO evaluates various strategies to reduce the exposure to interest rate fluctuations including the utilization of derivative instruments to protect against changes in interest rates and their impact on the value of certain assets and liabilities or upon cash flows, although no such derivatives are currently outstanding. The Bank also looks to periodically extend borrowing terms with the FHLB and other parties, as it did in 2008. When reinvestment rates and/or asset spreads are deemed unfavorable for new investments, investment proceeds may be applied to maturing borrowings, or to fund available loan demand. Another strategy is decreasing the level of WesBanco's fixed rate residential real estate loans maintained in the loan portfolio, by allowing existing maturities to run off without replacement and selling most newly-originated fixed rate loans into the secondary market under rate lock commitments. From time to time, the ALCO may promote the offering of special maturity, competitively priced term certificates of deposit to offset runoff in other certificate categories and/or in money market deposit accounts, and in certain markets, regionally pricing certain deposit types to increase sales volume where competition is stronger or our market share is lower. The Bank also is continuing a strategy of focusing its marketing efforts on the generation of low-cost and non-interest bearing transaction accounts, and may from time to time utilize the Certificate of Deposit Account Registry Service ("CDARS®") program as a replacement for non-renewed, particularly single service certificate of deposit customers, or as an alternative to wholesale borrowing sources. It is also currently anticipated that certain deposit types from the AmTrust branch purchase will continue to run off due to competitive offerings in the Columbus, Ohio market and our own desire to improve the overall deposit profile and number of account relationships per customer in that market. In the short run, it is likely the Bank will pay down maturing borrowings from available proceeds from the investment portfolio and other short term funding sources, continuing some shrinkage of the balance sheet in order to improve the risk profile and capital position of both WesBanco and its bank subsidiary.

36

## 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, 2009 as required 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.

37

## 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, 2009, WesBanco had an active stock repurchase plan in which up to one million shares can be acquired. The plan was approved by the Board of Directors on March 21, 2007 and provides for shares to be purchased for general corporate purposes, which may include 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 open market repurchases during the first nine months of 2009.

The following table presents the monthly share purchase activity during the quarter ended September 30, 2009:

| Period <br> Balance at June 30, 2009 | 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 584,325 |
| :---: | :---: | :---: | :---: | :---: |
| July 1, 2009 to July 31, 2009 |  |  |  |  |
| Open market repurchases | - |  | - | 584,325 |
| Other transactions (1) | 51,346 \$ | \$ 15.16 | N/A | N/A |

August 1, 2009 to August 31, 2009
Open market repurchases

September 1, 2009 to September 31, 2009

| Open market repurchases | - | - | - |
| :--- | :--- | :--- | :--- |
| 584,325 |  |  |  |

Other transactions (1) 2,747 \$ 15.31 N/A

Third Quarter 2009

| Open market repurchases | - | - | - | 584,325 |
| :--- | ---: | ---: | ---: | ---: |
| Other transactions (1) | $57,674 \$$ | 15.27 | N/A | N/A |

Total
57,674 \$ 15.27 -
584,325
(1) Consists of open market purchases transacted in the KSOP and dividend reinvestment plans.

38

## ITEM 6. EXHIBITS

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.

39

## 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: November 5, 2009
/s/ Paul M. Limbert
Paul M. Limbert
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 5, 2009
/s/ Robert H. Young

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

