WESBANCO INC
Form 10-Q
November 08, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the quarterly period ended September 30, 2006
¨	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number 0-8467

WESBANCO, INC.
(Exact name of Registrant as specified in its charter)

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

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer as defined by Rule 12b-2 of the Exchange Act.

Larger accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨

Indicate by check mark whether the Registrant is a shell company as defined by Rule 12b-2 of the Exchange Act. Yes ¨ No þ

As of October 31, 2006, there were 21,538,185 shares of WesBanco, Inc. common stock $2.0833 par value, outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	**September 30, 2006 (unaudited)**	December 31, 2005
ASSETS		
Cash and due from banks, including interest bearing amounts of **$1,744** and $2,432, respectively	**$ 100,401**	$ 110,608
Securities:		
Available-for-sale, at fair value	**368,265**	603,171
Held-to-maturity (fair values of **$355,565** and $397,101, respectively)	**347,945**	389,393
Total securities	**716,210**	992,564
Loans held for sale	**4,135**	28,803
Portfolio loans:		
Commercial	**393,520**	417,161
Commercial real estate	**1,169,718**	1,118,342
Residential real estate	**908,171**	929,823
Home equity	**164,203**	175,651
Consumer	**279,394**	271,100
Total portfolio loans, net of unearned income	**2,915,006**	2,912,077
Allowance for loan losses	**(31,669)**	(30,957)
Net portfolio loans	**2,883,337**	2,881,120
Premises and equipment, net	**66,010**	64,707
Accrued interest receivable	**19,742**	20,426
Goodwill and other intangible assets, net	**145,764**	147,658
Bank-owned life insurance	**81,789**	79,573
Other assets	**78,699**	96,656
Total Assets	**$ 4,096,087**	$ 4,422,115
LIABILITIES		
Deposits:		
Non-interest bearing demand	**$ 388,642**	$ 392,116
Interest bearing demand	**344,986**	325,582
Money market	**354,659**	444,071
Savings deposits	**452,382**	462,601
Certificates of deposit	**1,479,113**	1,403,954
Total deposits	**3,019,782**	3,028,324
Federal Home Loan Bank borrowings	**371,910**	612,693
Other short-term borrowings	**160,538**	244,301
Junior subordinated debt owed to unconsolidated subsidiary trusts	**87,638**	87,638
Total borrowings	**620,086**	944,632
Accrued interest payable	**9,460**	8,932
Other liabilities	**27,502**	24,997
Total Liabilities	**3,676,830**	4,006,885

SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding	**—**	—
Common stock, $2.0833 par value; 50,000,000 shares authorized; 23,615,859 shares issued;		
outstanding: **21,551,703** shares in 2006 and 21,955,359 shares in 2005	**49,200**	49,200
Capital surplus	**123,227**	122,345
Retained earnings	**311,510**	300,452
Treasury stock (**2,064,156** and 1,660,500 shares, respectively, at cost)	**(59,929)**	(47,769)
Accumulated other comprehensive loss	**(3,530)**	(7,875)
Deferred benefits for directors and employees	**(1,221)**	(1,123)
Total Shareholders' Equity	**419,257**	415,230
Total Liabilities and Shareholders' Equity	**$ 4,096,087**	$ 4,422,115

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(unaudited, in thousands, except per share amounts)	**2006**	2005	**2006**	2005
INTEREST AND DIVIDEND INCOME				
Loans, including fees	**$ 48,454**	$ 44,901	**$ 141,210**	$ 132,288
Interest and dividends on securities:				
Taxable	**4,262**	6,355	**14,628**	20,218
Tax-exempt	**3,894**	4,540	**12,255**	13,735
Total interest and dividends on securities	**8,156**	10,895	**26,883**	33,953
Federal funds sold	**-**	13	**86**	37
Other interest income	**332**	422	**1,204**	1,371
Total interest and dividend income	**56,942**	56,231	**169,383**	167,649
INTEREST EXPENSE				
Interest bearing demand deposits	**1,031**	488	**2,554**	1,156
Money market deposits	**2,013**	2,451	**6,301**	7,660
Savings deposits	**1,572**	984	**4,328**	2,273
Certificates of deposit	**14,353**	11,164	**40,193**	31,142
Total interest expense on deposits	**18,969**	15,087	**53,376**	42,231
Federal Home Loan Bank borrowings	**3,945**	5,629	**13,617**	17,394
Other short-term borrowings	**1,895**	1,593	**5,656**	4,368
Junior subordinated debt owed to unconsolidated subsidiary trusts	**1,424**	1,334	**4,178**	3,699
Total interest expense	**26,233**	23,643	**76,827**	67,692
NET INTEREST INCOME	**30,709**	32,588	**92,556**	99,957
Provision for loan losses	**2,268**	2,141	**7,171**	5,903
Net interest income after provision for loan losses	**28,441**	30,447	**85,385**	94,054
NON-INTEREST INCOME				
Trust fees	**3,711**	3,541	**11,306**	10,767

Service charges on deposits	**4,437**	2,834	**12,413**	8,019
Bank-owned life insurance	**756**	736	**2,217**	2,130
Net securities gains (losses)	**17**	141	**(7,833)**	1,962
Net gains on sales of loans	**449**	498	**890**	832
Other income	**2,304**	2,090	**10,485**	5,601
Total non-interest income	**11,674**	9,840	**29,478**	29,311
NON-INTEREST EXPENSE				
Salaries and wages	**10,142**	10,726	**29,974**	31,719
Employee benefits	**3,387**	3,694	**10,286**	11,125
Net occupancy	**1,688**	1,844	**5,567**	5,391
Equipment	**1,961**	2,018	**5,984**	6,412
Marketing	**943**	671	**3,853**	2,600
Amortization of intangible assets	**628**	665	**1,894**	2,013
Restructuring and merger-related expenses	**-**	967	**540**	1,530
Other operating expenses	**7,180**	7,078	**21,631**	21,495
Total non-interest expense	**25,929**	27,663	**79,729**	82,285
Income before provision for income taxes	**14,186**	12,624	**35,134**	41,080
Provision for income taxes	**2,632**	2,754	**6,735**	8,872
NET INCOME	**$ 11,554**	$ 9,870	**$ 28,399**	$ 32,208
EARNINGS PER SHARE				
Basic	**$ 0.53**	$ 0.44	**$ 1.30**	$ 1.42
Diluted	**$ 0.53**	$ 0.44	**$ 1.30**	$ 1.42
AVERAGE SHARES OUTSTANDING				
Basic	**21,700,328**	22,260,541	**21,843,203**	22,610,703
Diluted	**21,746,255**	22,320,674	**21,896,265**	22,664,922
DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.265**	$ 0.26	**$ 0.795**	$ 0.78

See Notes to Consolidated Financial Statements.

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

For the Nine Months Ended September 30, 2006 and 2005

(unaudited, in thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Deferred Benefits for Directors & Employees	Total
January 1, 2005	20,837,469	$ 44,415	$ 61,451	$ 281,013	$ (12,711)	$ (2,415)	$ (1,572)	$ 370,181
Net income				32,208				32,208
Change in accumulated						(4,363)		(4,363)

other comprehensive income								
Comprehensive income								27,845
Common dividends declared ($0.78 per share)				(17,593)				(17,593)
Treasury shares purchased	(1,149,191)				(32,967)			(32,967)
Treasury shares sold	171,307		(1,458)		4,218			2,760
Shares issued for acquisition	2,296,511	4,785	60,539					65,324
Excess tax benefit from employee benefit plans			744					744
Deferred benefits for directors – net							(119)	(119)
September 30, 2005	22,156,096	$ 49,200	$ 121,276	$ 295,628	$ (41,460)	$ (6,778)	$ (1,691)	$ 416,175
January 1, 2006	21,955,359	$ 49,200	$ 122,345	$ 300,452	$ (47,769)	$ (7,875)	$ (1,123)	$ 415,230
Net income				**28,399**				**28,399**
Change in accumulated other comprehensive income						**4,345**		**4,345**
Comprehensive income								**32,744**
Common dividends declared ($0.795 per share)				**(17,341)**				**(17,341)**
Treasury shares purchased	**(429,263)**				**(12,800)**			**(12,800)**
Treasury shares sold	**25,607**		**(76)**		**640**			**564**
Excess tax benefit from employee benefit plans			**710**					**710**
Recognition of stock compensation			**150**					**150**
Deferred benefits for directors – net			**98**				**(98)**	**-**
September 30, 2006	**21,551,703**	**$ 49,200**	**$ 123,227**	**$ 311,510**	**$ (59,929)**	**$ (3,530)**	**$ (1,221)**	**$ 419,257**

There was no activity in Preferred Stock during the nine months ended September 30, 2006 and 2005.

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)	For the Nine Months Ended September 30, **2006**	2005
OPERATING ACTIVITIES:		
Net income	**$ 28,399**	$ 32,208
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**4,132**	4,694
Net accretion	**(866)**	(212)
Provision for loan losses	**7,171**	5,903
Net securities losses (gains)	**7,833**	(1,962)
Net gains on sales of loans	**(890)**	(832)
Excess tax benefits from stock-based compensation arrangements	**(710)**	(744)
Deferred income taxes	**(3,236)**	2,235
Increase in cash surrender value of bank-owned life insurance	**(2,216)**	197
Loans originated for sale	**(54,300)**	(71,948)
Proceeds from the sale of loans originated for sale	**53,038**	70,288
Change in: other assets and accrued interest receivable	**19,052**	(644)
Change in: other liabilities and accrued interest payable	**3,667**	(11,892)
Other – net	**(2,911)**	990
Net cash provided by operating activities	**58,163**	28,281
INVESTING ACTIVITIES:		
Securities available-for-sale:		
Proceeds from sales	**197,786**	125,128
Proceeds from maturities, prepayments and calls	**201,228**	195,318
Purchases of securities	**(165,438)**	(175,126)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	**43,638**	16,073
Purchases of securities	**(1,353)**	(24,249)
Acquisition, net of cash paid	**-**	(37,817)
Sale of branches, net of cash	**(14,378)**	-
Sale of loans	**-**	66,791
Net increase in loans	**(1,778)**	(39,173)
Purchases of premises and equipment – net	**(2,847)**	(5,589)
Net cash provided by investing activities	**256,858**	121,356
FINANCING ACTIVITIES:		
Increase (decrease) in deposits	**26,353**	(45,002)
Decrease in Federal Home Loan Bank borrowings	**(238,947)**	(96,577)
Decrease in other short-term borrowings	**(24,764)**	(2,748)
(Decrease) increase in federal funds purchased	**(59,000)**	9,900
Proceeds from the issuance of junior subordinated debt owed to unconsolidated subsidiary trusts	**-**	15,464

Excess tax benefits from stock-based compensation arrangements	**710**	744
Dividends paid	**(17,344)**	(17,008)
Treasury shares purchased – net	**(12,236)**	(30,207)
Net cash used in financing activities	**(325,228)**	(165,434)
Net decrease in cash and cash equivalents	**(10,207)**	(15,797)
Cash and cash equivalents at beginning of the period	**110,608**	97,057
Cash and cash equivalents at end of the period	**$ 100,401**	$ 81,260
SUPPLEMENTAL DISCLOSURES:		
Interest paid on deposits and other borrowings	**$ 77,355**	$ 65,710
Income taxes paid	**7,850**	6,425
Transfers of loans to other real estate owned	**3,200**	931
Summary of business acquisition:		
Fair value of tangible assets acquired	**$ -**	$ 547,643
Fair value of core deposit intangible acquired	-	2,905
Fair value of liabilities assumed	**-**	(505,196)
Stock issued for the purchase of acquired company's common stock	**-**	(65,323)
Cash paid in the acquisition	**-**	(43,787)
Goodwill recognized	**$ -**	$ (63,758)

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION—The accompanying unaudited interim financial statements of WesBanco, Inc. (“WesBanco”) have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2005.

WesBanco’s interim financial statements have been prepared following the significant accounting policies disclosed in Note 1 of the Notes to the Consolidated Financial Statements of its 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco’s financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

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

Effective January 1, 2006, WesBanco adopted Statement of Financial Accounting Standards (“SFAS”) No. 123(R), “Share-Based Payment,” which requires the Company to measure the cost of employee services received in exchange for all equity awards granted, including stock options, based on the fair value of the awards as of their grant date.

SFAS No. 123(R) supersedes SFAS No. 123, “Accounting for Stock-Based Compensation” and Accounting Principles Board Opinion (“APB”) No. 25, “Accounting for Stock Issued to Employees.” WesBanco adopted SFAS No. 123(R) using the modified prospective method which requires that compensation cost related to unvested stock awards outstanding at December 31, 2005 be recognized over the remaining service periods of those awards based on their unamortized grant date fair value with no adjustment to prior period financial statements. Awards granted after December 31, 2005 are valued at fair value in accordance with the provisions of SFAS No. 123(R) and compensation cost is recognized on a straight line basis, net of estimated forfeitures, over the requisite service period of each award.

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

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

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

In March 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets.” This statement amends SFAS No. 140, “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,” with respect to the accounting for separately recognized servicing assets and servicing liabilities. SFAS No. 156 requires companies to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract. The statement permits a company to choose either the amortized cost method or fair value measurement method for each class of separately recognized servicing assets. This statement is effective as of the first fiscal year beginning after September 15, 2006, although earlier adoption was permitted, and is not expected to have a significant impact on WesBanco’s financial position or results of operations, as WesBanco intends to retain the amortized cost method as its method of accounting for servicing-related assets.

In June 2006, the FASB issued Interpretation No. 48 (“FIN 48”), Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.” FIN 48 clarifies the application of SFAS No. 109 to the accounting for income taxes by prescribing the minimum threshold a tax position must meet before being recognized in the financial statements. Under FIN 48, the financial statement effects of a tax position are initially recognized when it is more likely than not (likelihood of occurrence is greater than 50 percent), based on its technical merits, the position will be sustained upon examination. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon ultimate settlement with the taxing authority. This interpretation is effective for fiscal years beginning after December 15, 2006. WesBanco is currently assessing the potential impact of this interpretation on its financial position and results of operations.

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

Also in September, 2006, the FASB issued SFAS No. 158, "Employers Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement requires the recognition of an asset for a defined benefit plan's overfunded status or a liability for a plan's underfunded status. The initial adjustment and subsequent changes in the funding status are recognized in other comprehensive income. Measurement of the funding status will be as of the end of the employer's fiscal year. The principal provisions of this statement are effective for fiscal years ending after December 15, 2006. While WesBanco continues to assess the potential impact of this statement on its financial position and results of operations, if the statement had been adopted as of January 1, 2006, a net liability of approximately $3.9 million would have been recorded in the statement of financial position, representing the underfunded status of the plan, with a tax adjusted charge recorded as part of other comprehensive income in shareholder's equity of $7.7 million.

NOTE 2. EARNINGS PER SHARE

Earnings per 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)	2006	2005	2006	2005
Numerator for both basic and diluted earnings per share:				
Net Income	$ 11,554	$ 9,870	$ 28,399	$ 32,208
Denominator:				
Total average basic common shares outstanding	21,700,328	22,260,541	21,843,203	22,610,703
Effect of dilutive stock options	45,927	60,133	53,062	54,219
Total diluted average common shares outstanding	21,746,255	22,320,674	21,896,265	22,664,922
Earnings per share - basic	$ 0.53	$ 0.44	$ 1.30	$ 1.42
Earnings per share - diluted	$ 0.53	$ 0.44	$ 1.30	$ 1.42

NOTE 3. 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, 2006	December 31, 2005
Securities available-for-sale (at fair value):		
U.S. Treasury securities	$ -	$ 11,397
Other government agencies and corporations	173,544	248,111
Mortgage-backed securities	171,180	295,822
Obligations of states and political subdivisions	17,613	36,227
Corporate securities	5,928	11,614
Total securities available-for-sale	368,265	603,171
Securities held-to-maturity (at amortized cost):		
Obligations of states and political subdivisions	347,945	389,393
Total securities	$ 716,210	$ 992,564

At September 30, 2006 and December 31, 2005, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

Securities with par values aggregating $336.5 million and $443.5 million and aggregate carrying values of $337.6 and $445.7 at September 30, 2006 and December 31, 2005, respectively, were pledged to secure public and trust funds. Proceeds from the sale of available-for-sale securities were zero and $197.8 million for the three and nine months ended September 30, 2006, respectively, compared to $10.2 million and $125.1 million for the same periods in 2005.

For the nine months ended September 30, 2006, realized gains on available-for-sale securities were $0.2 million and, excluding the other-than-temporary impairment losses of $8.0 million recognized in the first quarter, realized losses on available-for-sale securities were zero. Realized gains and losses for the same period in 2005 were $2.0 million and $28 thousand, respectively.

The following table provides information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of September 30, 2006 and December 31, 2005:

	September 30, 2006								
	Less than 12 months			12 months or more			Total		
(Unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Other government agencies and corporations	$ -	$ -	-	$ 121,429	$ (1,780)	20	$ 121,429	$ (1,780)	20
Mortgage-backed securities	2,079	(23)	5	168,185	(5,653)	68	170,264	(5,676)	73
Obligations of states and political subdivisions	720	(4)	4	63,595	(949)	149	64,315	(953)	153
Total temporarily impaired securities	$ 2,799	$ (27)	9	$ 353,209	$ (8,382)	237	$ 356,008	$ (8,409)	246

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

Unrealized pre-tax gains and losses on available-for-sale securities (fair value adjustments) reflected a $5.6 million market loss as of September 30, 2006 compared to a $12.3 million market loss as of December 31, 2005. These fair value adjustments represent temporary fluctuations resulting from changes in market rates in relation to fixed yields in the available-for-sale portfolio and are accounted for as an adjustment to other comprehensive income in shareholders' equity. WesBanco may impact the magnitude of the fair value adjustment by managing both the volume and average maturities of securities that are classified as available-for-sale as well as the portion of new investments allocated to this category versus the held-to-maturity portfolio. If these securities are held to recovery or their respective maturity dates, no fair value gain or loss will be realized.

WesBanco does not believe any of the securities presented above are impaired due to reasons of credit quality as none of them have had credit downgrades and all are paying principal and interest according to their contractual terms. The unrealized losses are primarily attributable to changes in interest rates. WesBanco also has the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time it will receive full value for the securities. Accordingly, WesBanco believes the unrealized losses in its available-for-sale securities portfolio at September 30, 2006 are temporary and no additional other-than-temporary impairment losses beyond those recognized in the first quarter have been recognized in the Consolidated Statements of Income.

NOTE 4. LOANS AND THE ALLOWANCE FOR LOAN LOSSES

Loans are presented in the Consolidated Balance Sheets net of deferred loan fees and costs of $4.7 million at September 30, 2006 and December 31, 2005.

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

	For the Nine Months Ended September 30,	
(Unaudited, in thousands)	2006	2005
Balance, at beginning of period	$ 30,957	$ 29,486