WESBANCO INC
Form 10-Q
May 09, 2008

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 March 31, 2008

¨ 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, 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.(Check one):

Larger accelerated filer ¨ Accelerated filer þ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if 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 þ

As of April 30, 2008, there were 26,547,697 shares of WesBanco, Inc. common stock $2.0833 par value, outstanding.

WESBANCO, INC.
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)	March 31, 2008 (unaudited)	December 31, 2007
ASSETS		
Cash and due from banks, including interest bearing amounts of $3,960 and $1,364, respectively	$ 121,676	$ 130,219
Federal funds sold	28,024	276
Securities:		
Available-for-sale, at fair value	913,911	935,635
Held-to-maturity (fair values of $1,449 and $1,449, respectively)	1,449	1,449
Total securities	915,360	937,084
Loans held for sale	40,005	39,717
Portfolio loans:		
Commercial	486,652	505,541
Commercial real estate	1,693,862	1,682,675
Residential real estate	934,677	975,151
Home equity	192,281	193,209
Consumer	357,498	363,973
Total portfolio loans, net of unearned income	3,664,970	3,720,549
Allowance for loan losses	(40,234)	(38,543)
Net portfolio loans	3,624,736	3,682,006
Premises and equipment, net	95,759	94,143
Accrued interest receivable	23,274	23,677
Goodwill and other intangible assets, net	274,508	276,730
Bank-owned life insurance	99,166	98,273
Other assets	80,276	102,201
Total Assets	$ 5,302,784	$ 5,384,326
LIABILITIES		
Deposits:		
Non-interest bearing demand	$ 513,057	$ 519,287
Interest bearing demand	425,790	416,470
Money market	586,061	612,089
Savings deposits	446,878	440,358
Certificates of deposit	1,867,016	1,919,726
Total deposits	3,838,802	3,907,930
Federal Home Loan Bank borrowings	462,857	405,798
Other short-term borrowings	261,136	329,515
Junior subordinated debt owed to unconsolidated subsidiary trusts	111,049	111,024
Total borrowings	835,042	846,337

Accrued interest payable	12,429	12,965
Other liabilities	28,562	36,775
Total Liabilities	4,714,835	4,804,007
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; 26,633,848 shares issued; outstanding: 26,547,073 shares for both periods	55,487	55,487
Capital surplus	190,235	190,222
Retained earnings	338,364	336,317
Treasury stock (86,775 shares - at cost for both periods)	(1,983)	(1,983)
Accumulated other comprehensive income	7,033	1,450
Deferred benefits for directors	(1,187)	(1,174)
Total Shareholders' Equity	587,949	580,319
Total Liabilities and Shareholders' Equity	$ 5,302,784	$ 5,384,326

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF INCOME

	For the Three Months Ended March 31,	
(unaudited, in thousands, except per share amounts)	2008	2007
INTEREST AND DIVIDEND INCOME		
Loans, including fees	$ 63,208	$ 48,269
Interest and dividends on securities:		
Taxable	7,112	4,778
Tax-exempt	3,799	3,737
Total interest and dividends on securities	10,911	8,515
Federal funds sold	221	108
Other interest income	353	301
Total interest and dividend income	74,693	57,193
INTEREST EXPENSE		
Interest bearing demand deposits	1,047	1,021
Money market deposits	3,445	2,190
Savings deposits	988	1,500
Certificates of deposit	21,516	15,679
Total interest expense on deposits	26,996	20,390
Federal Home Loan Bank borrowings	4,739	3,310
Other short-term borrowings	2,505	2,092
	1,865	1,408

Junior subordinated debt owed to unconsolidated subsidiary trusts				
Total interest expense		36,105		27,200
NET INTEREST INCOME		38,588		29,993
Provision for credit losses		5,425		1,460
Net interest income after provision for credit losses		33,163		28,533
NON-INTEREST INCOME				
Trust fees		4,124		4,338
Service charges on deposits		5,586		3,883
Bank-owned life insurance		860		748
Net securities gains		505		678
Net gains on sales of mortgage loans		298		336
Other income		3,732		3,253
Total non-interest income		15,105		13,236
NON-INTEREST EXPENSE				
Salaries and wages		14,184		10,182
Employee benefits		4,417		3,696
Net occupancy		2,967		2,003
Equipment		2,383		1,902
Marketing		1,170		622
Amortization of intangible assets		1,013		596
Restructuring and merger-related expenses		1,047		-
Other operating expenses		9,333		7,384
Total non-interest expense		36,514		26,385
Income before provision for income taxes		11,754		15,384
Provision for income taxes		2,251		3,437
NET INCOME	$	9,503	$	11,947
EARNINGS PER SHARE				
Basic	$	0.36	$	0.56
Diluted	$	0.36	$	0.56
AVERAGE SHARES OUTSTANDING				
Basic		26,547,073		21,271,328
Diluted		26,556,104		21,325,166
DIVIDENDS DECLARED PER COMMON SHARE	$	0.280	$	0.275

See Notes to Consolidated Financial Statements.

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

For the Three Months Ended March 31, 2008 and 2007

Accumulated

(unaudited, in thousands, except per share amounts)	Common Stock		Capital	Retained	Treasury	Other Comprehensive	Deferred Benefits for	
	Shares	Amount	Surplus	Earnings	Stock	Income (Loss)	Directors	Total
December 31, 2006	21,496,793	$ 49,200	$ 123,170	$ 316,457	$ (61,855)	$ (8,863)	$ (1,234)	$ 416,875
Net income				11,947				11,947
Other comprehensive income						4,278		4,278
Total comprehensive income								16,225
Common dividends declared ($0.275 per share)				(5,799)				(5,799)
Treasury shares purchased	(560,253)				(17,675)			(17,675)
Treasury shares sold	11,500				286			286
Cumulative effect of change in accounting for uncertainties in income taxes				(298)				(298)
Tax benefit from employee benefit plans			34					34
Stock option expense			51					51
Deferred benefits for directors – net			(53)				53	-
March 31, 2007	20,948,040	$ 49,200	$ 123,202	$ 322,307	$ (79,244)	$ (4,585)	$ (1,181)	$ 409,699
December 31, 2007	26,547,073	$ 55,487	$ 190,222	$ 336,317	$ (1,983)	$ 1,450	$ (1,174)	$ 580,319
Net income				9,503				9,503
Other comprehensive income						5,583		5,583
Total comprehensive income								15,086

Common dividends declared ($0.28 per share)				(7,456)				(7,456)
Deferred benefits for directors – net			13				(13)	-
March 31, 2008	26,547,073	$ 55,487	$ 190,235	$ 338,364	$ (1,983)	$ 7,033	$ (1,187)	$ 587,949

There was no activity in Preferred Stock during the three months ended March 31, 2008 and 2007.

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
(Unaudited, in thousands)	2008	2007
OPERATING ACTIVITIES:		
Net income	$ 9,503	$ 11,947
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,872	1,398
Net amortization	(598)	(251)
Provision for credit losses	5,426	1,460
Net securities gains	(508)	(678)
Net gains on sales of mortgage loans	(298)	(336)
Excess tax benefits from stock-based compensation arrangements	-	(34)
Deferred income taxes	622	263
Increase in cash surrender value of bank-owned life insurance	(893)	(753)
Loans originated for sale	(27,941)	(24,101)
Proceeds from the sale of loans originated for sale	26,026	22,860
Net change in: other assets and accrued interest receivable	19,131	(132)
Net change in: other liabilities and accrued interest payable	(9,072)	3,482
Other – net	342	(537)
Net cash provided by operating activities	23,612	14,588
INVESTING ACTIVITIES:		
Securities available-for-sale:		
Proceeds from sales	27,831	1,213
Proceeds from maturities, prepayments and calls	77,499	59,542

Purchases of securities	(73,784)	(71,630)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	-	6,754
Purchases of securities	-	(200)
Net decrease in loans	54,370	68,089
Purchases of premises and equipment – net	(3,509)	(532)
Net cash provided by investing activities	82,407	63,236
FINANCING ACTIVITIES:		
(Decrease) increase in deposits	(68,936)	734
Increase in Federal Home Loan Bank borrowings	57,709	5,610
(Decrease) increase in other short-term borrowings	(16,288)	9,512
Decrease in federal funds purchased	(52,000)	(50,000)
Excess tax benefits from stock-based compensation arrangements	-	34
Dividends paid	(7,299)	(5,696)
Treasury shares purchased – net	-	(17,390)
Net cash used in financing activities	(86,814)	(57,196)
Net increase in cash and cash equivalents	19,205	20,628
Cash and cash equivalents at beginning of the period	130,495	96,605
Cash and cash equivalents at end of the period	$ 149,700	$ 117,233
SUPPLEMENTAL DISCLOSURES:		
Interest paid on deposits and other borrowings	$ 37,213	$ 27,039
Transfers of loans to other real estate owned	229	315
Transfers of held to maturity securities to available for sale securities	-	340,767

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, 2007.

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 2007 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. At and for the quarter ended March 31, 2008 WesBanco operated two commercial banking subsidiaries as WesBanco Bank, Inc. and Oak Hill Banks (collectively “the Banks”) within the consolidated company. As of April 25, 2008 Oak Hill Banks was merged into WesBanco Bank, Inc., resulting in the existence of one banking subsidiary.

RECENT ACCOUNTING PRONOUNCEMENTS—In September, 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines, and provides guidance as to the measurement of, fair value. This statement creates a hierarchy of measurement and indicates that, when possible, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. SFAS No. 157 applies when assets or liabilities in the financial statements are to be measured at fair value, but does not require additional use of fair value beyond the requirements in other accounting principles. The statement was effective for WesBanco as of January 1, 2008, excluding certain nonfinancial assets and nonfinancial liabilities, for which the statement is effective for fiscal years beginning after November 15, 2008 and its adoption did not have a significant impact on WesBanco's financial position or results of operations. See Note 8 Fair Value Measurements.

In February, 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits companies to report certain financial assets and financial liabilities at fair value. SFAS 159 was effective for WesBanco as of January 1, 2008 at which time the Company could elect to apply the standard prospectively and measure certain financial instruments at fair value. WesBanco has evaluated the guidance contained in SFAS 159, and has elected not to apply the fair value option for any of its current assets or liabilities, therefore, the adoption of the statement had no impact on its financial position and results of operations. WesBanco retains the right to elect the fair value option for certain future assets and liabilities acquired.

In November 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 109, which addresses the valuation of written loan commitments accounted for at fair value through earnings. The guidance in SAB 109 expresses the staff's view that the measurement of fair value for a written loan commitment accounted for at fair value through earnings should incorporate the expected net future cash flows related to the associated servicing of the loan. Previously under SAB 105, "Application of Accounting Principles to Loan Commitments", this component of value was not incorporated into the fair value of the loan commitment. WesBanco has adopted the provisions of SAB 109 for written loan commitments entered into or modified beginning January 1, 2008 related to residential real estate loans held for sale that are accounted for as derivatives under SFAS 133 "Accounting for Derivative Instruments and Hedging Activities". WesBanco does not account for any other written loan commitments at fair value through earnings. This statement did not have a material impact on WesBanco's financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations". SFAS 141(R) amends SFAS 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquired business. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. It is effective for business combinations consummated by WesBanco after December 31, 2008 and is to be applied prospectively. While its adoption will not have any impact on current assets and liabilities, the statement's implementation for future acquisitions may materially adjust the accounting for the acquired assets and liabilities of such a business combination, if any were to be consummated.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51". SFAS 160 requires that ownership interests in subsidiaries held by parties other than the parent, and the amount of consolidated net income, be clearly identified, labeled, and presented in the consolidated financial statements. It also requires once a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. It is effective for fiscal years beginning after December 15, 2008 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements shall be applied prospectively. WesBanco is currently evaluating the impact of adopting SFAS 160 on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133". This statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. It is effective for years beginning after November 15, 2008. WesBanco does not believe that this statement will have a material impact on its consolidated financial statements.

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NOTE 2. EARNINGS PER SHARE

Earnings per share are calculated as follows:

	For the Three Months Ended March 31,	
(Unaudited, in thousands, except shares and per share amounts)	2008	2007
Numerator for both basic and diluted earnings per share:		
Net Income	$ 9,503	$ 11,947
Denominator:		
Total average basic common shares outstanding	26,547,073	21,271,328
Effect of dilutive stock options	9,031	53,838
Total diluted average common shares outstanding	26,556,104	21,325,166
Earnings per share - basic	$ 0.36	$ 0.56
Earnings per share - diluted	$ 0.36	$ 0.56

NOTE 3. SECURITIES

Effective March 31, 2007 all held-to-maturity securities were transferred to available-for-sale. The securities were transferred to increase the level of securities available to pledge as collateral to support municipal deposits and other deposits and borrowings that may require pledged collateral. Some securities transferred had a cost basis in excess of fair value. Management has the intent and ability to hold the securities until recovery of their cost. Upon recovery, management may sell securities and purchase securities that can be better utilized as pledged collateral. The amortized cost of the transferred securities, at the date of transfer, was $334.9 million. WesBanco does not intend to use the held-to-maturity security classification for purchased securities for the foreseeable future.

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

(Unaudited, in thousands)	March 31, 2008	December 31, 2007
Securities available-for-sale (at fair value):		
Other government agencies and corporations	$ 48,331	$ 83,497
Mortgage-backed securities	484,747	461,022
Obligations of states and political subdivisions	372,491	385,848
Corporate equity securities	5,342	5,268
Total securities available-for-sale	910,911	935,635

Securities held-to-maturity (at amortized cost):		
Corporate securities	1,449	1,449
Total securities	$ 912,360	$ 937,084

At March 31, 2008 and December 31, 2007, 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 aggregate par values of $392.0 million and $378.4 million and aggregate carrying values of $399.0 million and $380.3 million at March 31, 2008 and December 31, 2007, respectively, were pledged as security for public and trust funds, and securities sold under agreements to repurchase. Proceeds from the sale of available-for-sale securities were $27.8 million and $1.2 million for the three months ended March 31, 2008 and 2007, respectively.

For the three months ended March 31, 2008 realized gains on available-for-sale securities were $508 thousand and realized losses were $2 thousand. For the three months ended March 31, 2007, realized gains on available-for-sale securities were $678 thousand and realized losses were zero.

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The following table provides information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of March 31, 2008 and December 31, 2007:

	March 31, 2008						
	Less than 12 months			12 months or more			
(Unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fai Valu
Other government agencies and corporations	$ 1,678	$ (44)	2	$ -	$ -	-	$
Mortgage-backed securities	14,205	(25)	9	52,808	(531)	30	
Obligations of states and political subdivisions	13,740	(164)	33	12,381	(73)	29	
Total temporarily impaired securities	$ 29,623	$ (233)	44	$ 65,189	$ (604)	59	$

	December 31, 2007						
	Less than 12 months			12 months or more			
(Unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fai Valu

Other government agencies and corporations	$ -	$ -	-	$ 10,973	$ (27)	2	$
Mortgage-backed securities	38,824	(119)	22	158,968	(2,215)	68	
Obligations of states and political subdivisions	19,541	(133)	48	40,246	(306)	102	
Total temporarily impaired securities	$ 58,365	$ (252)	70	$ 210,187	$ (2,548)	172	$

Unrealized losses in the table 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. Since loss position securities are intended to be held to recovery or their respective maturity dates, no fair value loss will be realized.

WesBanco does not believe any of the securities presented above are impaired due to reasons of credit quality as none of them have had credit downgrades and all are paying principal and interest according to their contractual terms. The unrealized losses are primarily attributable to changes in broad interest rate indices, which change in accordance with market conditions. WesBanco has the ability and intent to hold the noted loss position securities for a period of time sufficient for a recovery of cost. Accordingly, as of March 31, 2008 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 for the first quarter of 2008.

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 $4.0 million at March 31, 2008 and $4.1 million at December 31, 2007.

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

	For the Three Months Ended March 31,	
(Unaudited, in thousands)	2008	2007
Balance, at beginning of period	$ 38,543	$ 31,979
Provision for loan losses	5,275	1,460
Charge-offs	(4,199)	(2,225)
Recoveries	615	543
Balance, at end of period	$ 40,234	$ 31,757

(Unaudited, in thousands)	March 31, 2008	December 31, 2007
Non-accrual loans	$ 26,530	$ 19,858
Other impaired loans	8,704	12,838
Total impaired loans	$ 35,234	$ 32,696

(Unaudited, in thousands)	March 31, 2008	December 31, 2007
Balance of impaired loans with no allocated allowance for loan losses	$ 27,815	$ 23,836
Balance of impaired loans with an allocated allowance for loan losses	7,419	8,860
Total impaired loans	$ 35,234	$ 32,696
Allowance for loan losses allocated to impaired loans	$ 1,545	$ 1,553

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At March 31, 2008 and December 31, 2007, WesBanco had no material commitments to lend additional funds to debtors whose loans were classified as impaired.

NOTE 5. FEDERAL HOME LOAN BANK BORROWINGS

At March 31, 2008 WesBanco Bank and Oak Hill Banks were separately chartered banks. WesBanco is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh while Oak Hill Banks is a member of the FHLB of Cincinnati. WesBanco's FHLB borrowings are secured by a blanket lien by the FHLB on certain residential mortgage loans or securities with a market value in excess of the outstanding balances of the borrowings. The FHLB borrowings of Oak Hill Banks are secured by separate blanket liens by the FHLB on certain residential mortgage loans or securities with a market value in excess of the outstanding balances of the borrowings.

At March 31, 2008 and December 31, 2007 WesBanco Bank had FHLB borrowings of $338.8 million and $266.3 million, respectively, with a weighted-average interest rate of 4.14% and 4.39%, respectively. Included in such FHLB borrowings at March 31, 2008 are $55.3 million in FHLB of Cincinnati advances obtained in connection with certain business combinations. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying first mortgage loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted as a percentage of the unpaid principal balance. FHLB stock totaling $20.2 million at March 31, 2008 and $17.2 million at December 31, 2007 is also pledged as collateral on these advances. The remaining maximum borrowing capacity by WesBanco Bank with the FHLB at March 31, 2008 and December 31, 2007 was $1,332.2 million and $1,120.9 million, respectively.

Certain FHLB advances contain call features, which allow the FHLB to call the outstanding balance or convert a fixed rate borrowing to a variable rate advance if the strike rate goes beyond a certain predetermined rate. The probability that these advances will be called depends primarily on the level of related interest rates during the call period. Of the $338.8 million outstanding at March 31, 2008, $273.4 million in FHLB convertible advances are subject to call or conversion to a variable rate advance by the FHLB. Approximately $31.1 million of such advances are from the FHLB of Cincinnati. Due to the terms of the note agreements with such bank, these convertible advances are not subject to renewal or rollover at the variable rate since WesBanco is not a member of the Cincinnati FHLB, and instead WesBanco would be required to pay down such advances or refinance them with the Pittsburgh FHLB.

At March 31, 2008 and December 31, 2007 Oak Hill Banks had FHLB borrowings of $124.1 million and $139.5 million, respectively, with a weighted-average interest rate of 5.00% and 4.99%, respectively. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying mortgage loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted as a percentage of the unpaid principal balance. FHLB stock owned by Oak Hill Banks totaling $8.2 million at March 31, 2008 and $8.1 million at December 31, 2007 is also pledged as collateral on these advances. The remaining maximum borrowing capacity by Oak Hill Banks with the FHLB at March 31, 2008 and December 31, 2007 was $133.2 million and $82.2 million, respectively.

The following table presents the aggregate annual maturities and weighted-average interest rates of FHLB borrowings at March 31, 2008 based on their contractual maturity dates and effective interest rates:

Year (unaudited, in thousands)	Scheduled Maturity	Weighted Average Rate
2008	$ 34,869	4.52%
2009	101,400	4.47%
2010	137,761	4.50%
2011	35,774	4.75%
2012	56,787	4.55%
2013 and thereafter	96,266	3.77%
Total	$ 462,857	4.37%

NOTE 6. OTHER SHORT-TERM BORROWINGS

Other short-term borrowings are comprised of the following:

(Unaudited, in thousands)	March 31, 2008	December 31, 2007
Federal funds purchased	$ -	$ 52,000
Securities sold under agreements to repurchase	224,555	228,870
Treasury tax and loan notes and other	81	645
Revolving line of credit	36,500	48,000
Total	$ 261,136	$ 329,515

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NOTE 7. PENSION PLAN

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

	For the Three Months Ended March 31,	
(Unaudited, in thousands)	2008	2007
Service cost – benefits earned during year	$ 577	$ 603
Interest cost on projected benefit obligation	792	745
Expected return on plan assets	(1,138)	(1,066)
Amortization of prior service cost	(29)	(29)
Amortization of net loss	129	190
Net periodic pension cost	$ 331	$ 443

WesBanco recently changed the provisions of its defined benefit pension plan, such that, employees hired, or rehired, on or after August 1, 2007 do not qualify for participation in the plan. This change does not affect employees hired prior to August 1, 2007.

There is no minimum contribution due for 2008, and no decision has been made as of March 31, 2008 relative to the level of contribution that will be made to the plan, if any.

NOTE 8. FAIR VALUE MEASUREMENTS

On January 1, 2008, WesBanco adopted the provisions of SFAS 157, "Fair Value Measurements" (SFAS 157) which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Under SFAS 157, fair value measurements are not adjusted for transaction costs. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

BASIS OF FAIR VALUE MEASUREMENT:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly, in the market;
Level 3 – Valuation is generated from model-based techniques where all significant assumptions are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow models and similar techniques.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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

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

Mortgage servicing rights: The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income. The Company is able to compare the valuation model inputs and result to widely available published industry data for reasonableness. These rights are measured at fair value on a nonrecurring basis and are classified within level 2 of the fair value hierarchy.

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

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The following table sets forth the Company's financial assets and liabilities that were accounted for at fair values on a recurring basis as of March 31, 2008 by level within the fair value hierarchy:

		Fair Value Measurements at Reporting Date Using:		
(Unaudited - in thousands)	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Securities - available for sale	$ 913,911	$ 46,630	$ 861,480	$ 5,801

The estimated fair value of interest rate swap derivatives is insignificant and therefore not presented in the above table.

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)	Securities Available for Sale
Beginning balance - January 1, 2008	$ 5,994
Total gains (losses) - (realized/unrealized):	
Included in earnings	-
Included in other comprehensive income	(193)
Purchases, issuances, and settlements	-
Transfers in and/or out of Level 3	-
Ending balance - March 31,2008	$ 5,801
Total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	$ -

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 in 2008, 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 :

		Fair Value Measurements at Reporting Date Using:		
(Unaudited - in thousands)	March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans (1)	$ 5,874	$ -	$ -	$ 5,874
Mortgage servicing rights (2)	2,530	-	2,530	-

(1) Represents the carrying value of loans for which adjustments are based on the appraised value of the collateral.
(2) 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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NOTE 9. COMPREHENSIVE INCOME

The components of other comprehensive income are as follows:

	For the Three Months Ended March 31,	
(Unaudited, in thousands)	2008	2007
Net Income	$ 9,503	$ 11,947
Securities available-for-sale:		
Unrealized gains from transfer of securities from held-to-maturity to available for sale (2)	-	5,817
Related income tax (expense) benefit (1)	-	(2,298)
Net change in unrealized gains (losses) on securities available-for-sale	9,533	1,770
Related income tax (expense) benefit (1)	(3,706)	(699)
Net securities (gains) losses reclassified into earnings	(506)	(678)
Related income tax expense (benefit) (1)	200	268
Net effect on other comprehensive income for the period	5,521	4,180
Cash flow hedge derivatives:		
Net change in unrealized gains (losses) on derivatives	3	10
Related income tax (expense) benefit (1)	(1)	(4)

Net effect on other comprehensive income for the period	2	6
Defined benefit pension plan		
Amortization of prior service costs	(29)	(29)
Related income tax expense (benefit) (1)	12	11
Amortization of unrealized loss	128	181
Related income tax expense (benefit) (1)	(51)	(71)
Net effect on other comprehensive income for the period	60	92
Other comprehensive income	5,583	4,278
Total comprehensive income	$ 15,086	$ 16,225

(1) Related income tax expense (benefit) calculated using a combined Federal and State income tax rate of approximately 40%.
(2) See Note 3 "Securities" for additional information on this transfer.

The activity in accumulated other comprehensive income (loss) for the three months ended March 31, 2008 and 2007 is as follows:

(Unaudited, in thousands)	Defined Benefit Pension Plan	Unrealized Gains (Losses) on Securities Available-for-Sale	Net Unrealized Gains (Losses) on Derivative Instruments Used in Cash Flow Hedging Relationships	Total
Balance at January 1, 2008	$ (3,893)	$ 5,379	$ (36)	$ 1,450
Period change, net of tax	60	5,521	2	5,583
Balance at March 31, 2008	$ (3,833)	$ 10,900	$ (34)	$ 7,033
Balance at January 1, 2007	$ (5,686)	$ (3,118)	$ (59)	$ (8,863)
Period change, net of tax	92	4,180	6	4,278
Balance at March 31, 2007	$ (5,594)	$ 1,062	$ (53)	$ (4,585)

NOTE 10. 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 and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other 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 were $0.4 million and $0.2 million as of each of the periods ended March 31, 2008 and December 31, 2007, 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 March 31, 2008 and December 31, 2007, respectively, and is included in other liabilities on the Consolidated Balance Sheets.

The following table presents total commitments and standby letters of credit outstanding:

(Unaudited, in thousands)	March 31, 2008	December 31, 2007
Commitments to extend credit	$ 710,385	$ 687,352
Standby letters of credit	42,918	51,363
Commercial letters of credit	-	3,753

CONTINGENT LIABILITIES—WesBanco and its subsidiaries are parties to various legal and administrative proceedings and claims. While any claims contain 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 11. 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, 0.3 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 three months ended March 31, 2008:

(Unaudited, in thousands, except shares, per share amounts and term)	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life in Years
Outstanding at January 1, 2008	370,704	$ 24.92	
Granted	-	-	
Exercised	-	-	
Forfeited or expired	(7,110)	29.50	
Outstanding at March 31, 2008	363,594	$ 24.83	4.97
Vested and exercisable at March 31, 2008	334,588	$ 24.39	4.69

The aggregate intrinsic value of the outstanding options and the options exercisable at quarter end was $0.5 million. There were no options awarded during the first quarter of 2008.

NOTE 12. 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. 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 $3.0 billion and $3.0 billion at March 31, 2008 and 2007, respectively. These assets are held by WesBanco Bank, 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:

(Unaudited, in thousands)	Community Banking	Trust and Investment Services	Consolidated
Income Statement Data			
For the Three Months ended March 31, 2008:			
Interest income	$ 74,693	$ -	$ 74,693
Interest expense	36,105	-	36,105
Net interest income	38,588	-	38,588
Provision for credit losses	5,425	-	5,425
Net interest income after provision for credit losses	33,163	-	33,163
Non-interest income	10,981	4,124	15,105
Non-interest expense	34,388	2,126	36,514
Income before provision for income taxes	9,756	1,998	11,754
Provision for income taxes	1,452	799	2,251
Net income	$ 8,304	$ 1,199	$ 9,503
For the Three Months ended March 31, 2007:			
Interest income	$ 57,193	$ -	$ 57,193
Interest expense	27,200	-	27,200
Net interest income	29,993	-	29,993
Provision for credit losses	1,460	-	1,460
Net interest income after provision for credit losses	28,533	-	28,533
Non-interest income	8,898	4,338	13,236
Non-interest expense	23,964	2,421	26,385
Income before provision for income taxes	13,467	1,917	15,384
Provision for income taxes	2,670	767	3,437
Net income	$ 10,797	$ 1,150	$ 11,947

Total non-fiduciary assets of the trust and investment services segment were $15.9 million and $6.6 million at March 31, 2008 and 2007, respectively. All goodwill and other intangible assets, mortgage servicing rights and net deferred tax assets were allocated to the community banking segment.

NOTE 13. SUBSEQUENT EVENTS

On April 11, 2008, WesBanco completed the sale of five branches to two purchasers. Collectively, the transactions represent a blended premium of approximately 7.4% on deposits of $65.1 million. Loans totaling $33.9 million and other assets totaling $2.3 million are also included in the transactions. The premium, net of allocable core deposit intangible basis from acquisition at November 30, 2007, was netted against originally recorded goodwill, and as a result, no income statement impact is currently anticipated from the completion of this transaction.

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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, 2007 filed with the Securities and Exchange Commission (“SEC”), which is 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 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 March 31, 2008 have remained unchanged from the disclosures presented in WesBanco’s Annual Report on Form 10-K for the year ended December 31, 2007 under the section

"Management's Discussion and Analysis of Financial Condition and Results of Operations."

OVERVIEW

WesBanco is a multi-state bank holding company operating at quarter end through 116 locations and 153 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 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.

RESULTS OF OPERATIONS

EARNINGS SUMMARY

For the three months ended March 31, 2008, WesBanco's diluted earnings per share were $0.36, versus last year's $0.56, a decrease of 35.7%, on net income of $9.5 million, as compared to $11.9 million in the 2007 period. Return on average assets decreased to 0.72% from 1.20% in 2007 and return on average equity decreased to 6.55% from 11.77%.

First quarter 2008 results reflected a full quarter of the net income of Oak Hill Financial, Inc., acquired as of November 30, 2007. Earnings decreased in the first quarter due to a higher credit loss provision, primarily due to a decline in overall economic conditions in WesBanco's market areas. WesBanco recorded higher net interest income primarily from the acquired assets and liabilities of Oak Hill, somewhat higher non-interest income from higher average deposit balances and related fees and service charges plus higher securities and insurance revenues, net of higher expenses from the acquired organization's branch network and back office operations. In addition, the net interest margin grew in the first quarter from prior period levels, as the interest rate yield curve sloped more positively and short-term interest costs, upon which a substantial portion of WesBanco's deposits and short term borrowings are relationally priced, continued to decline. While the market for loans and deposits continued to be very competitive in the first quarter, our liability sensitive balance sheet, resulted in the improved margin from the fourth quarter of 2007, albeit down somewhat from last year's first quarter.

NET INTEREST INCOME

TABLE 1. NET INTEREST INCOME

	For the Three Months Ended March 31,	
(unaudited, in thousands)	2008	2007
Net interest income	$ 38,588	$ 29,993
Taxable equivalent adjustments to net interest income	2,046	2,012
Net interest income, fully taxable equivalent	$ 40,634	$ 32,005

Net interest spread, non-taxable equivalent	2.96%	2.91%
Benefit of net non-interest bearing liabilities	0.34%	0.43%
Net interest margin	3.30%	3.34%
Taxable equivalent adjustment	0.18%	0.22%
Net interest margin, fully taxable equivalent	3.48%	3.56%

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 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 of those assets and liabilities. Net interest income for the first quarter of 2008 increased 28.7% compared to the same period in 2007, as a result of the acquisition of Oak Hill's assets and liabilities, slightly offset by a lower net interest margin in comparison with the first quarter of 2007. The net interest spread was higher, however, as a greater amount of shorter-term funding sources such as certificates of deposit and certain borrowings dropped in the current lower interest rate environment as compared to loans and investment securities. The combination of a lower contribution from net non-interest bearing liabilities (9% of total assets versus 11% last year), due primarily to the addition of goodwill and other identified intangibles from the acquisition, and lower tax-exempt assets as a percentage of total interest bearing assets, resulted in the slighter lower overall net interest margin. In an overall lower interest rate environment, some customers have opted to invest in higher-rate money market accounts (MMDAs) and certificates of deposit (CDs) from other institutions. This resulted in some runoff of those account types from year-end, comprising most of the $68 million or 1.8% decrease in total deposits, as WesBanco attempted to aggressively reduce its funding costs and improve its margin. Funding cost decreases have been somewhat offset by a lower mix of average non-interest bearing deposit accounts.

Interest income increased by 30.6% in the first quarter as compared to the same period in 2007. The increase in interest income was due to increases in the volume of assets from Oak Hill, net of planned runoff in WesBanco Bank's residential mortgage loan portfolio, as over the last two years, more loans originated have been sold into the secondary market rather than being held on the balance sheet. The average rate earned on total interest-earning assets was consistent with the prior year, particularly for total loans, while a 3 basis point increase on total securities was offset by a lower rate earned on federal funds sold and other earning assets. Throughout 2007, WesBanco continued its prior year strategy in a flat to inverted yield curve environment of using cash flows from sales and maturities of securities, and from reductions in the residential loan portfolio, to reduce higher cost interest bearing liabilities.

Average loan balances increased approximately $855 million or 29.8% for the first three months of 2008 compared to the prior year due to the Oak Hill loan portfolio acquisition, net of the effect of planned reductions in residential real estate loans. To a lesser degree, decreases in commercial and commercial real estate loans attributable to reduced demand and prepayment prior to maturity of certain loans, as well as planned exits of under-performing and less profitable types of loans throughout 2007, also reduced total loans.

Interest expense increased 32.7% for the three months ended March 31, 2008 compared to the same 2007 period, due to increases in interest bearing liabilities from the Oak Hill acquisition, partially offset by reductions in rates paid on certain liability types. As shown in Table 2, the average rate paid on interest bearing liabilities for the first quarter of 2008 was flat with the prior year as increases in rates paid on CDs, FHLB borrowings and junior subordinated debentures were offset by lower rates paid on MMDAs and savings account product types, as well as other short-term borrowings. In addition, the mix of short-term borrowings to other borrowing types, particularly FHLB advances, increased as management intentionally allowed longer-term FHLB advances to mature and remain in shorter-term repos or overnight federal funds purchased to take advantage of lower market interest rates beginning in the third quarter of 2007 and continuing into the first quarter of 2008. However, by the end of the first quarter of 2008, short-term borrowings were reduced as management decided to utilize mid-term structured FHLB borrowings to a greater degree, which permitted generally lower initial interest rates and an embedded interest rate cap after the no-call period until maturity. Management also aggressively reduced certain interest rates paid on maturing CDs and MMDAs in order to realize a lower cost of funds during a period of reduced loan demand, which resulted in a decrease in average CD and MMDA balances prior to the Oak Hill acquisition, while focusing its marketing efforts on increasing non-interest bearing demand deposits. Average interest bearing liabilities increased by a total of 31.8% in the first quarter due to the Oak Hill acquisition, as compared to the first quarter of 2007.

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TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

	For the Three Months Ended March 31,			
	2008		2007	
(unaudited, in thousands)	Average Balance	Average Rate	Average Balance	Average Rate
ASSETS				
Due from banks - interest bearing	$ 2,459	3.60%	$ 1,309	2.44%
Loans, net of unearned income (1)	3,720,600	6.83%	2,865,159	6.83%
Securities: (2)				
Taxable	544,974	5.22%	391,820	4.88%
Tax-exempt (3)	355,140	6.58%	342,591	6.71%
Total securities	900,114	5.76%	734,411	5.73%
Federal funds sold	31,337	2.82%	9,133	4.73%
Other earning assets	28,842	4.70%	22,736	5.30%
Total earning assets (3)	4,683,352	6.58%	3,632,748	6.59%
Other assets	636,291		391,627	
Total Assets	$ 5,319,643		$ 4,024,375	

LIABILITIES AND SHAREHOLDERS' EQUITY