

WESBANCO INC
Form 10-Q
November 04, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____

Commission File Number 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

WEST VIRGINIA
(State of incorporation)

55-0571723
(IRS Employer Identification No.)

1 Bank Plaza, Wheeling, WV
(Address of principal executive offices)

26003
(Zip Code)

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

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was

Edgar Filing: WESBANCO INC - Form 10-Q

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of October 28, 2016, there were 43,860,883 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

Table of Contents**WESBANCO, INC.****TABLE OF CONTENTS**

| Item No. | ITEM | Page No. |
|---------------------|---|---------------------|
| | <u>PART I FINANCIAL INFORMATION</u> | |
| 1 | <u>Financial Statements</u> | |
| | <u>Consolidated Balance Sheets at September 30, 2016 (unaudited) and December 31, 2015</u> | 3 |
| | <u>Consolidated Statements of Comprehensive Income for the three and nine months ended</u> | |
| | <u>September 30, 2016 and 2015 (unaudited)</u> | 4 |
| | <u>Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30,</u> | |
| | <u>2016 and 2015 (unaudited)</u> | 5 |
| | <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015</u> | |
| | <u>(unaudited)</u> | 6 |
| | <u>Notes to Consolidated Financial Statements (unaudited)</u> | 7 |
| 2 | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 30 |
| 3 | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 48 |
| 4 | <u>Controls and Procedures</u> | 51 |
| | <u>PART II OTHER INFORMATION</u> | |
| 1 | <u>Legal Proceedings</u> | 52 |
| 2 | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 52 |
| 6 | <u>Exhibits</u> | 53 |
| | <u>Signatures</u> | 54 |

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

| <i>(unaudited, in thousands, except shares)</i> | September 30, 2016 | December 31, 2015 |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Cash and due from banks, including interest bearing amounts of \$9,702 and \$10,978 , respectively | \$ 116,132 | \$ 86,685 |
| Securities: | | |
| Trading securities, at fair value | 7,070 | 6,451 |
| Available-for-sale, at fair value | 1,302,029 | 1,403,069 |
| Held-to-maturity (fair values of \$1,089,227 and \$1,038,207 , respectively) | 1,049,093 | 1,012,930 |
| Total securities | 2,358,192 | 2,422,450 |
| Loans held for sale | 20,231 | 7,899 |
| Portfolio loans, net of unearned income | 6,236,852 | 5,065,842 |
| Allowance for loan losses | (42,755) | (41,710) |
| Net portfolio loans | 6,194,097 | 5,024,132 |
| Premises and equipment, net | 138,731 | 112,203 |
| Accrued interest receivable | 29,964 | 25,759 |
| Goodwill and other intangible assets, net | 591,866 | 490,888 |
| Bank-owned life insurance | 186,993 | 150,980 |
| Other assets | 176,178 | 149,302 |
| Total Assets | \$ 9,812,384 | \$ 8,470,298 |
| LIABILITIES | | |
| Deposits: | | |
| Non-interest bearing demand | \$ 1,697,476 | \$ 1,311,455 |
| Interest bearing demand | 1,618,514 | 1,152,071 |
| Money market | 1,016,300 | 967,561 |
| Savings deposits | 1,228,509 | 1,077,374 |
| Certificates of deposit | 1,573,712 | 1,557,838 |
| Total deposits | 7,134,511 | 6,066,299 |
| Federal Home Loan Bank borrowings | 950,847 | 1,041,750 |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | |
|--|---------------------|--------------|
| Other short-term borrowings | 132,497 | 81,356 |
| Subordinated debt and junior subordinated debt | 163,364 | 106,196 |
| Total borrowings | 1,246,708 | 1,229,302 |
| Accrued interest payable | 2,898 | 1,715 |
| Other liabilities | 81,116 | 50,850 |
| Total Liabilities | 8,465,233 | 7,348,166 |
| SHAREHOLDERS EQUITY | | |
| Preferred stock, no par value; 1,000,000 shares authorized; none outstanding | | |
| Common stock, \$2.0833 par value; 100,000,000 shares authorized in 2016 and 2015, respectively; issued: 43,860,883 and 38,546,042 shares in 2016 and 2015, respectively; outstanding: 43,860,883 and 38,459,635 shares in 2016 and 2015, respectively | 91,377 | 80,304 |
| Capital surplus | 678,007 | 516,294 |
| Retained earnings | 583,392 | 549,921 |
| Treasury stock (0 and 86,407 shares in 2016 and 2015, respectively, at cost) | | (2,640) |
| Accumulated other comprehensive loss | (5,062) | (20,954) |
| Deferred benefits for directors | (563) | (793) |
| Total Shareholders Equity | 1,347,151 | 1,122,132 |
| Total Liabilities and Shareholders Equity | \$ 9,812,384 | \$ 8,470,298 |

See Notes to Consolidated Financial Statements.

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

| <i>(unaudited, in thousands, except shares and per share amounts)</i> | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|--|-----------|---|------------|
| | 2016 | 2015 | 2016 | 2015 |
| INTEREST AND DIVIDEND INCOME | | | | |
| Loans, including fees | \$ 55,822 | \$ 51,876 | \$ 160,858 | \$ 151,913 |
| Interest and dividends on securities: | | | | |
| Taxable | 9,137 | 10,251 | 29,129 | 28,792 |
| Tax-exempt | 4,559 | 4,535 | 13,620 | 12,120 |
| Total interest and dividends on securities | 13,696 | 14,786 | 42,749 | 40,912 |
| Other interest income | 574 | 273 | 1,671 | 1,227 |
| Total interest and dividend income | 70,092 | 66,935 | 205,278 | 194,052 |
| INTEREST EXPENSE | | | | |
| Interest bearing demand deposits | 691 | 517 | 1,841 | 1,425 |
| Money market deposits | 444 | 485 | 1,350 | 1,430 |
| Savings deposits | 173 | 165 | 502 | 475 |
| Certificates of deposit | 2,592 | 2,662 | 7,835 | 8,403 |
| Total interest expense on deposits | 3,900 | 3,829 | 11,528 | 11,733 |
| Federal Home Loan Bank borrowings | 3,005 | 1,650 | 9,104 | 3,157 |
| Other short-term borrowings | 118 | 89 | 299 | 254 |
| Subordinated debt and junior subordinated debt | 1,043 | 758 | 2,706 | 2,541 |
| Total interest expense | 8,066 | 6,326 | 23,637 | 17,685 |
| NET INTEREST INCOME | | | | |
| Provision for credit losses | 2,214 | 1,798 | 6,350 | 5,768 |
| Net interest income after provision for credit losses | 59,812 | 58,811 | 175,291 | 170,599 |
| NON-INTEREST INCOME | | | | |
| Trust fees | 5,413 | 5,127 | 16,160 | 16,656 |
| Service charges on deposits | 4,733 | 4,425 | 12,861 | 12,342 |
| Electronic banking fees | 3,945 | 3,849 | 11,290 | 10,670 |
| Net securities brokerage revenue | 1,473 | 1,996 | 5,119 | 5,897 |
| Bank-owned life insurance | 995 | 1,021 | 2,910 | 3,264 |
| Net gains on sales of mortgage loans | 814 | 779 | 2,045 | 1,459 |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | | | |
|---|------------------|------------|------------------|------------|
| Net securities gains | 598 | 47 | 2,293 | 69 |
| Net gain/(loss) on other real estate owned and other assets | 184 | (18) | 380 | 167 |
| Other income | 2,862 | 960 | 6,943 | 3,916 |
| Total non-interest income | 21,017 | 18,186 | 60,001 | 54,440 |
| NON-INTEREST EXPENSE | | | | |
| Salaries and wages | 21,225 | 19,832 | 60,136 | 57,468 |
| Employee benefits | 6,275 | 6,028 | 20,684 | 20,151 |
| Net occupancy | 3,647 | 3,533 | 10,459 | 10,298 |
| Equipment | 3,557 | 3,731 | 10,387 | 9,689 |
| Marketing | 1,295 | 1,514 | 3,876 | 4,221 |
| FDIC insurance | 961 | 1,064 | 3,225 | 3,014 |
| Amortization of intangible assets | 837 | 815 | 2,263 | 2,325 |
| Restructuring and merger-related expense | 9,883 | 185 | 10,577 | 11,033 |
| Other operating expenses | 9,921 | 10,279 | 28,696 | 28,830 |
| Total non-interest expense | 57,601 | 46,981 | 150,303 | 147,029 |
| Income before provision for income taxes | 23,228 | 30,016 | 84,989 | 78,010 |
| Provision for income taxes | 5,793 | 7,768 | 22,572 | 20,250 |
| NET INCOME | \$ 17,435 | \$ 22,248 | \$ 62,417 | \$ 57,760 |
| EARNINGS PER COMMON SHARE | | | | |
| Basic | \$ 0.44 | \$ 0.58 | \$ 1.61 | \$ 1.55 |
| Diluted | \$ 0.44 | \$ 0.58 | \$ 1.61 | \$ 1.55 |
| AVERAGE COMMON SHARES OUTSTANDING | | | | |
| Basic | 39,715,516 | 38,523,593 | 38,828,618 | 37,144,783 |
| Diluted | 39,743,291 | 38,556,995 | 38,855,453 | 37,204,114 |
| DIVIDENDS DECLARED PER COMMON SHARE | \$ 0.24 | \$ 0.23 | \$ 0.72 | \$ 0.69 |
| COMPREHENSIVE INCOME | \$ 15,470 | \$ 29,504 | \$ 78,309 | \$ 62,139 |

See Notes to Consolidated Financial Statements.

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

For the Nine Months Ended September 30, 2016 and 2015

| <i>Unaudited, in thousands, except shares and per share amounts)</i> | Common Stock | | | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive | Deferred | Total |
|--|-----------------------|-----------|--------------------|----------------------|-------------------|---------------------------------------|---------------------------|--------------|
| | Shares Outstanding | Amount | Capital Surplus | | | (Loss) | Benefits for Directors | |
| December 31, 2015 | 38,459,635 | \$ 80,304 | \$ 516,294 | \$ 549,921 | \$ (2,640) | \$ (20,954) | \$ (793) | \$ 1,122,132 |
| Net income | | | | 62,417 | | | | 62,417 |
| Other comprehensive income | | | | | | 15,892 | | 15,892 |
| Comprehensive income | | | | | | | | 78,309 |
| Common dividends declared (\$0.72 per share) | | | | (28,946) | | | | (28,946) |
| Shares issued for acquisition | 5,423,348 | 11,071 | 162,934 | | 3,144 | | | 177,149 |
| Treasury shares acquired | (130,041) | | 56 | | (3,730) | | | (3,674) |
| Stock options exercised | 31,541 | 2 | (165) | | 955 | | | 792 |
| Restricted stock granted | 76,400 | | (2,271) | | 2,271 | | | |
| Stock compensation expense | | | 1,389 | | | | | 1,389 |
| Deferred benefits for directors- net | | | (230) | | | | 230 | |
| September 30, 2016 | 43,860,883 | \$ 91,377 | \$ 678,007 | \$ 583,392 | \$ | \$ (5,062) | \$ (563) | \$ 1,347,151 |
| December 31, 2014 | 29,298,188 | \$ 61,182 | \$ 244,661 | \$ 504,578 | \$ (2,151) | \$ (18,825) | \$ (1,255) | \$ 788,190 |
| Net income | | | | 57,760 | | | | 57,760 |
| Other comprehensive income | | | | | | 4,379 | | 4,379 |
| Comprehensive income | | | | | | | | 62,139 |
| Common dividends declared (\$0.69 per share) | | | | (26,561) | | | | (26,561) |
| Shares issued for acquisition | 9,178,531 | 19,122 | 274,507 | | | | | 293,629 |
| Treasury shares acquired | (64,102) | | | | (2,065) | | | (2,065) |
| Stock options exercised | 55,375 | | (295) | | 1,768 | | | 1,473 |
| Restricted stock granted | 49,550 | | (1,558) | | 1,558 | | | |
| Repurchase of stock warrant | | | (2,247) | | | | | (2,247) |
| Stock compensation expense | | | 1,184 | | | | | 1,184 |
| Deferred benefits for directors- net | | | (469) | | | | 469 | |
| September 30, 2015 | 38,517,542 | \$ 80,304 | \$ 515,783 | \$ 535,777 | \$ (890) | \$ (14,446) | \$ (786) | \$ 1,115,742 |

See Notes to Consolidated Financial Statements.

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

| <i>(unaudited, in thousands)</i> | For the Nine Months Ended September 30, | |
|---|--|------------------|
| | 2016 | 2015 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 89,175 | \$ 58,591 |
| INVESTING ACTIVITIES | | |
| Net increase in loans held for investment | (160,654) | (176,375) |
| Securities available-for-sale: | | |
| Proceeds from sales | 277,225 | 570,739 |
| Proceeds from maturities, prepayments and calls | 214,786 | 233,756 |
| Purchases of securities | (171,169) | (509,216) |
| Securities held-to-maturity: | | |
| Proceeds from maturities, prepayments and calls | 72,859 | 39,492 |
| Purchases of securities | (34,530) | (297,692) |
| Proceeds from bank-owned life insurance | 19 | 1,281 |
| Cash received (paid) to acquire a business, net | 4,863 | (28,551) |
| Purchases of premises and equipment net | (3,894) | (6,936) |
| Net cash provided by (used in) provided by investing activities | 199,505 | (173,502) |
| FINANCING ACTIVITIES | | |
| Decrease in deposits | (123,708) | (99,569) |
| Proceeds from Federal Home Loan Bank borrowings | | 791,910 |
| Repayment of Federal Home Loan Bank borrowings | (112,116) | (514,081) |
| Increase (decrease) in other short-term borrowings | 6,832 | (1,103) |
| Repayment of junior subordinated debt | | (36,083) |
| Repayment of common stock warrant | | (2,247) |
| Dividends paid to common shareholders | (27,277) | (24,148) |
| Issuance of common stock | 2 | |
| Treasury shares purchased net | (2,966) | (795) |
| Net cash (used in) provided by financing activities | (259,233) | 113,884 |
| Net increase (decrease) in cash and cash equivalents | 29,447 | (1,027) |
| Cash and cash equivalents at beginning of the period | 86,685 | 94,002 |
| Cash and cash equivalents at end of the period | \$ 116,132 | \$ 92,975 |
| SUPPLEMENTAL DISCLOSURES | | |
| Interest paid on deposits and other borrowings | \$ 24,141 | \$ 19,166 |
| Income taxes paid | 17,925 | 9,695 |
| Transfers of loans to other real estate owned | 3,368 | 1,029 |

| | | |
|---|----------------|---------|
| Non-cash transactions related to YCB and ESB acquisitions, respectively | 177,149 | 301,933 |
|---|----------------|---------|

See Notes to Consolidated Financial Statements.

Table of Contents**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation The accompanying unaudited interim financial statements of WesBanco, Inc. and its consolidated subsidiaries (WesBanco) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by 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, 2015.

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 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco s financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

Recent accounting pronouncements In August 2016, the Financial Accounting Standards Board (the FASB) issued an Accounting Standards Update (ASU) (ASU 2016-15) that provides guidance for the classification of cash flows related to (1) debt prepayment or extinguishment costs, (2) settlement of zero-coupon debt instruments or other debt instruments with coupon rates that are insignificant in relation to the effective interest rate on the borrowing, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, (6) distributions received from equity method investees, (7) beneficial interests in securitization transactions and (8) separately identifiable cash flows and application of the predominance principle. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2018. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco s Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13 that will require entities to use a new forward-looking expected loss model on trade and other receivables, held-to-maturity debt securities, loans and other instruments that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2020. Early adoption is permitted for fiscal years beginning after December 15, 2018. WesBanco is currently evaluating the impact of the adoption of this pronouncement on its Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-09 that will require all excess income tax benefits or tax deficiencies of stock awards to be recognized in the income statement when the awards vest or are settled. It also will allow an employer to repurchase more of an employee s shares than it can today for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material

impact on WesBanco's Consolidated Financial Statements.

In March 2016, the FASB issued ASU 2016-07 that eliminates the requirement to retrospectively apply the equity method in previous periods when an investor initially obtains significant influence over an investee. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016, and requires prospective adoption. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02 that will require entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases were not previously recognized in the balance sheet. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. WesBanco is currently evaluating the impact of the adoption of this pronouncement on its Consolidated Financial Statements.

In January 2016, the FASB issued ASU 2016-01 that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The standard does not change the guidance for classifying and measuring investments in debt securities and loans. Entities will have to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

In September 2015, the FASB issued ASU 2015-16 which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, acquirers must recognize measurement-period adjustments during the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. The acquirer still must disclose the amounts and reasons for adjustments to the provisional amounts. The acquirer also must disclose, by line item, the amount of the adjustment reflected in the current-period income statement that would have been recognized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date. Alternatively, an acquirer may present those amounts separately on the face of the income statement. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2015, including interim periods with those fiscal years. The adoption of this pronouncement did not have a material impact on WesBanco's Consolidated Financial Statements.

Table of Contents

In May 2015, the FASB issued ASU 2015-07 related to disclosures for investments in certain entities that calculate net asset value (NAV) per share (or its equivalent). This update removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient and modifies certain disclosure requirements. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2015, and requires retrospective adoption. The adoption of this pronouncement did not have a material impact on WesBanco's Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-05 that provides guidance on when to account for a cloud computing arrangement as a software license. The guidance applies only to internal-use software that a customer obtains access to in a hosting arrangement if both of the following criteria are met: (1) The customer has the contractual right to take possession of the software at any time during the hosting period without significant penalty, (2) it is feasible for the customer to either run the software on its own hardware or contract with another party unrelated to the vendor to host the software. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this pronouncement did not have a material impact on WesBanco's Consolidated Financial Statements.

In February 2015, the FASB issued ASU 2015-02 that revised the consolidation model, requiring reporting entities to reevaluate whether they should consolidate certain legal entities under the revised model. The amendments in this update modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities, and eliminate the presumption that a general partner should consolidate and affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. The pronouncement also provides for a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of this pronouncement did not have a material impact on WesBanco's Consolidated Financial Statements.

In May 2014, the FASB issued ASU 2014-09 related to the recognition of revenue from contracts with customers. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are, (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. The pronouncement was originally effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. Early adoption was not permitted. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the update. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. Early adoption is now permitted as of the original effective date for interim and annual reporting periods in fiscal years beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08 which amends the principal versus agent guidance in the revenue standard. In April 2016, the FASB issued ASU 2016-10 which clarifies when promised goods or services are separately identifiable in the revenue standard. In May 2016, the FASB issued ASU 2016-12 which provided narrow-scope improvements and practical expedients to the revenue standard. WesBanco is currently evaluating the impact of the adoption of this pronouncement on its Consolidated Financial Statements.

NOTE 2. MERGERS AND ACQUISITIONS

On September 9, 2016, WesBanco completed its acquisition of Your Community Bankshares, Inc. (YCB), a bank holding company headquartered in New Albany, Indiana. The transaction expanded WesBanco's franchise into Kentucky and Southern Indiana.

On the acquisition date, YCB had approximately \$1.5 billion in assets, excluding goodwill, which included approximately \$1.0 billion in loans, and \$173.2 million in securities. The YCB acquisition was valued at \$220.5 million, based on WesBanco's closing stock price on September 9, 2016 of \$32.62, and resulted in WesBanco issuing 5,423,348 shares of its common stock and \$43.3 million in cash in exchange for all of the outstanding shares of YCB common stock. The assets and liabilities of YCB were recorded on WesBanco's balance sheet at their preliminary estimated fair values as of September 9, 2016, the acquisition date, and YCB's results of operations have been included in WesBanco's Consolidated Statements of Income since that date. Due to the timing of the acquisition relative to the end of the reporting period, the fair values for nearly all line items in YCB's September 9, 2016 balance sheet represent preliminary estimates. Based on a preliminary purchase price allocation, WesBanco recorded \$90.6 million in goodwill and \$12.0 million in core deposit intangibles in its community banking segment, representing the principal change in goodwill and intangibles from December 31, 2015. None of the goodwill is deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes. As a result of the full integration of the operations of YCB, it is not practicable to determine revenue or net income included in WesBanco's operating results relating to YCB since the date of acquisition as YCB's results cannot be separately identified.

For the nine months ended September 30, 2016, WesBanco recorded merger-related expenses of \$10.6 million associated with the YCB acquisition.

Table of Contents

The purchase price of the YCB acquisition and resulting goodwill is summarized as follows:

| <i>(unaudited, in thousands)</i> | September 9, 2016 |
|---|--------------------------|
| Purchase Price: | |
| Fair value of WesBanco shares issued | \$ 177,149 |
| Cash consideration for outstanding YCB shares | 43,349 |
| Total purchase price | \$ 220,498 |
| Fair value of: | |
| Tangible assets acquired | \$ 1,400,070 |
| Core deposit and other intangible assets acquired | 11,957 |
| Liabilities assumed | (1,330,335) |
| Net cash received in the acquisition | 48,212 |
| | |
| Fair value of net assets acquired | 129,904 |
| | |
| Goodwill recognized | \$ 90,594 |

The following table presents the preliminary allocation of the purchase price of the assets acquired and the liabilities assumed at the date of acquisition, as WesBanco intends to finalize its accounting for the acquisition of YCB within one year from the date of acquisition:

| <i>(unaudited, in thousands)</i> | September 9, 2016 |
|--|--------------------------|
| Assets acquired | |
| Cash and due from banks | \$ 48,212 |
| Securities | 173,223 |
| Loans | 1,015,071 |
| Goodwill and other intangible assets | 102,551 |
| Accrued income and other assets ⁽¹⁾ | 211,776 |
| | |
| Total assets acquired | \$ 1,550,833 |
| | |
| Liabilities assumed | |
| Deposits | \$ 1,193,010 |
| Borrowings | 122,817 |
| Accrued expenses and other liabilities | 14,508 |
| | |
| Total liabilities assumed | 1,330,335 |
| | |
| Net assets acquired | \$ 220,498 |

⁽¹⁾ Includes receivables of \$105.8 million from the sale of available-for-sale securities prior to the acquisition date.

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

| <i>(unaudited, in thousands, except shares and per share amounts)</i> | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|--|------------|---|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Numerator for both basic and diluted earnings per common share: | | | | |
| Net income | \$ 17,435 | \$ 22,248 | \$ 62,417 | \$ 57,760 |
| Denominator: | | | | |
| Total average basic common shares outstanding | 39,715,516 | 38,523,593 | 38,828,618 | 37,144,783 |
| Effect of dilutive stock options and other stock compensation | 27,775 | 33,402 | 26,835 | 59,331 |
| Total diluted average common shares outstanding | 39,743,291 | 38,556,995 | 38,855,453 | 37,204,114 |
| Earnings per common share basic | \$ 0.44 | \$ 0.58 | \$ 1.61 | \$ 1.55 |
| Earnings per common share diluted | \$ 0.44 | \$ 0.58 | \$ 1.61 | \$ 1.55 |

Stock options representing shares of 96,600 and 185,250 were not included in the computation of diluted earnings per share for the three and nine months ended September 30, 2016, respectively, because to do so would have been anti-dilutive. All stock options were included in the three and nine months ended September 30, 2015 computation. No contingently issuable shares were estimated to be awarded under the 2015 total shareholder return plan as the stock performance targets were not met for the three and nine months ended September 30, 2016.

On September 9, 2016, WesBanco issued 5,423,348 shares of common stock (109,257 of which shares were treasury stock) to complete its acquisition of YCB. These shares are included in average shares outstanding beginning on that date. For additional information relating to the YCB acquisition, refer to Note 2, Mergers and Acquisitions.

Table of Contents**NOTE 4. SECURITIES**

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

| <i>(unaudited, in thousands)</i> | September 30, 2016 | | | | December 31, 2015 | | | |
|--|---------------------|------------------------|-------------------------|----------------------|---------------------|------------------------|-------------------------|----------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
| Available-for-sale | | | | | | | | |
| U.S. Government sponsored entities and agencies | \$ 63,166 | \$ 267 | \$ (62) | \$ 63,371 | \$ 82,725 | \$ 1,183 | \$ (403) | \$ 83,505 |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 1,076,309 | 11,680 | (1,073) | 1,086,916 | 1,188,256 | 1,720 | (13,896) | 1,176,080 |
| Obligations of states and political subdivisions | 106,676 | 4,673 | (84) | 111,265 | 76,106 | 4,205 | (46) | 80,265 |
| Corporate debt securities | 35,306 | 318 | (101) | 35,523 | 58,745 | 181 | (333) | 58,593 |
| Total debt securities | \$ 1,281,457 | \$ 16,938 | \$ (1,320) | \$ 1,297,075 | \$ 1,405,832 | \$ 7,289 | \$ (14,678) | \$ 1,398,443 |
| Equity securities | 4,062 | 892 | | 4,954 | 3,812 | 816 | (2) | 4,626 |
| Total available-for-sale securities | \$ 1,285,519 | \$ 17,830 | \$ (1,320) | \$ 1,302,029 | \$ 1,409,644 | \$ 8,105 | \$ (14,680) | \$ 1,403,069 |
| Held-to-maturity | | | | | | | | |
| U.S. Government sponsored entities and agencies | \$ 14,248 | \$ 59 | \$ | \$ 14,307 | \$ | \$ | \$ | \$ |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 195,533 | 3,771 | (73) | 199,231 | 216,419 | 1,922 | (2,014) | 216,327 |
| Obligations of states and political subdivisions | 804,883 | 34,377 | (137) | 839,123 | 762,039 | 26,121 | (726) | 787,434 |
| Corporate debt securities | 34,429 | 2,172 | (35) | 36,566 | 34,472 | 237 | (263) | 34,446 |
| Total held-to-maturity securities | \$ 1,049,093 | \$ 40,379 | \$ (245) | \$ 1,089,227 | \$ 1,012,930 | \$ 28,280 | \$ (3,003) | \$ 1,038,207 |

| | | | | | | | | |
|-------|-------------|----------|-----------|-------------|-------------|----------|------------|-------------|
| Total | \$2,334,612 | \$58,209 | \$(1,565) | \$2,391,256 | \$2,422,574 | \$36,385 | \$(17,683) | \$2,441,276 |
|-------|-------------|----------|-----------|-------------|-------------|----------|------------|-------------|

Trading securities, which consist of investments in various mutual funds held in grantor trusts formed in connection with a deferred compensation plan, are recorded at fair value and totaled \$7.1 million and \$6.5 million, at September 30, 2016 and December 31, 2015, respectively.

At September 30, 2016, and December 31, 2015, 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.

Table of Contents

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at September 30, 2016. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

| <i>(unaudited, in thousands)</i> | September 30, 2016 | | | | | |
|--|---------------------|-------------------------|-------------------------|--------------------|-------------------------------|---------------------|
| | One Year or less | One to Five Years | Five to Ten Years | After Ten Years | Mortgage-backed and Equity | Total |
| Available-for-sale | | | | | | |
| U.S. Government sponsored entities and agencies | \$ 2,002 | \$ 9,975 | \$ 27,411 | \$ 23,983 | \$ | \$ 63,371 |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies ⁽¹⁾ | | | | | 1,086,916 | 1,086,916 |
| Obligations of states and political subdivisions | 7,034 | 26,866 | 38,059 | 39,306 | | 111,265 |
| Corporate debt securities | | 26,378 | 7,211 | 1,934 | | 35,523 |
| Equity securities ⁽²⁾ | | | | | 4,954 | 4,954 |
| Total available-for-sale securities | \$ 9,036 | \$ 63,219 | \$ 72,681 | \$ 65,223 | \$ 1,091,870 | \$ 1,302,029 |
| Held-to-maturity ⁽³⁾ | | | | | | |
| U.S. Government sponsored entities and agencies | \$ | \$ | \$ | \$ 14,307 | \$ | \$ 14,307 |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies ⁽¹⁾ | | | | | 199,231 | 199,231 |
| Obligations of states and political subdivisions | 351 | 58,506 | 424,331 | 355,935 | | 839,123 |
| Corporate debt securities | | 961 | 35,605 | | | 36,566 |
| Total held-to-maturity securities | \$ 351 | \$ 59,467 | \$ 459,936 | \$ 370,242 | \$ 199,231 | \$ 1,089,227 |
| Total | \$ 9,387 | \$ 122,686 | \$ 532,617 | \$ 435,465 | \$ 1,291,101 | \$ 2,391,256 |

(1) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds.

(2) Equity securities, which have no stated maturity, are not assigned a maturity category.

(3) The held-to-maturity portfolio is carried at an amortized cost of \$1.0 billion.

Securities with aggregate fair values of \$1.3 billion and \$1.0 billion at September 30, 2016 and December 31, 2015, 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 \$277.2 million and \$570.7 million for the nine months

Edgar Filing: WESBANCO INC - Form 10-Q

ended September 30, 2016 and 2015, respectively. Net unrealized gains (losses) on available-for-sale securities included in accumulated other comprehensive income net of tax, as of September 30, 2016 and December 31, 2015 were \$10.5 million and (\$4.2) million, respectively.

The following table presents the gross realized gains and losses on sales and calls of available-for-sale and held-to-maturity securities for the three and nine months ended September 30, 2016 and 2015, respectively. Gains and losses due to fair value fluctuations on trading securities are included in non-interest income under other income.

| <i>(unaudited, in thousands)</i> | For the Three Months Ended | | For the Nine Months Ended | |
|----------------------------------|---|--------------|--------------------------------------|--------------|
| | September 30, 2016 | 2015 | September 30, 2016 | 2015 |
| Gross realized gains | \$ 602 | \$ 48 | \$ 2,517 | \$ 74 |
| Gross realized losses | (4) | (1) | (224) | (5) |
| Net realized gains | \$ 598 | \$ 47 | \$ 2,293 | \$ 69 |

Table of Contents

The following tables provide 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, 2016 and December 31, 2015:

| <i>(unaudited, dollars in thousands)</i> | Less than 12 months | | | September 30, 2016 12 months or more | | | Total | | |
|--|---------------------|-------------------|-----------------|---|-------------------|-----------------|------------|-------------------|-----------------|
| | Fair Value | Unrealized Losses | # of Securities | Fair Value | Unrealized Losses | # of Securities | Fair Value | Unrealized Losses | # of Securities |
| U.S. Government sponsored entities and agencies | \$ 27,484 | \$ (62) | 4 | \$ | \$ | | \$ 27,484 | \$ (62) | 4 |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 116,732 | (374) | 21 | 64,093 | (772) | 16 | 180,825 | (1,146) | 37 |
| Obligations of states and political subdivisions | 62,600 | (196) | 129 | 2,095 | (25) | 3 | 64,695 | (221) | 132 |
| Corporate debt securities | 5,977 | (70) | 2 | 5,958 | (66) | 2 | 11,935 | (136) | 4 |
| Total temporarily impaired securities | \$ 212,793 | \$ (702) | 156 | \$ 72,146 | \$ (863) | 21 | \$ 284,939 | \$ (1,565) | 177 |

| <i>(unaudited, dollars in thousands)</i> | Less than 12 months | | | December 31, 2015 12 months or more | | | Total | | |
|--|---------------------|-------------------|-----------------|--|-------------------|-----------------|--------------|-------------------|-----------------|
| | Fair Value | Unrealized Losses | # of Securities | Fair Value | Unrealized Losses | # of Securities | Fair Value | Unrealized Losses | # of Securities |
| U.S. Government sponsored entities and agencies | \$ 49,826 | \$ (403) | 11 | \$ | \$ | | \$ 49,826 | \$ (403) | 11 |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 1,003,397 | (10,981) | 187 | 146,182 | (4,929) | 31 | 1,149,579 | (15,910) | 218 |
| Obligations of states and political subdivisions | 58,705 | (400) | 76 | 23,691 | (372) | 29 | 82,396 | (772) | 105 |
| Corporate debt securities | 41,326 | (541) | 12 | 1,931 | (55) | 1 | 43,257 | (596) | 13 |
| Equity securities | 1,378 | (2) | 1 | | | | 1,378 | (2) | 1 |
| Total temporarily impaired securities | \$ 1,154,632 | \$ (12,327) | \$ 287 | \$ 171,804 | \$ (5,356) | \$ 61 | \$ 1,326,436 | \$ (17,683) | \$ 348 |

Unrealized losses on debt securities in the tables represent temporary fluctuations resulting from changes in market rates in relation to fixed yields. Unrealized losses in the available-for-sale portfolio are accounted for as an adjustment, net of taxes, to other comprehensive income in shareholders' equity.

WesBanco does not believe the securities presented above are impaired due to reasons of credit quality, as substantially all debt securities are rated above investment grade and all are paying principal and interest according to their contractual terms. WesBanco does not intend to sell, nor is it more likely than not that it will be required to sell, loss position securities prior to recovery of their cost, and therefore, management believes the unrealized losses detailed above are temporary and no impairment loss relating to these securities has been recognized.

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of FHLB of Pittsburgh stock totaling \$46.4 million and \$45.5 million at September 30, 2016 and December 31, 2015, respectively, and are included in other assets in the Consolidated Balance Sheets. Cost method investments are evaluated for impairment whenever events or circumstances suggest that their carrying value may not be recoverable.

Table of Contents**NOTE 5. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES**

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs and discounts on purchased loans. The deferred loan fees and costs were \$0.5 million and \$1.0 million at September 30, 2016 and December 31, 2015, respectively. The discounts on purchased loans from acquisitions was \$25.8 million, including \$12.1 million related to YCB, and \$15.7 million at September 30, 2016 and December 31, 2015, respectively.

| <i>(unaudited, in thousands)</i> | September 30, 2016 | December 31, 2015 |
|-------------------------------------|-----------------------|----------------------|
| Commercial real estate: | | |
| Land and construction | \$ 494,203 | \$ 344,748 |
| Improved property | 2,332,431 | 1,911,633 |
| Total commercial real estate | 2,826,634 | 2,256,381 |
| Commercial and industrial | 1,097,788 | 737,878 |
| Residential real estate | 1,395,886 | 1,247,800 |
| Home equity | 505,369 | 416,889 |
| Consumer | 411,175 | 406,894 |
| Total portfolio loans | 6,236,852 | 5,065,842 |
| Loans held for sale | 20,231 | 7,899 |
| Total loans | \$ 6,257,083 | \$ 5,073,741 |

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

| <i>(unaudited, in thousands)</i> | Allowance for Credit Losses By Category | | | | | | | Total |
|----------------------------------|--|---|------------------------------------|--------------------------------|--------------------|-----------------|------------------|---------------|
| | Commercial | | Commercial | | Residential | | Home | |
| | Real Estate- Construction | Real Estate- Improved Property | Commercial & Industrial | Residential Real Estate | Home Equity | Consumer | Overdraft | |
| Balance at December 31, 2015: | | | | | | | | |
| Allowance for loan losses | \$ 4,390 | \$ 14,748 | \$ 10,002 | \$ 4,582 | \$ 2,883 | \$ 4,763 | \$ 342 | \$ 41,710 |
| Allowance for loan commitments | 157 | 26 | 260 | 7 | 117 | 46 | | 613 |
| | 4,547 | 14,774 | 10,262 | 4,589 | 3,000 | 4,809 | 342 | 42,323 |

Total beginning allowance for credit losses

Provision for credit losses:

| | | | | | | | | |
|--------------------------------|-----|-------|-------|------|-----|-----|-----|-------|
| Provision for loan losses | 498 | 1,351 | 2,827 | (67) | 301 | 918 | 559 | 6,387 |
| Provision for loan commitments | (5) | | (40) | 2 | 8 | (2) | | (37) |

Total provision for credit losses

| | | | | | | | | |
|--|-----|-------|-------|------|-----|-----|-----|-------|
| | 493 | 1,351 | 2,787 | (65) | 309 | 916 | 559 | 6,350 |
|--|-----|-------|-------|------|-----|-----|-----|-------|

| | | | | | | | | |
|-------------|------|---------|---------|-------|-------|---------|-------|---------|
| Charge-offs | (73) | (1,732) | (2,883) | (529) | (345) | (2,733) | (585) | (8,880) |
|-------------|------|---------|---------|-------|-------|---------|-------|---------|

| | | | | | | | | |
|------------|---|-------|-----|-----|-----|-------|-----|-------|
| Recoveries | 3 | 1,406 | 241 | 351 | 171 | 1,199 | 167 | 3,538 |
|------------|---|-------|-----|-----|-----|-------|-----|-------|

| | | | | | | | | |
|-----------------|------|-------|---------|-------|-------|---------|-------|---------|
| Net charge-offs | (70) | (326) | (2,642) | (178) | (174) | (1,534) | (418) | (5,342) |
|-----------------|------|-------|---------|-------|-------|---------|-------|---------|

Balance at September 30, 2016:

| | | | | | | | | |
|---------------------------|-------|--------|--------|-------|-------|-------|-----|--------|
| Allowance for loan losses | 4,818 | 15,773 | 10,187 | 4,337 | 3,010 | 4,147 | 483 | 42,755 |
|---------------------------|-------|--------|--------|-------|-------|-------|-----|--------|

| | | | | | | | | |
|--------------------------------|-----|----|-----|---|-----|----|--|-----|
| Allowance for loan commitments | 152 | 26 | 220 | 9 | 125 | 44 | | 576 |
|--------------------------------|-----|----|-----|---|-----|----|--|-----|

Total ending allowance for credit losses

| | | | | | | | | |
|--|----------|-----------|-----------|----------|----------|----------|--------|-----------|
| | \$ 4,970 | \$ 15,799 | \$ 10,407 | \$ 4,346 | \$ 3,135 | \$ 4,191 | \$ 483 | \$ 43,331 |
|--|----------|-----------|-----------|----------|----------|----------|--------|-----------|

Balance at December 31, 2014:

| | | | | | | | | |
|---------------------------|----------|-----------|----------|----------|----------|----------|--------|-----------|
| Allowance for loan losses | \$ 5,654 | \$ 17,573 | \$ 9,063 | \$ 5,382 | \$ 2,329 | \$ 4,078 | \$ 575 | \$ 44,654 |
|---------------------------|----------|-----------|----------|----------|----------|----------|--------|-----------|

| | | | | | | | | |
|--------------------------------|-----|----|-----|---|----|----|--|-----|
| Allowance for loan commitments | 194 | 10 | 112 | 9 | 90 | 40 | | 455 |
|--------------------------------|-----|----|-----|---|----|----|--|-----|

Total beginning allowance for credit losses

| | | | | | | | | |
|--|-------|--------|-------|-------|-------|-------|-----|--------|
| | 5,848 | 17,583 | 9,175 | 5,391 | 2,419 | 4,118 | 575 | 45,109 |
|--|-------|--------|-------|-------|-------|-------|-----|--------|

Provision for credit losses:

| | | | | | | | | |
|---------------------------|-------|-----|-------|-----|-------|-----|-----|-------|
| Provision for loan losses | (826) | 977 | 2,434 | 325 | 1,320 | 922 | 441 | 5,593 |
|---------------------------|-------|-----|-------|-----|-------|-----|-----|-------|

| | | | | | | | | |
|--------------------------------|---|----|-----|--|----|-----|--|-----|
| Provision for loan commitments | 9 | 11 | 137 | | 19 | (1) | | 175 |
|--------------------------------|---|----|-----|--|----|-----|--|-----|

Total provision for credit losses

| | | | | | | | | |
|--|-------|-----|-------|-----|-------|-----|-----|-------|
| | (817) | 988 | 2,571 | 325 | 1,339 | 921 | 441 | 5,768 |
|--|-------|-----|-------|-----|-------|-----|-----|-------|

| | | | | | | | | |
|-------------|--|---------|---------|---------|---------|---------|-------|----------|
| Charge-offs | | (3,964) | (2,267) | (1,482) | (1,124) | (1,968) | (610) | (11,415) |
|-------------|--|---------|---------|---------|---------|---------|-------|----------|

| | | | | | | | | |
|------------|---|-----|-----|-----|-----|-----|-----|-------|
| Recoveries | 1 | 661 | 356 | 472 | 161 | 968 | 173 | 2,792 |
|------------|---|-----|-----|-----|-----|-----|-----|-------|

| | | | | | | | | |
|-----------------|---|---------|---------|---------|-------|---------|-------|---------|
| Net charge-offs | 1 | (3,303) | (1,911) | (1,010) | (963) | (1,000) | (437) | (8,623) |
|-----------------|---|---------|---------|---------|-------|---------|-------|---------|

Balance at September 30, 2015:

| | | | | | | | | |
|---------------------------|-------|--------|-------|-------|-------|-------|-----|--------|
| Allowance for loan losses | 4,829 | 15,247 | 9,586 | 4,697 | 2,686 | 4,000 | 579 | 41,624 |
|---------------------------|-------|--------|-------|-------|-------|-------|-----|--------|

| | | | | | | | | |
|--|-----|----|-----|---|-----|----|--|-----|
| | 203 | 21 | 249 | 9 | 109 | 39 | | 630 |
|--|-----|----|-----|---|-----|----|--|-----|

Allowance for loan commitments

Total ending allowance for credit losses

| | | | | | | | |
|----------|-----------|----------|----------|----------|----------|--------|-----------|
| \$ 5,032 | \$ 15,268 | \$ 9,835 | \$ 4,706 | \$ 2,795 | \$ 4,039 | \$ 579 | \$ 42,254 |
|----------|-----------|----------|----------|----------|----------|--------|-----------|

Table of Contents

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

| | Allowance for Credit Losses and Recorded Investment in Loans | | | | | | | |
|---|--|---|---------------------------------|-------------------------------|----------------|------------|------------|--------------|
| | Commercial Real Estate- Land and Construction | Commercial Real Estate- Improved Property | Commercial and Industrial | Residential Real Estate | Home Equity | Consumer | Over-draft | Total |
| (unaudited, in thousands) | | | | | | | | |
| September 30, 2016 | | | | | | | | |
| Allowance for credit losses: | | | | | | | | |
| Allowance for loans individually evaluated for impairment | \$ | \$ 504 | \$ 356 | \$ | \$ | \$ | \$ | \$ 860 |
| Allowance for loans collectively evaluated for impairment | 4,818 | 15,269 | 9,831 | 4,337 | 3,010 | 4,147 | 483 | 41,895 |
| Allowance for loan commitments | 152 | 26 | 220 | 9 | 125 | 44 | | 576 |
| Total allowance for credit losses | \$ 4,970 | \$ 15,799 | \$ 10,407 | \$ 4,346 | \$ 3,135 | \$ 4,191 | \$ 483 | \$ 43,331 |
| Portfolio loans: | | | | | | | | |
| Individually evaluated for impairment ⁽¹⁾ | \$ | \$ 3,012 | \$ 1,306 | \$ | \$ | \$ | \$ | \$ 4,318 |
| Collectively evaluated for impairment | 492,397 | 2,318,863 | 1,096,297 | 1,394,558 | 505,342 | 411,154 | | 6,218,611 |
| Acquired with deteriorated credit quality | 1,806 | 10,556 | 185 | 1,328 | 27 | 21 | | 13,923 |
| Total portfolio loans | \$ 494,203 | \$ 2,332,431 | \$ 1,097,788 | \$ 1,395,886 | \$ 505,369 | \$ 411,175 | \$ | \$ 6,236,852 |
| December 31, 2015 | | | | | | | | |
| Allowance for credit losses: | | | | | | | | |
| Allowance for loans individually evaluated for impairment | \$ | \$ 668 | \$ 853 | \$ | \$ | \$ | \$ | \$ 1,521 |
| Allowance for loans collectively evaluated for impairment | 4,390 | 14,080 | 9,149 | 4,582 | 2,883 | 4,763 | 342 | 40,189 |
| Allowance for loan commitments | 157 | 26 | 260 | 7 | 117 | 46 | | 613 |
| | \$ 4,547 | \$ 14,774 | \$ 10,262 | \$ 4,589 | \$ 3,000 | \$ 4,809 | \$ 342 | \$ 42,323 |

Total allowance for credit losses

Portfolio loans:

| | | | | | | | | | | |
|--|------------|--------------|------------|--------------|------------|------------|----|----|----|--------------|
| Individually evaluated for impairment ⁽¹⁾ | \$ | \$ | 4,031 | \$ | 4,872 | \$ | \$ | \$ | \$ | 8,903 |
| Collectively evaluated for impairment | 343,832 | 1,899,738 | 732,957 | 1,247,639 | 416,862 | 406,622 | | | | 5,047,650 |
| Acquired with deteriorated credit quality | 916 | 7,864 | 49 | 161 | 27 | 272 | | | | 9,289 |
| Total portfolio loans | \$ 344,748 | \$ 1,911,633 | \$ 737,878 | \$ 1,247,800 | \$ 416,889 | \$ 406,894 | \$ | \$ | \$ | \$ 5,065,842 |

⁽¹⁾ Commercial loans greater than \$1 million that are reported as non-accrual or as a troubled debt restructuring (TDR) are individually evaluated for impairment.

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

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

Pass loans are those that exhibit a history of positive financial results that are at least comparable to the average for their industry or type of real estate. The primary source of repayment is acceptable and these loans are expected to perform satisfactorily during most economic cycles. Pass loans typically have no significant external factors that are expected to adversely affect these borrowers more than others in the same industry or property type. Any minor unfavorable characteristics of these loans are outweighed or mitigated by other positive factors including but not limited to adequate secondary or tertiary sources of repayment.

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

Table of Contents

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

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

| | Commercial Loans by Internally Assigned Risk Grade | | | |
|----------------------------------|---|---|------------------------------------|-------------------------------|
| | Commercial Real Estate-Land and Construction | Commercial Real Estate-Improved Property | Commercial & Industrial | Total Commercial Loans |
| <i>(unaudited, in thousands)</i> | | | | |
| As of September 30, 2016 | | | | |
| Pass | \$ 484,719 | \$ 2,278,289 | \$ 1,073,037 | \$ 3,836,045 |
| Criticized - compromised | 6,537 | 18,039 | 10,892 | 35,468 |
| Classified - substandard | 2,947 | 36,103 | 13,859 | 52,909 |
| Classified - doubtful | | | | |
| Total | \$ 494,203 | \$ 2,332,431 | \$ 1,097,788 | \$ 3,924,422 |
| As of December 31, 2015 | | | | |
| Pass | \$ 335,989 | \$ 1,864,986 | \$ 713,578 | \$ 2,914,553 |
| Criticized - compromised | 5,527 | 10,911 | 9,860 | 26,298 |
| Classified - substandard | 3,232 | 35,736 | 14,440 | 53,408 |
| Classified - doubtful | | | | |
| Total | \$ 344,748 | \$ 1,911,633 | \$ 737,878 | \$ 2,994,259 |

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines were \$19.1 million at September 30, 2016 and \$15.8 million at December 31, 2015, of which \$2.9 and \$3.1 million were accruing, for each period, respectively. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard are not included in the tables above.

Acquired YCB Loans In conjunction with the YCB acquisition, WesBanco acquired loans with a book value of \$1,027.2 million. These loans were recorded at their fair value of \$1,015.1 million, with \$1,008.0 million categorized as ASC 310-20 loans. The fair market value adjustment on these loans of \$8.1 million at acquisition date is expected to be recognized into interest income on a level yield basis over the remaining expected life of the loans.

Loans acquired with deteriorated credit quality with a book value of \$11.1 million and contractually required payments of \$13.3 million were recorded at their estimated fair value of \$7.1 million, of which \$2.7 million were accounted for under the cost recovery method in accordance with ASC 310-30 as cash flows cannot be reasonably estimated, and categorized as non-accrual. The accretable yield on the acquired impaired loans was estimated at \$0.7 million, while the non-accretable difference is estimated at \$5.5 million.

The carrying amount of loans acquired with deteriorated credit quality at September 30, 2016 was \$6.5 million, while the outstanding customer balance was \$10.5 million. At September 30, 2016 no allowance for loan losses has been recognized related to the acquired impaired loans.

Acquired ESB Loans Carrying amount of loans acquired with deteriorated credit quality at September 30, 2016 and December 31, 2015 were \$7.4 million and \$9.3 million, respectively. At September 30, 2016, the accretable yield was \$1.2 million. At September 30, 2016 an allowance for loan loss of \$0.2 million has been recognized related to the acquired impaired loans, as the estimates for future cash flows on these loans have been negatively impacted. At December 31, 2015 no allowance for loan losses has been recognized related to the acquired impaired loans.

Table of Contents

The following table provides changes in accretable yield for loans acquired with deteriorated credit quality:

| <i>(unaudited, in thousands)</i> | For the Nine Months Ended | |
|---|---------------------------|--------------------|
| | September 30, 2016 | September 30, 2015 |
| Balance at beginning of period | \$ 1,206 | \$ |
| Acquisitions | 669 | 1,815 |
| Reduction due to change in projected cash flows | (324) | |
| Reclass from non-accretable difference | 1,065 | |
| Transfers out | (328) | |
| Accretion | (398) | (491) |
| Balance at end of period | \$ 1,890 | \$ 1,324 |

The following tables summarize the age analysis of all categories of loans:

Age Analysis of Loans

| <i>(unaudited, in thousands)</i> | Current | 90 Days or More | | | Total Past Due | Total Loans | 90 Days or More Past Due and Accruing ⁽¹⁾ |
|---|--------------|---------------------|---------------------|--------------------------|----------------|--------------|--|
| | | 30-59 Days Past Due | 60-89 Days Past Due | 90 Days or More Past Due | | | |
| As of September 30, 2016 | | | | | | | |
| Commercial real estate: | | | | | | | |
| Land and construction | \$ 493,600 | \$ 247 | \$ 145 | \$ 211 | \$ 603 | \$ 494,203 | \$ |
| Improved property | 2,321,923 | 3,369 | 599 | 6,540 | 10,508 | 2,332,431 | |
| Total commercial real estate | 2,815,523 | 3,616 | 744 | 6,751 | 11,111 | 2,826,634 | |
| Commercial and industrial | 1,093,437 | 1,071 | 1,585 | 1,695 | 4,351 | 1,097,788 | 46 |
| Residential real estate | 1,379,216 | 2,224 | 4,153 | 10,293 | 16,670 | 1,395,886 | 1,482 |
| Home equity | 499,983 | 2,429 | 467 | 2,490 | 5,386 | 505,369 | 413 |
| Consumer | 406,284 | 3,276 | 896 | 719 | 4,891 | 411,175 | 451 |
| Total portfolio loans | 6,194,443 | 12,616 | 7,845 | 21,948 | 42,409 | 6,236,852 | 2,392 |
| Loans held for sale | 20,231 | | | | | 20,231 | |
| Total loans | \$ 6,214,674 | \$ 12,616 | \$ 7,845 | \$ 21,948 | \$ 42,409 | \$ 6,257,083 | \$ 2,392 |
| Impaired loans included above are as follows: | | | | | | | |
| Non-accrual loans | \$ 8,781 | \$ 1,338 | \$ 1,364 | \$ 19,173 | \$ 21,875 | \$ 30,656 | |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | | | | | | |
|---------------------------------------|------------------|-----------------|-----------------|------------------|------------------|------------------|--|
| TDRs accruing interest ⁽¹⁾ | 8,032 | 121 | 69 | 383 | 573 | 8,605 | |
| Total impaired | \$ 16,813 | \$ 1,459 | \$ 1,433 | \$ 19,556 | \$ 22,448 | \$ 39,261 | |

As of December 31, 2015

Commercial real estate:

| | | | | | | | |
|-----------------------|------------|-----|-------|--------|--------|------------|----|
| Land and construction | \$ 344,184 | \$ | \$ | \$ 564 | \$ 564 | \$ 344,748 | \$ |
| Improved property | 1,901,466 | 909 | 1,097 | 8,161 | 10,167 | 1,911,633 | |

| | | | | | | | |
|------------------------------|-----------|-------|-------|-------|--------|-----------|-------|
| Total commercial real estate | 2,245,650 | 909 | 1,097 | 8,725 | 10,731 | 2,256,381 | |
| Commercial and industrial | 734,660 | 298 | 714 | 2,206 | 3,218 | 737,878 | 33 |
| Residential real estate | 1,234,839 | 1,389 | 2,871 | 8,701 | 12,961 | 1,247,800 | 2,159 |
| Home equity | 412,450 | 2,252 | 314 | 1,873 | 4,439 | 416,889 | 407 |
| Consumer | 401,242 | 4,115 | 764 | 773 | 5,652 | 406,894 | 527 |

| | | | | | | | |
|-----------------------|-----------|-------|-------|--------|--------|-----------|-------|
| Total portfolio loans | 5,028,841 | 8,963 | 5,760 | 22,278 | 37,001 | 5,065,842 | 3,126 |
| Loans held for sale | 7,899 | | | | | 7,899 | |

| | | | | | | | |
|-------------|--------------|----------|----------|-----------|-----------|--------------|----------|
| Total loans | \$ 5,036,740 | \$ 8,963 | \$ 5,760 | \$ 22,278 | \$ 37,001 | \$ 5,073,741 | \$ 3,126 |
|-------------|--------------|----------|----------|-----------|-----------|--------------|----------|

Impaired loans included above are as follows:

| | | | | | | | |
|---------------------------------------|-----------|--------|----------|-----------|-----------|-----------|--|
| Non-accrual loans | \$ 11,349 | \$ 943 | \$ 2,147 | \$ 18,942 | \$ 22,032 | \$ 33,381 | |
| TDRs accruing interest ⁽¹⁾ | 10,710 | 390 | 238 | 210 | 838 | 11,548 | |

| | | | | | | | |
|----------------|-----------|----------|----------|-----------|-----------|-----------|--|
| Total impaired | \$ 22,059 | \$ 1,333 | \$ 2,385 | \$ 19,152 | \$ 22,870 | \$ 44,929 | |
|----------------|-----------|----------|----------|-----------|-----------|-----------|--|

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

Table of Contents

The following tables summarize impaired loans:

| | Impaired Loans | | | | | |
|---|---|------------------------|----------------------|---|------------------------|----------------------|
| | September 30, 2016 | | | December 31, 2015 | | |
| | Unpaid Principal Balance ⁽¹⁾ | Recorded Investment | Related Allowance | Unpaid Principal Balance ⁽¹⁾ | Recorded Investment | Related Allowance |
| <i>(unaudited, in thousands)</i> | | | | | | |
| With no related specific allowance recorded: | | | | | | |
| Commercial real estate: | | | | | | |
| Land and construction | \$ 858 | \$ 670 | \$ | \$ 2,126 | \$ 1,990 | \$ |
| Improved property | 11,061 | 7,642 | | 14,817 | 10,559 | |
| Commercial and industrial | 4,552 | 3,368 | | 4,263 | 3,481 | |
| Residential real estate | 20,443 | 18,727 | | 18,560 | 16,688 | |
| Home equity | 4,266 | 3,697 | | 3,562 | 3,033 | |
| Consumer | 1,008 | 839 | | 1,603 | 1,294 | |
| Total impaired loans without a specific allowance | 42,188 | 34,943 | | 44,931 | 37,045 | |
| With a specific allowance recorded: | | | | | | |
| Commercial real estate: | | | | | | |
| Land and construction | | | | | | |
| Improved property | 3,012 | 3,012 | 504 | 3,012 | 3,012 | 668 |
| Commercial and industrial | 4,910 | 1,306 | 356 | 6,176 | 4,872 | 853 |
| Total impaired loans with a specific allowance | 7,922 | 4,318 | 860 | 9,188 | 7,884 | 1,521 |
| Total impaired loans | \$ 50,110 | \$ 39,261 | \$ 860 | \$ 54,119 | \$ 44,929 | \$ 1,521 |

(1) The difference between the unpaid principal balance and the recorded investment generally reflects amounts that have been previously charged-off and fair market value adjustments on acquired impaired loans.

| | Impaired Loans | | | | | | | |
|---|----------------------------|------------|--------------------|------------|---------------------------|------------|--------------------|------------|
| | For the Three Months Ended | | | | For the Nine Months Ended | | | |
| | September 30, 2016 | | September 30, 2015 | | September 30, 2016 | | September 30, 2015 | |
| | Average | Interest | Average | Interest | Average | Interest | Average | Interest |
| | Recorded | Income | Recorded | Income | Recorded | Income | Recorded | Income |
| | Investment | Recognized | Investment | Recognized | Investment | Recognized | Investment | Recognized |
| <i>(unaudited, in thousands)</i> | | | | | | | | |
| With no related specific allowance recorded: | | | | | | | | |
| Commercial real estate: | | | | | | | | |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | | | | | | | |
|---|-----------|--------|-----------|--------|-----------|--------|-----------|----------|
| Land and construction | \$ 701 | \$ | \$ 2,414 | \$ 12 | \$ 1,062 | \$ | \$ 2,198 | \$ 30 |
| Improved Property | 8,403 | 28 | 19,118 | 245 | 9,408 | 86 | 18,850 | 708 |
| Commercial and industrial | 3,172 | 2 | 3,193 | 37 | 3,246 | 7 | 2,854 | 99 |
| Residential real estate | 17,013 | 81 | 17,508 | 200 | 16,882 | 256 | 18,173 | 665 |
| Home equity | 3,613 | 4 | 3,153 | 34 | 3,381 | 16 | 2,896 | 75 |
| Consumer | 814 | | 1,142 | 27 | 953 | 6 | 1,176 | 73 |
| Total impaired loans without a specific allowance | 33,716 | 115 | 46,528 | 555 | 34,932 | 371 | 46,147 | 1,650 |
| With a specific allowance recorded: | | | | | | | | |
| Commercial real estate: | | | | | | | | |
| Land and construction | | | | | | | | |
| Improved Property | 3,012 | | 6,011 | (56) | 3,012 | | 6,617 | |
| Commercial and industrial | 2,678 | | 4,707 | 63 | 3,700 | | 3,256 | 200 |
| Total impaired loans with a specific allowance | 5,690 | | 10,718 | 7 | 6,712 | | 9,873 | 200 |
| Total impaired loans | \$ 39,406 | \$ 115 | \$ 57,246 | \$ 562 | \$ 41,644 | \$ 371 | \$ 56,020 | \$ 1,850 |

Table of Contents

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

| <i>(unaudited, in thousands)</i> | Non-accrual Loans ⁽¹⁾⁽²⁾ | |
|----------------------------------|-------------------------------------|-------------------|
| | September 30, 2016 | December 31, 2015 |
| Commercial real estate: | | |
| Land and construction | \$ 670 | \$ 1,023 |
| Improved property | 8,999 | 11,507 |
| Total commercial real estate | 9,669 | 12,530 |
| Commercial and industrial | 4,516 | 8,148 |
| Residential real estate | 12,524 | 9,461 |
| Home equity | 3,207 | 2,391 |
| Consumer | 740 | 851 |
| Total | \$ 30,656 | \$ 33,381 |

- (1) At September 30, 2016, there were two borrowers with loans greater than \$1.0 million and three at December 31, 2015. Total non-accrual loans include loans that are also restructured. Such loans are also set forth in the following table as non-accrual TDRs.
- (2) At September 30, 2016, non-accrual loans include \$2.7 million of loans acquired from YCB with deteriorated credit quality.

| <i>(unaudited, in thousands)</i> | TDRs | | | | | |
|----------------------------------|--------------------|-------------|-----------|-------------------|-------------|-----------|
| | September 30, 2016 | | | December 31, 2015 | | |
| | Accruing | Non-Accrual | Total | Accruing | Non-Accrual | Total |
| Commercial real estate: | | | | | | |
| Land and construction | \$ | \$ 10 | \$ 10 | \$ 967 | \$ 431 | \$ 1,398 |
| Improved property | 1,655 | 927 | 2,582 | 2,064 | 1,442 | 3,506 |
| Total commercial real estate | 1,655 | 937 | 2,592 | 3,031 | 1,873 | 4,904 |
| Commercial and industrial | 158 | 172 | 330 | 205 | 282 | 487 |
| Residential real estate | 6,203 | 2,136 | 8,339 | 7,227 | 2,060 | 9,287 |
| Home equity | 490 | 319 | 809 | 642 | 218 | 860 |
| Consumer | 99 | 195 | 294 | 443 | 184 | 627 |
| Total | \$ 8,605 | \$ 3,759 | \$ 12,364 | \$ 11,548 | \$ 4,617 | \$ 16,165 |

As of September 30, 2016, there were no TDRs greater than \$1.0 million. The concessions granted in the majority of loans reported as accruing and non-accrual TDRs are extensions of the maturity date or the amortization period, reductions in the interest rate below the prevailing market rate for loans with comparable characteristics, and/or

permitting interest-only payments for longer than three months. WesBanco had no unfunded commitments to debtors whose loans were classified as impaired as of September 30, 2016 and \$0.2 million as of December 31, 2015.

The following tables present details related to loans identified as TDRs during the three and nine months ended September 30, 2016 and 2015, respectively:

| <i>(unaudited, dollars in thousands)</i> | New TDRs ⁽¹⁾ | | | | | |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------|
| | For the Three Months Ended | | | | | |
| | September 30, 2016 | | | September 30, 2015 | | |
| | Pre-Modification | Post-Modification | Investment | Pre-Modification | Post-Modification | Investment |
| Number of Modifications | Number of Recorded Investments | Number of Recorded Investments | Number of Recorded Investments | Number of Recorded Investments | Number of Recorded Investments | |
| Commercial real estate: | | | | | | |
| Land and construction Improved Property | | \$ | \$ | 1 | \$ 13 | \$ 12 |
| Total commercial real estate | | | | 1 | 13 | 12 |
| Commercial and industrial | 2 | 125 | 122 | | | |
| Residential real estate | 2 | 124 | 122 | | | |
| Home equity | | | | | | |
| Consumer | 4 | 26 | 23 | | | |
| Total | 8 | \$ 275 | \$ 267 | 1 | \$ 13 | \$ 12 |

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

Table of Contents

| <i>(unaudited, dollars in thousands)</i> | New TDRs ⁽¹⁾ | | | | | |
|--|--|---|---------------------|--|---|---------------------|
| | For the Nine Months Ended | | | | | |
| | September 30, 2016 | | | September 30, 2015 | | |
| | Pre-Modification Outstanding Number of Modifications | Post-Modification Outstanding Recorded Investment | Recorded Investment | Pre-Modification Outstanding Number of Modifications | Post-Modification Outstanding Recorded Investment | Recorded Investment |
| Commercial real estate: | | | | | | |
| Land and construction | \$ | \$ | | 2 | \$ 128 | \$ 119 |
| Improved Property | | | | 2 | 835 | 472 |
| Total commercial real estate | | | | 4 | 963 | 591 |
| Commercial and industrial | 2 | 125 | 122 | | | |
| Residential real estate | 3 | 150 | 143 | 7 | 454 | 435 |
| Home equity | 1 | 44 | 41 | 1 | 7 | 6 |
| Consumer | 10 | 70 | 54 | 2 | 19 | 14 |
| Total | 16 | \$ 389 | \$ 360 | 14 | \$ 1,443 | \$ 1,046 |

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

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the nine months ended September 30, 2016 and 2015, respectively, that were restructured within the last twelve months prior to September 30, 2016 and 2015, respectively:

| <i>(unaudited, dollars in thousands)</i> | Defaulted TDRs ⁽¹⁾ | | | |
|--|-------------------------------|---------------------|--------------------|---------------------|
| | For the Nine Months Ended | | | |
| | September 30, 2016 | | September 30, 2015 | |
| | Number of Defaults | Recorded Investment | Number of Defaults | Recorded Investment |
| Commercial real estate: | | | | |
| Land and construction | | \$ | | \$ |
| Improved property | | | | |
| Total commercial real estate | | | | |
| Commercial and industrial | 1 | 40 | | |
| Residential real estate | | | | |
| Home equity | | | 1 | 42 |

| | | | | | | |
|--------------|----------|--------------|----------|-----------|-----------|----|
| Consumer | | | | 1 | | 20 |
| Total | 1 | \$ 40 | 2 | \$ | 62 | |

(1) Excludes loans that were either charged-off or cured by period end. The recorded investment is as of September, 2016 and 2015, respectively.

TDRs that default are placed on non-accrual status unless they are both well-secured and in the process of collection. None of the loans in the table above were accruing interest.

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

| <i>(unaudited, in thousands)</i> | September 30, 2016 | December 31, 2015 |
|---|-------------------------------|------------------------------|
| Other real estate owned | \$ 9,613 | \$ 5,669 |
| Repossessed assets | 181 | 156 |
| Total other real estate owned and repossessed assets | \$ 9,794 | \$ 5,825 |

At September 30, 2016, other real estate owned includes \$3.0 million from the YCB acquisition. Residential real estate included in other real estate owned at September 30, 2016 and December 31, 2015 was \$2.5 million and \$2.0 million, respectively. At September 30, 2016 and December 31, 2015, formal foreclosure proceedings were in process on residential real estate loans totaling \$5.4 million and \$4.1 million, respectively.

Table of Contents**NOTE 6. PENSION PLAN**

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

| <i>(unaudited, in thousands)</i> | For the Three Months Ended | | For the Nine Months Ended | |
|---|-----------------------------------|-------------|----------------------------------|-------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Service cost – benefits earned during year | \$ 703 | \$ 846 | \$ 2,095 | \$ 2,509 |
| Interest cost on projected benefit obligation | 1,280 | 1,228 | 3,813 | 3,643 |
| Expected return on plan assets | (1,940) | (1,950) | (5,778) | (5,785) |
| Amortization of prior service cost | 8 | 7 | 20 | 19 |
| Amortization of net loss | 759 | 801 | 2,261 | 2,378 |
| Net periodic pension cost | \$ 810 | \$ 932 | \$ 2,411 | \$ 2,764 |

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

A minimum required contribution of \$0.6 million is due for 2016 which could be all or partially offset by the Plan's \$39.1 million available credit balance. A voluntary contribution of \$3.8 million was made in June 2016.

On September 9, 2016, WesBanco assumed YCB's obligation for a predecessor bank's participation in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra Plan). The participating employer plan has been frozen to new participants since 2002. WesBanco intends to spin off the assets from the Pentegra Plan during the fourth quarter of 2016, contributing approximately \$3.3 million to satisfy the estimated final costs to do so. This estimated spin off will have no impact on earnings as the liability was included in YCB's balance sheet as of the acquisition date. The distributed assets from the Pentegra Plan will be transferred to a plan providing substantially the same benefits to participants.

WesBanco also assumed YCB's single employer pension plan that was amended in 1997 such that there could be no new participants or increases to existing participants. The net periodic pension cost was less than \$10 thousand as of September 30, 2016.

Table of Contents

NOTE 7. FAIR VALUE MEASUREMENT

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

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

The following is a discussion of assets and liabilities measured at fair value on a recurring basis and valuation techniques applied:

Investment securities: The fair value of investment securities which are measured on a recurring basis are determined primarily by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other similar securities. These securities are classified within level 1 or 2 in the fair value hierarchy. Certain equity securities that are lightly traded in over-the-counter markets are classified as level 2 in the fair value hierarchy, as quoted market prices may not be available on the fair value measurement date. Positions that are not traded in active markets for which valuations are generated using assumptions not observable in the market or management's best estimate are classified within level 3 of the fair value hierarchy. This includes certain specific municipal debt issues for which the credit quality and discount rate must be estimated.

Derivatives: WesBanco enters into interest rate swap agreements with qualifying commercial customers to meet their financing, interest rate and other risk management needs. These agreements provide the customer the ability to convert from variable to fixed interest rates. The credit risk associated with derivative executed with customers is essentially the same as that involved in extending loans and is subject to normal credit policies and monitoring. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that WesBanco executes with derivative counterparties in order to offset its exposure on the fixed components of the customer interest rate swap agreements. The interest rate swap agreement with the loan customer and with the counterparty is reported at fair value in other assets and other liabilities on the consolidated balance sheet with any resulting gain or loss recorded in current period earnings as other income and other expense.

WesBanco determines the fair value for derivatives using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects contractual terms of the derivative, including the period to maturity and uses observable market based inputs, including interest rate curves and implied volatilities. WesBanco incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements.

We may be required from time to time to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from application of lower of cost or market accounting or write-downs of individual assets and liabilities.

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

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

Loans held for sale: Loans held for sale are carried, in aggregate, at the lower of cost or fair value. The use of a valuation model using quoted prices of similar instruments are significant inputs in arriving at the fair value and therefore loans held for sale are classified within level 2 of the fair value hierarchy.

Table of Contents

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The following tables set forth WesBanco's financial assets and liabilities that were accounted for at fair value on a recurring and nonrecurring basis by level within the fair value hierarchy as of September 30, 2016 and December 31, 2015:

| | September 30, 2016 | | | | |
|---|---|---|--|-----------|-----------------|
| | Fair Value Measurements Using: | | | | |
| | Quoted Prices in | | | | |
| | Active Markets for Identical Assets (level 1) | Significant Other Observable Inputs (level 2) | Significant Unobservable Inputs (level 3) | | |
| <i>(unaudited, in thousands)</i> | September 30, 2016 | (level 1) | (level 2) | (level 3) | Value |
| Recurring fair value measurements | | | | | |
| Trading securities | \$ 7,070 | \$ 5,966 | \$ | \$ | \$ 1,104 |
| Securities - available-for-sale | | | | | |
| Obligations of government agencies | 63,371 | | 63,371 | | |
| Residential mortgage-backed securities and collateralized mortgage obligations of government agencies | 1,086,916 | | 1,086,916 | | |
| Obligations of state and political subdivisions | 111,265 | | 111,265 | | |
| Corporate debt securities | 35,523 | | 35,523 | | |
| Equity securities | 4,954 | 3,023 | 1,931 | | |
| Total securities - available-for-sale | \$ 1,302,029 | \$ 3,023 | \$ 1,299,006 | \$ | \$ |
| Other assets - interest rate derivatives agreements | \$ 7,510 | \$ | \$ 7,510 | \$ | \$ |
| Total assets recurring fair value measurements | \$ 1,316,609 | \$ 8,989 | \$ 1,306,516 | \$ | \$ 1,104 |
| Other liabilities - interest rate derivatives agreements | \$ 7,758 | \$ | \$ 7,758 | \$ | \$ |
| Total liabilities recurring fair value measurements | \$ 7,758 | \$ | \$ 7,758 | \$ | \$ |
| Nonrecurring fair value measurements | | | | | |
| Impaired loans | \$ 3,458 | \$ | \$ | \$ 3,458 | \$ |
| Other real estate owned and repossessed assets | 9,794 | | | 9,794 | |
| Loans held for sale | 20,231 | | 20,231 | | |

| | | | | | | | | | |
|--|----|---------------|----|--|----|---------------|----|---------------|----|
| Total nonrecurring fair value measurements | \$ | 33,483 | \$ | | \$ | 20,231 | \$ | 13,252 | \$ |
|--|----|---------------|----|--|----|---------------|----|---------------|----|

Table of Contents

| | December 31, 2015 | | | | |
|---|--------------------------------|---|---|--|---|
| | Fair Value Measurements Using: | | | | |
| | December 31, 2015 | Quoted Prices in | | | Investments Measured at Net Asset Value |
| | | Active Markets for Identical Assets (level 1) | Significant Other Observable Inputs (level 2) | Significant Unobservable Inputs (level 3) | |
| <i>(unaudited, in thousands)</i> | | | | | |
| Recurring fair value measurements | | | | | |
| Trading securities | \$ 6,451 | \$ 5,226 | | \$ | \$ 1,225 |
| Securities - available-for-sale | | | | | |
| Obligations of government agencies | 83,505 | | 83,505 | | |
| Residential mortgage-backed securities and collateralized mortgage obligations of government agencies | 1,176,080 | | 1,176,080 | | |
| Obligations of state and political subdivisions | 80,265 | | 80,265 | | |
| Corporate debt securities | 58,593 | | 58,593 | | |
| Equity securities | 4,626 | 2,735 | 1,891 | | |
| Total securities - available-for-sale | \$ 1,403,069 | \$ 2,735 | \$ 1,400,334 | \$ | \$ |
| Other assets - interest rate derivatives agreements | \$ 1,893 | | \$ 1,893 | \$ | \$ |
| Total assets recurring fair value measurements | \$ 1,411,413 | \$ 7,961 | \$ 1,402,227 | \$ | \$ 1,225 |
| Other liabilities - interest rate derivatives agreements | \$ 1,991 | | \$ 1,991 | \$ | \$ |
| Total liabilities recurring fair value measurements | \$ 1,991 | | \$ 1,991 | \$ | \$ |
| Nonrecurring fair value measurements | | | | | |
| Impaired loans | \$ 6,363 | | | \$ 6,363 | \$ |
| Other real estate owned and repossessed assets | 5,825 | | | 5,825 | |
| Loans held for sale | 7,899 | | 7,899 | | |
| Total nonrecurring fair value measurements | \$ 20,087 | | \$ 7,899 | \$ 12,188 | \$ |

WesBanco's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 or 3 for the nine months ended September 30, 2016 or for the year ended December 31, 2015.

Table of Contents

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

| <i>(unaudited, in thousands)</i> | Quantitative Information about Level 3 Fair Value Measurements | | | |
|--|---|---|---|--|
| | Fair Value Estimate | Valuation Techniques | Unobservable Input | Range (Weighted Average) |
| September 30, 2016: | | | | |
| Impaired loans | \$ 3,458 | Appraisal of collateral ⁽¹⁾ | Appraisal adjustments ⁽²⁾ Liquidation expenses ⁽²⁾ | 0% to (80.9%) / (53.1%) (1.0%) to (8.0%) / (3.4%) |
| Other real estate owned and repossessed assets | 9,794 | Appraisal of collateral ^{(1), (3)} | | |
| December 31, 2015: | | | | |
| Impaired loans | \$ 6,363 | Appraisal of collateral ⁽¹⁾ | Appraisal adjustments ⁽²⁾ Liquidation expenses ⁽²⁾ | 0% to (40.6%) / (25.1%) (3.0%) to (8.0%) / (6.7%) |
| Other real estate owned and repossessed assets | 5,825 | Appraisal of collateral ^{(1), (3)} | | |

- (1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.
- (2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of appraisal adjustments and liquidation expenses are presented as a percent of the appraisal.
- (3) Includes estimated liquidation expenses and numerous dissimilar qualitative adjustments by management which are not identifiable.

Table of Contents

The estimated fair values of WesBanco's financial instruments are summarized below:

| <i>(unaudited, in thousands)</i> | September 30, 2016 | | | | | |
|---|--------------------|------------------------|--|--|--|--|
| | Carrying Amount | Fair Value Estimate | Quoted Prices in Active Markets for Identical Assets (level 1) | Significant Observable Inputs (level 2) | Other Unobservable Inputs (level 3) | Significant Investments Measured at Net Asset Value |
| Financial Assets | | | | | | |
| Cash and due from banks | \$ 116,132 | \$ 116,132 | \$ 116,132 | | | \$ |
| Trading securities | 7,070 | 7,070 | 5,966 | | | 1,104 |
| Securities available-for-sale | 1,302,029 | 1,302,029 | 3,023 | 1,299,006 | | |
| Securities held-to-maturity | 1,049,093 | 1,089,227 | | 1,088,556 | 671 | |
| Net loans | 6,194,097 | 6,152,078 | | | 6,152,078 | |
| Loans held for sale | 20,231 | 20,231 | | 20,231 | | |
| Other assets - interest rate derivatives | 7,510 | 7,510 | | 7,510 | | |
| Accrued interest receivable | 29,964 | 29,964 | 29,964 | | | |
| Financial Liabilities | | | | | | |
| Deposits | 7,134,511 | 7,142,550 | 5,560,799 | 1,581,751 | | |
| Federal Home Loan Bank borrowings | 950,847 | 949,818 | | 949,818 | | |
| Other borrowings | 132,497 | 132,496 | 77,623 | 54,873 | | |
| Subordinated debt and junior subordinated debt | 163,364 | 136,432 | | 136,432 | | |
| Other liabilities - interest rate derivatives | 7,758 | 7,758 | | 7,758 | | |
| Accrued interest payable | 2,898 | 2,898 | 2,898 | | | |

| <i>(unaudited, in thousands)</i> | Fair Value Measurements at December 31, 2015 | | | | | |
|----------------------------------|---|------------------------|--|--|--|--|
| | Carrying Amount | Fair Value Estimate | Quoted Prices in Active Markets for Identical Assets (level 1) | Significant Observable Inputs (level 2) | Other Unobservable Inputs (level 3) | Significant Investments Measured at Net Asset Value |
| Financial Assets | | | | | | |
| Cash and due from banks | \$ 86,685 | \$ 86,685 | \$ 86,685 | | | \$ |
| Trading securities | 6,451 | 6,451 | 5,226 | | | 1,225 |
| Securities available-for-sale | 1,403,069 | 1,403,069 | 2,735 | 1,400,334 | | |
| Securities held-to-maturity | 1,012,930 | 1,038,207 | | 1,037,490 | 717 | |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Net loans | 5,024,132 | 4,936,236 | | 4,936,236 |
| Loans held for sale | 7,899 | 7,899 | | 7,899 |
| Other assets - interest rate derivatives | 1,893 | 1,893 | | 1,893 |
| Accrued interest receivable | 25,759 | 25,759 | 25,759 | |
| Financial Liabilities | | | | |
| Deposits | 6,066,299 | 6,075,433 | 4,508,461 | 1,566,972 |
| Federal Home Loan Bank borrowings | 1,041,750 | 1,041,752 | | 1,041,752 |
| Other borrowings | 81,356 | 81,361 | 78,682 | 2,679 |
| Junior subordinated debt | 106,196 | 79,681 | | 79,681 |
| Other liabilities - interest rate derivatives | 1,991 | 1,991 | | 1,991 |
| Accrued interest payable | 1,715 | 1,715 | 1,715 | |

The following methods and assumptions were used to measure the fair value of financial instruments recorded at cost on WesBanco's consolidated balance sheets:

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

Securities held-to-maturity: Fair values for securities held-to-maturity are determined in the same manner as the investment securities which are described above.

Net loans: Fair values for loans are estimated using a discounted cash flow methodology. The discount rates take into account interest rates currently being offered to customers for loans with similar terms, the credit risk associated with the loan and other market factors, including liquidity.

Table of Contents

WesBanco believes the discount rates are consistent with transactions occurring in the marketplace for both performing and distressed loan types. The carrying value is net of the allowance for loan losses and other associated premiums and discounts. Due to the significant judgment involved in evaluating credit quality, loans are classified within level 3 of the fair value hierarchy.

Accrued interest receivable: The carrying amount of accrued interest receivable approximates its 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 rates currently offered for deposits of similar remaining maturities.

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

Other borrowings: The carrying amount of federal funds purchased and overnight sweep accounts generally approximate fair value. Other repurchase agreements are based on quoted market prices if available. If market prices are not available, for certain fixed and adjustable rate repurchase agreements, then quoted market prices of similar instruments are used.

Subordinated debt and junior subordinated debt: The fair value of subordinated debt is estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements. Due to the pooled nature of junior subordinated debt owed to unconsolidated subsidiary trusts, which are not actively traded, estimated fair value is based on recent similar transactions of single-issuer trust preferred securities.

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 are not presented in the above tables.

Table of Contents**NOTE 8. COMPREHENSIVE INCOME**

The activity in accumulated other comprehensive income for the nine months ended September 30, 2016 and 2015 is as follows:

| | Accumulated Other Comprehensive Income/(Loss) ⁽¹⁾ | | | |
|--|--|--|--|---------------|
| | Defined Benefit Pension Plan | Unrealized Gains (Losses) on Securities Available-for-Sale | Securities Transferred from Held-to-Maturity | Total |
| <i>(unaudited, in thousands)</i> | | | | |
| Balance at December 31, 2015 | \$ (17,539) | \$ (4,162) | \$ 747 | \$ (20,954) |
| Other comprehensive income before reclassifications | | 16,065 | | 16,065 |
| Amounts reclassified from accumulated other comprehensive income | 1,407 | (1,428) | (152) | (173) |
| Period change | 1,407 | 14,637 | (152) | 15,892 |
| Balance at September 30, 2016 | \$ (16,132) | \$ 10,475 | \$ 595 | \$ (5,062) |
| Balance at December 31, 2014 | \$ (22,776) | \$ 2,892 | \$ 1,059 | \$ (18,825) |
| Other comprehensive income before reclassifications | | 3,105 | | 3,105 |
| Amounts reclassified from accumulated other comprehensive income | 1,493 | (20) | (199) | 1,274 |
| Period change | 1,493 | 3,085 | (199) | 4,379 |
| Balance at September 30, 2015 | \$ (21,283) | \$ 5,977 | \$ 860 | \$ (14,446) |

⁽¹⁾ All amounts are net of tax. Related income tax expense or benefit is calculated using a combined Federal and State income tax rate approximating 37%.

The following table provides details about amounts reclassified from accumulated other comprehensive income for the three and nine months ended September 30, 2016 and 2015:

| Details about Accumulated Other Comprehensive Income Components | For the Three Months Ended September | For the Nine Months Ended September 30, | Affected Line Item in the Statement of Net Income |
|---|--------------------------------------|---|---|
|---|--------------------------------------|---|---|

| <i>(unaudited, in thousands)</i> | 30, | | | | |
|---|-----------------|----------------|-------------------|-----------------|--|
| | 2016 | 2015 | 2016 | 2015 | |
| Securities available-for-sale ⁽¹⁾: | | | | | |
| Net securities gains reclassified into earnings | | | | | Net securities gains (Non-interest income) |
| | \$ (579) | \$ (11) | \$ (2,251) | \$ (32) | |
| Related income tax expense | 211 | 4 | 823 | 12 | Provision for income taxes |
| Net effect on accumulated other comprehensive income for the period | (368) | (7) | (1,428) | (20) | |
| Securities held-to-maturity ⁽¹⁾: | | | | | |
| Amortization of unrealized gain transferred from available-for-sale | | | | | Interest and dividends on securities (Interest and dividend income) |
| | (77) | (104) | (242) | (317) | |
| Related income tax expense | 28 | 38 | 90 | 118 | Provision for income taxes |
| Net effect on accumulated other comprehensive income for the period | (49) | (66) | (152) | (199) | |
| Defined benefit pension plan ⁽²⁾: | | | | | |
| Amortization of net loss and prior service costs | | | | | Employee benefits (Non-interest expense) |
| | 766 | 808 | 2,280 | 2,397 | |
| Related income tax benefit | (280) | (296) | (873) | (904) | Provision for income taxes |
| Net effect on accumulated other comprehensive income for the period | 486 | 512 | 1,407 | 1,493 | |
| Total reclassifications for the period | \$ 69 | \$ 439 | \$ (173) | \$ 1,274 | |

(1) For additional detail related to unrealized gains on securities and related amounts reclassified from accumulated other comprehensive income see Note 4, Securities.

(2) Included in the computation of net periodic pension cost. See Note 6, Pension Plan for additional detail.

Table of Contents**NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES**

Commitments In the normal course of business, WesBanco offers off-balance sheet credit arrangements to enable its customers to meet their financing objectives. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. WesBanco's exposure to credit losses in the event of non-performance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other lending. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The allowance for credit losses associated with commitments was \$0.6 million as of September 30, 2016 and December 31, 2015, and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Letters of credit are considered guarantees. The liability associated with letters of credit was \$0.2 million as of September 30, 2016 and December 31, 2015.

Contingent obligations to purchase loans funded by other entities include affordable housing plan guarantees, credit card guarantees and mortgages sold into the secondary market with recourse. Affordable housing plan guarantees are performance guarantees for various building project loans. The guarantee amortizes as the loan balances decrease. Credit card guarantees are credit card balances not owned by WesBanco, whereby the Bank guarantees the performance of the cardholder. Certain mortgages sold with recourse obligate WesBanco to repurchase mortgages sold if the borrower exceeds certain delinquency metrics within the first year.

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

| <i>(unaudited, in thousands)</i> | September 30, 2016 | December 31, 2015 |
|---|-------------------------------|------------------------------|
| Lines of credit | \$ 1,404,726 | \$ 1,159,769 |
| Loans approved but not closed | 150,864 | 234,599 |
| Overdraft limits | 127,277 | 106,252 |
| Letters of credit | 26,544 | 27,408 |
| Contingent obligations to purchase loans funded by other entities | 17,324 | 18,079 |

Contingent Liabilities WesBanco is a party to various legal and administrative proceedings and claims. While any litigation contains an element of uncertainty, management does not believe that a material loss related to such proceedings or claims pending or known to be threatened is reasonably possible.

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

WesBanco operates two reportable segments: community banking and trust and investment services. WesBanco's community banking segment offers services traditionally offered by full-service commercial banks, including commercial demand, individual demand and time deposit accounts, as well as commercial, mortgage and individual installment loans, and certain non-traditional offerings, such as insurance and securities brokerage services. The trust and investment services segment offers trust services as well as various alternative investment products including mutual funds. The market value of assets managed or held in custody by the trust and investment services segment was approximately \$3.7 billion at September 30, 2016 and 2015. These assets are held by WesBanco in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

| <i>(unaudited, in thousands)</i> | Community Banking | Trust and Investment Services | Consolidated |
|---|------------------------------|--|---------------------|
| For the Three Months ended September 30, 2016: | | | |
| Interest income | \$ 70,092 | \$ | \$ 70,092 |
| Interest expense | 8,066 | | 8,066 |
| Net interest income | 62,026 | | 62,026 |
| Provision for credit losses | 2,214 | | 2,214 |
| Net interest income after provision for credit losses | 59,812 | | 59,812 |
| Non-interest income | 15,604 | 5,413 | 21,017 |
| Non-interest expense | 54,569 | 3,032 | 57,601 |
| Income before provision for income taxes | 20,847 | 2,381 | 23,228 |
| Provision for income taxes | 4,841 | 952 | 5,793 |
| Net income | \$ 16,006 | \$ 1,429 | \$ 17,435 |
| For the Three Months ended September 30, 2015: | | | |
| Interest income | \$ 66,935 | \$ | \$ 66,935 |
| Interest expense | 6,326 | | 6,326 |
| Net interest income | 60,609 | | 60,609 |
| Provision for credit losses | 1,798 | | 1,798 |
| Net interest income after provision for credit losses | 58,811 | | 58,811 |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | | |
|--|-----------|----------|-----------|
| Non-interest income | 13,060 | 5,126 | 18,186 |
| Non-interest expense | 44,039 | 2,942 | 46,981 |
| Income before provision for income taxes | 27,832 | 2,184 | 30,016 |
| Provision for income taxes | 6,894 | 874 | 7,768 |
| Net income | \$ 20,938 | \$ 1,310 | \$ 22,248 |

For the Nine Months ended September 30, 2016:

| | | | |
|---|------------|----------|------------|
| Interest income | \$ 205,278 | \$ | \$ 205,278 |
| Interest expense | 23,637 | | 23,637 |
| Net interest income | 181,641 | | 181,641 |
| Provision for credit losses | 6,350 | | 6,350 |
| Net interest income after provision for credit losses | 175,291 | | 175,291 |
| Non-interest income | 43,841 | 16,160 | 60,001 |
| Non-interest expense | 141,029 | 9,274 | 150,303 |
| Income before provision for income taxes | 78,103 | 6,886 | 84,989 |
| Provision for income taxes | 19,818 | 2,754 | 22,572 |
| Net income | \$ 58,285 | \$ 4,132 | \$ 62,417 |

For the Nine Months ended September 30, 2015:

| | | | |
|---|------------|----------|------------|
| Interest income | \$ 194,052 | \$ | \$ 194,052 |
| Interest expense | 17,685 | | 17,685 |
| Net interest income | 176,367 | | 176,367 |
| Provision for credit losses | 5,768 | | 5,768 |
| Net interest income after provision for credit losses | 170,599 | | 170,599 |
| Non-interest income | 37,785 | 16,655 | 54,440 |
| Non-interest expense | 137,903 | 9,126 | 147,029 |
| Income before provision for income taxes | 70,481 | 7,529 | 78,010 |
| Provision for income taxes | 17,238 | 3,012 | 20,250 |
| Net income | \$ 53,243 | \$ 4,517 | \$ 57,760 |

Total non-fiduciary assets of the trust and investment services segment were \$3.1 million and \$3.6 million at September 30, 2016 and 2015, respectively. All other assets, including goodwill and other intangible assets, were allocated to the community banking segment.

Table of Contents

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

Management's Discussion and Analysis (MD&A) represents an overview of the results of operations and financial condition of WesBanco for the three and nine months ended September 30, 2016. 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, 2015 and documents subsequently filed by WesBanco with the Securities and Exchange Commission (SEC), including WesBanco's Form 10-Q for the quarters ended March 31 and June 30, 2016, 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 Risk Factors in Part I, Item 1A. Such statements are subject to important factors that could cause actual results to differ materially from those contemplated by such statements, including, without limitation, that the businesses of WesBanco and YCB may not be integrated successfully or such integration may take longer to accomplish than expected; the expected cost savings and any revenue synergies from the merger of WesBanco and YCB may not be fully realized within the expected timeframes; disruption from the merger of WesBanco and YCB may make it more difficult to maintain relationships with clients, associates, or suppliers; the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the SEC, the Financial Institution Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; internet hacking; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco's operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

OVERVIEW

WesBanco is a multi-state bank holding company operating through 174 branches and 163 ATM machines in West Virginia, Ohio, western Pennsylvania, Kentucky, and southern Indiana, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

On September 9, 2016, WesBanco completed the acquisition of YCB, a bank holding company headquartered in New Albany, Indiana with approximately \$1.5 billion in assets, excluding goodwill, with \$1.2 billion in total deposits and \$1.0 billion in total loans, and 34 branches in Kentucky and southern Indiana. WesBanco now has approximately \$9.8 billion in total assets, \$7.1 billion in total deposits, and \$6.2 billion in total loans operating in five contiguous states. YCB's results were included in WesBanco's results from the date of merger consummation. WesBanco's results also include ESB Financial Corporation's (ESB) results from February 10, 2015, the date of the consummation of that merger.

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, 2016 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2015 within the section Management's Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents**RESULTS OF OPERATIONS****EARNINGS SUMMARY**

Net income for the nine months ended September 30, 2016 was \$62.4 million or \$1.61 per diluted share compared to \$57.8 million or \$1.55 per diluted share for the first nine months of 2015. Net income for the three months ended September 30, 2016 was \$17.4 million, while diluted earnings per share were \$0.44, compared to \$22.2 million or \$0.58 per diluted share for the third quarter of 2015. Excluding after-tax merger-related expenses (non-GAAP measure) for the nine months ended September 30, 2016, net income increased 6.7% to \$69.3 million compared to \$64.9 million for 2015, while diluted earnings per share totaled \$1.79, compared to \$1.75 per share for 2015. Excluding after-tax merger-related expenses (non-GAAP measure), net income for the three months ended September 30, 2016 was \$23.9 million, while diluted earnings per share were \$0.60, compared to \$22.4 million or \$0.58 per diluted share for the third quarter of 2015.

| <i>(unaudited, dollars in thousands, except per share amounts)</i> | For the Three Months Ended September 30, | | | | For the Nine Months Ended September 30, | | | |
|--|---|---------------------------------------|-------------------|---------------------------------------|--|---------------------------------------|-------------------|---------------------------------------|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| | Diluted Net Income | Diluted Earnings Per Share | Net Income | Diluted Earnings Per Share | Net Income | Diluted Earnings Per Share | Net Income | Diluted Earnings Per Share |
| Net income (Non-GAAP) ⁽¹⁾ | \$ 23,859 | \$ 0.60 | \$ 22,368 | \$ 0.58 | \$ 69,292 | \$ 1.79 | \$ 64,931 | \$ 1.75 |
| Less: After tax merger-related expenses | (6,424) | (0.16) | (120) | | (6,875) | (0.18) | (7,171) | (0.20) |
| Net income (GAAP) | \$ 17,435 | \$ 0.44 | \$ 22,248 | \$ 0.58 | \$ 62,417 | \$ 1.61 | \$ 57,760 | \$ 1.55 |

(1) Non-GAAP net income excludes after-tax merger-related expenses. The above non-GAAP financial measures used by WesBanco provide information useful to investors in understanding WesBanco's operating performance and trends, and facilitate comparisons with the performance of WesBanco's peers.

Net interest income increased \$1.4 million or 2.3% in the third quarter of 2016 compared to the same quarter of 2015 due to a 10.2% increase in average loan balances resulting in a 3.8% increase in average earning assets, partially offset by a 4 basis point decrease in the net interest margin. For the first nine months of 2016, net interest income increased \$5.3 million or 3.0% from the acquisitions and from annualized organic loan growth of approximately 4.2%, reduced by a 14 basis point decline in the net interest margin. The net interest margin decreased to 3.32% in the third quarter, compared to 3.36% in same quarter of 2015, but increased two basis points from the second quarter of 2016's 3.30%. The year-over-year decrease in the quarter's net interest margin is primarily due to a 9 basis point decrease for total loans due to repricing of existing loans at lower spreads, competitive pricing on new loans and the extended low interest rate environment. Mitigating this reduction is the aforementioned loan growth, which improves overall asset yields as average loan rates are generally higher than securities rates. Funding costs increased 11 basis points in the third quarter compared to the same quarter in 2015, primarily due to an increase in the percentage of total FHLB borrowings to 16.4% of interest bearing liabilities from 12.7% in 2015, as well as a 34 basis point increase in the average rate on these borrowings year-over-year. Average deposits in the third quarter decreased by 3.5%, primarily due to the runoff of CDs. During the last few quarters, the net interest margin has been relatively stable, ranging from 3.29% to 3.32% and the re-mix in average earning assets has continued as securities as a percentage of total assets have been reduced from 29.8% at September 30, 2015 to 24.0% at September 30, 2016, while loans have increased as

a percentage of total assets to 63.6%. Year-to-date, the decline in the margin of 14 basis points resulted from the same factors affecting the third quarter. Loan growth has assisted in maintaining the net interest margin at its present level despite lower loan yields and overall spread compression.

The provision for credit losses increased to \$2.2 million in the third quarter of 2016, compared to \$1.8 million in the third quarter of 2015, while year-to-date the provision increased to \$6.4 million from \$5.8 million in the same period of 2015. Net charge-offs as a percentage of average portfolio loans of 0.20% in the third quarter of 2016 decreased from 0.30% in the third quarter of 2015. For the first nine months of 2016, net charge-offs as a percentage of average portfolio loans of 0.14% decreased from 0.24% in the same 2015 period.

For the third quarter of 2016, non-interest income increased \$2.8 million or 15.6% compared to the 2015 third quarter. Trust fees increased \$0.3 million or 5.6% compared to the third quarter of last year from increased total assets under management, higher estate fees and market improvements. Service charges on deposits increased \$0.3 million or 7.0% through a larger customer deposit base from the addition of YCB. Net securities gains increased \$0.6 million in the third quarter of 2016 compared to the third quarter of 2015, primarily due to realized gains resulting from the sale of mortgage-backed securities in the quarter. Net securities brokerage revenue decreased \$0.5 million or 26.2% from staff restructuring and an emphasis on deposit retention. Other income increased \$1.9 million in the third quarter due to \$1.3 million of commercial customer loan swap fee income and improvement in various other income categories including mortgage banking gains. For the nine months ended September 30, 2016, non-interest income increased \$5.6 million or 10.2%, reflecting similar trends as in the third quarter, while trust fees decreased 3.0% due to lower total assets under management and lower estate fees earlier in the year, electronic banking fees increased 5.8% and net gain on sales of mortgage loans increased 40.2%.

The following paragraph on non-interest expense excludes merger-related expenses in both years of \$9.9 million and \$0.2 million for the three months ended September 30, 2016 and 2015, respectively, and \$10.6 million and \$11.0 million for the nine months ended September 30, 2016 and 2015, respectively. Non-interest expense in the third quarter of 2016 grew \$0.9 million or 2.0%, compared to the same quarter in 2015. For the first nine months, non-interest expense increased \$3.7 million or 2.7%. For the third quarter, salaries and wages increased \$1.4 million or 7.0% due to increased compensation expense related to an 18.3% increase in full-time equivalent employees, primarily in the third quarter of 2016 from the YCB acquisition, and routine annual adjustments to compensation. Employee benefits expense increased \$0.2 million, primarily from increased deferred compensation expense. Marketing expense decreased \$0.2 million as WesBanco focused on preparing for the introduction of YCB customers to our organization. The increase in non-interest expense for the first nine months of 2016 reflects similar trends as in the third quarter.

The provision for federal and state income taxes was \$22.6 million in 2016 compared to \$20.3 million in the first nine months of 2015. The increase in income tax expense was primarily due to a \$7.0 million increase in pre-tax income and a \$0.5 million benefit in 2015 relating to the

Table of Contents

completion of an IRS audit which closed the 2011 and 2012 tax years. These factors combined to produce a higher effective tax rate of 26.6% for 2016 compared to 26.0% in the first nine months of 2015. The provision for federal and state income taxes decreased \$2.0 million to \$5.8 million for the third quarter of 2016 as compared to \$7.8 million for the third quarter 2015 due primarily to merger-related expenses incurred in the third quarter of 2016.

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

| <i>(unaudited, dollars in thousands)</i> | For the Three Months Ended | | For the Nine Months Ended | |
|---|----------------------------|-----------|---------------------------|------------|
| | September 30, | | September 30, | |
| | 2016 | 2015 | 2016 | 2015 |
| Net interest income | \$ 62,026 | \$ 60,609 | \$ 181,641 | \$ 176,367 |
| Taxable equivalent adjustments to net interest income | 2,455 | 2,442 | 7,334 | 6,526 |
| Net interest income, fully taxable equivalent | \$ 64,481 | \$ 63,051 | \$ 188,975 | \$ 182,893 |
| Net interest spread, non-taxable equivalent | 3.07% | 3.15% | 3.06% | 3.24% |
| Benefit of net non-interest bearing liabilities | 0.12% | 0.08% | 0.11% | 0.08% |
| Net interest margin | 3.19% | 3.23% | 3.17% | 3.32% |
| Taxable equivalent adjustment | 0.13% | 0.13% | 0.13% | 0.12% |
| Net interest margin, fully taxable equivalent | 3.32% | 3.36% | 3.30% | 3.44% |

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 and shape 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 existing assets and liabilities. Net interest income increased \$1.4 million or 2.3% in the third quarter of 2016 compared to the same quarter of 2015, due to a 10.2% increase in average earning assets, partially offset by a 4 basis point decrease in the net interest margin. For the first nine months of 2016, net interest income increased \$5.3 million or 3.0%, from the acquisitions and from annualized average organic loan growth of approximately 4.2%, reduced by a 14 basis point decline in the net interest margin. Total average deposits decreased in the third quarter by \$34.1 million or 0.5%, compared to the third quarter of 2015, primarily due to the runoff of certificates of deposit of \$281.6 million, which have the highest interest cost among interest bearing deposits. Partially offsetting the decrease in certificates of deposit was an increase in lower-cost and non-interest bearing deposits of \$247.5 million, which were the result of the acquisition, marketing campaigns, customer incentives, wealth management and business initiatives as well as deposits from Marcellus and Utica shale gas bonus and royalty payments. The net interest margin decreased to 3.32% in the third quarter of 2016 from 3.36% in the same quarter of 2015, but increased 2 basis points from 3.30% in the second quarter of 2016. The year-over-year decrease in the quarter's net interest margin is primarily due to a 9 basis point decrease on loan yields due to repricing of existing loans at lower spreads, competitive pricing on new loans and the extended low interest rate environment. Overall funding costs increased 11 basis points from the third quarter of 2015 due to higher balances and rates on FHLB borrowings, partially offset by the decrease in certificates of deposit.

Interest income increased in the third quarter of 2016 by \$3.2 million or 4.7% compared to the same period in 2015 due to the higher average loan balances and higher security yields, partially offset by lower loan yields and lower securities balances. In the first nine months of 2016, interest income increased \$11.2 million or 5.8% from the first nine months of 2015 due to higher average total earning asset balances from the ESB and YCB acquisitions and organic loan growth, offset somewhat by lower yields on loans. The lower loan yields were due to the continued low interest rate environment with a relatively flat yield curve. However, the increase in average loan balances helped to mitigate the effect of the lower rates, as rates earned on loans are higher than those on securities. In the third quarter of 2016, average loans represented 70.2% of average earning assets, an increase compared to 66.1% in the same quarter of 2015. Total securities yields increased by 10 basis points in the third quarter of 2016 from the same period in 2015 due to scheduled maturities and select sales of short-term, lower yielding investment securities in 2016 as well as a higher percentage of average tax-exempt securities to total securities. The average balance of tax-exempt securities, which provide the highest yield within securities, increased 4.3% or \$26.9 million over the last year, and were 29.2% of total average securities in the third quarter of 2016 compared to 25.3% in the third quarter of 2015, which helped to mitigate their 16 basis point decline in yield. While the yield on taxable securities increased by 9 basis points from the third quarter of 2015, taxable securities balances decreased by \$264.4 million or 14.3% from the third quarter of 2015 due to maturities, calls, sales and paydowns that were not fully replaced due to management's focus on maintaining the size of the balance sheet in order to delay the financial impact of crossing \$10 billion in assets through acquisitions.

Portfolio loans increased \$1.3 billion or 26.0% in the twelve months ended September 30, 2016 with \$1.0 billion from the YCB acquisition and \$273.0 million, or 5.5% from organic loan growth. Organic loan growth was achieved through \$1.4 billion in loan originations in the first nine months of 2016, with total business loan originations up approximately 14.0%. Organic loan growth was driven by expanded market areas and additional commercial personnel in our core markets.

Interest expense increased \$1.7 million or 27.5% in the third quarter of 2016 and \$6.0 million or 33.7% in the first nine months of 2016 compared to the same periods in 2015, both due to increases in the average balance and rate paid on FHLB borrowings. The increases in rate from the FHLB borrowings, due to a shift in term length from short to medium, were offset partially in the third quarter by the decreases in higher cost CDs. Average FHLB borrowings increased in the third quarter of 2016 to manage normal liquidity needs including the funding of CD runoff and loan growth. The increased FHLB borrowings resulted in an overall increase in total average interest bearing liabilities of \$85.3 million or 1.4% as the average rate on FHLB borrowings increased 34 basis points in the third quarter of 2016 compared to the same period in 2015. In the third quarter

Table of Contents

of 2016, FHLB borrowings were 16.4% of interest bearing liabilities as compared to 12.7% in 2015. Helping to somewhat offset the increase in average FHLB borrowings, the average balance of CDs decreased \$281.6 million from the third quarter of 2015 from WesBanco's planned funding strategy intentionally allowing the runoff of certain higher cost or single service CDs and CDARS® balances. The 10 basis point increase in the cost of CDs in the third quarter of 2016 is partially due to lower accretion from purchase accounting adjustments on prior acquisitions. In addition, non-interest bearing demand deposits increased to 22.9% of total average deposits in the third quarter of 2016 compared to 20.5% in the same period of 2015, further helping to partially offset the increase in interest bearing liabilities.

TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

| | For the Three Months Ended September 30, | | | | For the Nine Months Ended September 30, | | | |
|---|---|-----------------|--------------------|-----------------|--|-----------------|--------------------|-----------------|
| | 2016 | | 2015 | | 2016 | | 2015 | |
| | Average Balance | Average Rate | Average Balance | Average Rate | Average Balance | Average Rate | Average Balance | Average Rate |
| <i>(unaudited, dollars in thousands)</i> | | | | | | | | |
| ASSETS | | | | | | | | |
| Due from banks interest bearing | \$ 17,433 | 0.80% | \$ 10,448 | 0.19% | \$ 31,750 | 0.52% | \$ 16,754 | 0.17% |
| Loans, net of unearned income ⁽¹⁾ | 5,436,876 | 4.08% | 4,933,840 | 4.17% | 5,231,118 | 4.11% | 4,789,807 | 4.24% |
| Securities: ⁽²⁾ | | | | | | | | |
| Taxable | 1,590,233 | 2.30% | 1,854,679 | 2.21% | 1,698,558 | 2.29% | 1,719,438 | 2.23% |
| Tax-exempt ⁽³⁾ | 655,356 | 4.28% | 628,475 | 4.44% | 645,522 | 4.33% | 542,700 | 4.58% |
| Total securities | 2,245,589 | 2.88% | 2,483,154 | 2.78% | 2,344,080 | 2.85% | 2,262,138 | 2.80% |
| Other earning assets ⁽⁴⁾ | 45,258 | 4.76% | 34,712 | 3.09% | 45,460 | 4.54% | 24,953 | 6.43% |
| Total earning assets ⁽³⁾ | 7,745,156 | 3.73% | 7,462,154 | 3.70% | 7,652,408 | 3.71% | 7,093,652 | 3.78% |
| Other assets | 989,068 | | 937,706 | | 951,530 | | 906,112 | |
| Total Assets | \$ 8,734,224 | | \$ 8,399,860 | | \$ 8,603,938 | | \$ 7,999,764 | |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | | | | | |
| Interest bearing demand deposits | \$ 1,328,403 | 0.21% | \$ 1,193,502 | 0.17% | \$ 1,250,157 | 0.20% | \$ 1,127,608 | 0.17% |
| Money market accounts | 927,839 | 0.19% | 1,007,674 | 0.19% | 935,339 | 0.19% | 1,006,046 | 0.19% |
| Savings deposits | 1,122,715 | 0.06% | 1,070,179 | 0.06% | 1,100,094 | 0.06% | 1,035,882 | 0.06% |
| Certificates of deposit | 1,426,559 | 0.72% | 1,708,206 | 0.62% | 1,500,591 | 0.70% | 1,732,117 | 0.65% |
| Total interest bearing deposits | 4,805,516 | 0.32% | 4,979,561 | 0.31% | 4,786,181 | 0.32% | 4,901,653 | 0.32% |
| Federal Home Loan Bank borrowings | 989,585 | 1.21% | 754,194 | 0.87% | 1,019,696 | 1.19% | 493,788 | 0.85% |
| Other borrowings | 114,390 | 0.41% | 103,461 | 0.34% | 100,054 | 0.40% | 105,573 | 0.32% |
| Junior subordinated debt | 119,246 | 3.48% | 106,196 | 2.83% | 110,582 | 3.27% | 118,085 | 2.88% |
| Total interest bearing liabilities ⁽¹⁾ | 6,028,737 | 0.53% | 5,943,412 | 0.42% | 6,016,513 | 0.52% | 5,619,099 | 0.42% |

| | | | | |
|--|---------------------|--------------|---------------------|--------------|
| Non-interest bearing demand deposits | 1,425,416 | 1,285,509 | 1,356,336 | 1,250,913 |
| Other liabilities | 65,258 | 62,323 | 60,290 | 92,258 |
| Shareholders equity | 1,214,813 | 1,108,616 | 1,170,799 | 1,037,494 |
| Total Liabilities and Shareholders Equity | \$ 8,734,224 | \$ 8,399,860 | \$ 8,603,938 | \$ 7,999,764 |
| Taxable equivalent net interest spread | 3.20% | 3.28% | 3.19% | 3.36% |
| Taxable equivalent net interest margin | 3.32% | 3.36% | 3.30% | 3.44% |

- (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 totaled \$0.8 million and \$40 thousand for the three months ended September 30, 2016 and 2015, respectively, and \$2.3 million and \$0.8 million for the nine months ended September 30, 2016 and 2015, respectively. Additionally, loan accretion included in net interest income on loans acquired from prior acquisitions was \$0.8 million and \$1.1 million for the three months ended September 30, 2016 and 2015, respectively, and \$2.3 million and \$3.0 million for the nine months ended September 30, 2016 and 2015, respectively, while accretion on interest bearing liabilities from prior acquisitions was \$0.3 million and \$0.8 million for the three months ended September 30, 2016 and 2015, respectively, and \$1.2 million and \$2.7 million for the nine months ended September 30, 2016 and 2015, respectively.
- (2) Average yields on securities are calculated based on amortized cost and include premium amortization and discount accretion from prior acquisitions.
- (3) Taxable equivalent basis is calculated on tax-exempt securities using a tax rate of 35% for each year presented.
- (4) Interest income on other earning assets includes \$0.6 million from a special dividend from FHLB Pittsburgh for the nine months ended September 30, 2015.

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

| | Three Months Ended September 30, 2016 Compared to September 30, 2015 | | | Three Months Ended September 30, 2015 Compared to September 30, 2015 | | |
|--|--|-------------------|-------------------------------|--|-------------------|-------------------------------|
| | Volume | Rate | Net Increase (Decrease) | Volume | Rate | Net Increase (Decrease) |
| <i>(unaudited, in thousands)</i> | | | | | | |
| Increase (decrease) in interest income: | | | | | | |
| Due from banks interest bearing | \$ 5 | \$ 25 | \$ 30 | \$ 31 | \$ 71 | \$ 102 |
| Loans, net of unearned income | 5,081 | (1,135) | 3,946 | 13,955 | (5,010) | 8,945 |
| Taxable securities | (1,506) | 392 | (1,114) | (352) | 689 | 337 |
| Tax-exempt securities ⁽¹⁾ | 292 | (255) | 37 | 3,381 | (1,074) | 2,307 |
| Other earning assets | 97 | 174 | 271 | 775 | (431) | 344 |
| Total interest income change ⁽¹⁾ | 3,969 | (799) | 3,170 | 17,790 | (5,755) | 12,035 |
| Increase (decrease) in interest expense: | | | | | | |
| Interest bearing demand deposits | 63 | 111 | 174 | 165 | 251 | 416 |
| Money market accounts | (38) | (3) | (41) | (102) | 22 | (80) |
| Savings deposits | 8 | | 8 | 29 | (2) | 27 |
| Certificates of deposit | (475) | 405 | (70) | (1,177) | 609 | (568) |
| Federal Home Loan Bank borrowings | 604 | 751 | 1,355 | 4,334 | 1,613 | 5,947 |
| Other borrowings | 10 | 19 | 29 | (14) | 59 | 45 |
| Junior subordinated debt | 101 | 184 | 285 | (166) | 331 | 165 |
| Total interest expense change | 273 | 1,467 | 1,740 | 3,069 | 2,883 | 5,952 |
| Net interest income increase (decrease) | | | | | | |
| (1) | \$ 3,696 | \$ (2,266) | \$ 1,430 | \$ 14,721 | \$ (8,638) | \$ 6,083 |

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

PROVISION FOR CREDIT LOSSES

The provision for credit losses is the amount to be added to the allowance for credit losses after net charge-offs have been deducted to bring the allowance to a level considered appropriate to absorb probable losses in the loan portfolio. The provision for credit losses also includes the amount to be added to the reserve for loan commitments to bring that reserve to a level considered appropriate to absorb probable losses on unfunded commitments. While the provision for credit losses increased primarily due to loan growth, credit metrics continued to improve. The provision for credit losses increased to \$2.2 million in the third quarter of 2016, compared to \$1.8 million in the third quarter of 2015, while year-to-date the provision increased to \$6.4 million from \$5.8 million in the same period of 2015. Net charge-offs as a percentage of average portfolio loans of 0.20% in the third quarter of 2016 decreased from 0.30% in the third quarter of 2015. For the first nine months of 2016, net charge-offs as a percentage of average portfolio loans

of 0.14% decreased from 0.24% in the same 2015 period. Net charge-offs for the three and nine months of 2016 include \$1.8 million and \$2.3 million related to one large commercial loan, respectively, with a remaining balance of \$1.3 million at September 30, 2016. Non-performing loans (including TDRs), criticized and classified loans and past due loans all improved as a percentage of total portfolio loans from the third quarter of 2015. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).

Table of Contents

NON-INTEREST INCOME

TABLE 4. NON-INTEREST INCOME

| <i>(unaudited, dollars in thousands)</i> | For the Three Months Ended | | | | For the Nine Months Ended | | | |
|--|----------------------------|------------------|-----------------|--------------|---------------------------|------------------|-----------------|--------------|
| | September 30, | | | | September 30, | | | |
| | 2016 | 2015 | \$ Change | % Change | 2016 | 2015 | \$ Change | % Change |
| Trust fees | \$ 5,413 | \$ 5,127 | \$ 286 | 5.6% | \$ 16,160 | \$ 16,656 | \$ (496) | (3.0%) |
| Service charges on deposits | 4,733 | 4,425 | 308 | 7.0% | 12,861 | 12,342 | 519 | 4.2% |
| Electronic banking fees | 3,945 | 3,849 | 96 | 2.5% | 11,290 | 10,670 | 620 | 5.8% |
| Net securities brokerage revenue | 1,473 | 1,996 | (523) | (26.2%) | 5,119 | 5,897 | (778) | (13.2%) |
| Bank-owned life insurance | 995 | 1,021 | (26) | (2.5%) | 2,910 | 3,264 | (354) | (10.8%) |
| Net gains on sales of mortgage loans | 814 | 779 | 35 | 4.5% | 2,045 | 1,459 | 586 | 40.2% |
| Net securities gains | 598 | 47 | 551 | 100.0% | 2,293 | 69 | 2,224 | 3,223.2% |
| Net gain on other real estate owned and other assets | 184 | (18) | 202 | 1122.2% | 380 | 167 | 213 | 127.5% |
| Net insurance services revenue | 636 | 863 | (227) | (26.3%) | 2,326 | 2,394 | (68) | (2.8%) |
| Other | 2,226 | 97 | 2,129 | 2194.8% | 4,617 | 1,522 | 3,095 | 203.4% |
| Total non-interest income | \$ 21,017 | \$ 18,186 | \$ 2,831 | 15.6% | \$ 60,001 | \$ 54,440 | \$ 5,561 | 10.2% |

Non-interest income is a significant source of revenue and an important part of WesBanco's results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. For the third quarter of 2016, non-interest income increased \$2.8 million or 15.6% compared to the 2015 third quarter. The increase was primarily due to \$1.2 million of commercial loan swap fee income and \$0.6 million of net securities gains, coupled with increases in various other income categories, while securities brokerage revenue decreased \$0.5 million compared to the third quarter of 2015. For the nine months ended September 30, 2016, non-interest income increased \$5.6 million or 10.2%, generally reflecting similar trends as in the third quarter.

Trust fees increased \$0.3 million or 5.6% compared to the third quarter of 2015 due to market improvements and customer and revenue development initiatives while trust fees decreased \$0.5 million or 3.0% compared to the first nine months of 2015 due to first quarter market declines which reduced fee income early in the year. Total trust assets were relatively unchanged from September 30, 2015 at \$3.7 billion. At September 30, 2016, trust assets include managed assets of \$3.0 billion and non-managed (custodial) assets of \$0.7 billion. Assets managed for the WesMark Funds, a proprietary group of mutual funds that is advised by WesBanco Trust and Investment Services, were \$898.2 million as of September 30, 2016 and \$896.7 million at September 30, 2015 and are included in trust managed assets.

Service charges on deposits increased \$0.5 million or 4.2% compared to the first nine months of 2015 due to the larger customer deposit base from the ESB and YCB acquisitions and adjustments to the fee schedule in the second half of last year. For the third quarter of 2016, service charges on deposits increased 7.0% over the prior year primarily due to the larger customer deposit base from the YCB acquisition.

Electronic banking fees, which include debit card interchange fees, continued to grow, increasing \$0.6 million or 5.8% compared to the first nine months of 2015, due to a higher volume of debit card transactions from the ESB and YCB acquisitions and WesBanco's legacy customers. The volume increase in our legacy markets is due to marketing and process initiatives as well as a higher percentage of customers using these products.

Net securities brokerage revenue decreased \$0.8 million from the first nine months of 2015 due to staff restructuring, deposit retention strategies, and lower Marcellus and Utica gas lease and royalty payments in the region. Additional market coverage in the expanded western Pennsylvania market from the ESB acquisition as well as the new YCB markets in Kentucky and southern Indiana should provide additional growth opportunities in the future as well.

Bank-owned life insurance decreased by \$0.4 million compared to the first nine months of 2015 primarily due to death claims in the first quarter of 2015.

Net gains on sales of mortgage loans increased \$0.6 million or 40.2% compared to the first nine months of 2015 due to increased production volumes as well as an increase in the margin earned on loans sold. Mortgages sold into the secondary market represented \$116.0 million or 41.1% of overall mortgage loan production in the first nine months of 2016 compared to \$99.9 million or 42.7% in the same 2015 period.

Other income increased \$3.1 million in the first nine months of 2016 from \$2.2 million of commercial loan swap fee income which has increased from new lender incentives implemented in the spring of 2016 as well as the desire of customers to lock in longer term fixed rate financing in the low interest rate environment. Other income also increased from market adjustments on trading securities related to deferred compensation plans.

Table of Contents

NON-INTEREST EXPENSE

TABLE 5. NON-INTEREST EXPENSE

| (unaudited, dollars in thousands) | For the Three Months Ended September 30, | | | | For the Nine Months Ended September 30, | | | |
|--|--|-----------|-----------|----------|---|------------|-----------|----------|
| | 2016 | 2015 | \$ Change | % Change | 2016 | 2015 | \$ Change | % Change |
| Salaries and wages | \$ 21,225 | \$ 19,832 | \$ 1,393 | 7.0% | \$ 60,136 | \$ 57,468 | \$ 2,668 | 4.6% |
| Employee benefits | 6,275 | 6,028 | 247 | 4.1% | 20,684 | 20,151 | 533 | 2.6% |
| Net occupancy | 3,647 | 3,533 | 114 | 3.2% | 10,459 | 10,298 | 161 | 1.6% |
| Equipment | 3,557 | 3,731 | (174) | (4.7%) | 10,387 | 9,689 | 698 | 7.2% |
| Marketing | 1,295 | 1,514 | (219) | (14.5%) | 3,876 | 4,221 | (345) | (8.2%) |
| FDIC insurance | 961 | 1,064 | (103) | (9.7%) | 3,225 | 3,014 | 211 | 7.0% |
| Amortization of intangible assets | 837 | 815 | 22 | 2.7% | 2,263 | 2,325 | (62) | (2.7%) |
| Restructuring and merger-related expenses | 9,883 | 185 | 9,698 | 5242.2% | 10,577 | 11,033 | (456) | (4.1%) |
| Miscellaneous, franchise, and other taxes | 1,893 | 1,507 | 386 | 25.6% | 5,131 | 4,588 | 543 | 11.8% |
| Postage | 814 | 1,014 | (200) | (19.7%) | 2,355 | 2,671 | (316) | (11.8%) |
| Consulting, regulatory, accounting and advisory fees | 1,450 | 1,146 | 304 | 26.5% | 4,030 | 3,634 | 396 | 10.9% |
| Other real estate owned and foreclosure expenses | 548 | 310 | 238 | 76.8% | 1,156 | 325 | 831 | 255.7% |
| Legal fees | 559 | 593 | (34) | (5.7%) | 1,835 | 1,809 | 26 | 1.4% |
| Communications | 388 | 380 | 8 | 2.1% | 1,109 | 1,148 | (39) | (3.4%) |
| ATM and interchange expenses | 953 | 1,171 | (218) | (18.6%) | 3,143 | 3,261 | (118) | (3.6%) |
| Supplies | 601 | 780 | (179) | (22.9%) | 1,965 | 2,198 | (233) | (10.6%) |
| Other | 2,715 | 3,378 | (663) | (19.6%) | 7,972 | 9,196 | (1,224) | (13.3%) |
| Total non-interest expense | \$ 57,601 | \$ 46,981 | \$ 10,620 | 22.6% | \$ 150,303 | \$ 147,029 | \$ 3,274 | 2.2% |

Non-interest expense in the third quarter of 2016 grew \$10.6 million compared to the same quarter in 2015, principally from the YCB acquisition, which added \$9.9 million of merger-related expenses in the quarter. Excluding merger-related expenses, non-interest expense increased \$0.9 million or 2.0%. Due to the timing of the YCB acquisition, late in the third quarter, normal operating expenses associated with operating the additional 34 branches did not have as significant of an impact to the quarter. For the third quarter, salaries and wages increased \$1.4 million or 7.0% due to increased compensation expense related to routine annual compensation adjustments and an increase in full-time equivalent employees from the acquisition. While net occupancy, franchise tax and consulting expenses increased primarily from the acquisition, marketing expense decreased \$0.2 million as WesBanco focused on preparing for the introduction of YCB customers to our organization. FDIC insurance also decreased due to a new rate calculation which more than offset the increase related to the acquisition. Even with the acquisition, other expenses including postage, legal, ATM expenses and supplies were down from last year due to efficiencies applied in several back office and support operations. For the first nine months, non-interest expense, excluding merger-related expenses, increased \$3.7 million or 2.7%. The increase in non-interest expense for the first nine months of 2016

reflects similar trends as in the third quarter.

Salaries and wages increased \$1.4 million or 7.0% from the third quarter of 2015 and \$2.7 million or 4.6% over the first nine months of 2015 due to increased compensation expense related to an 18.3% increase in full-time equivalent employees, primarily late in the third quarter of 2016 from the acquisition, and routine annual adjustments to compensation. Employee benefits expense increased \$0.2 million compared to the third quarter of 2015, primarily from increased deferred compensation expense.

Equipment costs decreased \$0.2 million compared to the third quarter of 2015 but increased \$0.7 million compared to the first nine months of 2015 due to continuous improvements in technology and communications infrastructure, and origination and customer support systems.

FDIC insurance has increased \$0.2 million compared to the first nine months of 2015 due to a higher assessment base over those nine months. FDIC insurance has decreased \$0.1 million from the third quarter of 2015, despite a larger balance sheet from the YCB acquisition, due to the Deposit Insurance Fund reaching 1.15% prior to July 1, 2016, thus allowing the FDIC to institute new favorable assessment rate calculations beginning on that date for banks under \$10 billion in size.

Amortization of intangible assets of \$0.8 million in the third quarter included \$0.2 million related to the YCB acquisition. The YCB acquisition is expected to add approximately \$12.0 million in core deposit intangibles and \$0.8 million in non-compete agreements with former YCB executives covering a three-year term.

Restructuring and merger-related expenses of \$10.6 million in 2016 related to the YCB acquisition include \$6.3 million from contract termination and conversion costs, \$2.0 million from change-in-control payments and employee severance, \$1.5 million in investment banking services, \$0.6 million in legal expenses and \$0.2 million in valuation services. Additional merger-related expenses approximating \$2.5 million are expected to be recognized in the fourth quarter of 2016. All restructuring and merger-related expenses in 2015 related to the ESB acquisition.

Other real estate owned and foreclosure expenses increased \$0.8 million in 2016 compared to the first nine months of 2015 due to normal foreclosure and liquidation activity, as well as a tax refund on a large other real estate owned commercial property in 2015. Other real estate owned and repossessed assets increased \$3.7 million from September 30, 2015 to \$9.8 million as of September 30, 2016 primarily due to the YCB acquisition.

Table of Contents

Other non-interest expense decreased \$0.7 from the third quarter of 2015 primarily due to lower fraud losses, offset somewhat by miscellaneous YCB expenses in the current quarter. For the first nine months, other non-interest expense decreased \$1.2 million or 13.3% due to lower fraud losses as well as the elimination of several months of data servicing fees related to the ESB acquisition prior to the April 24, 2015, system conversion.

INCOME TAXES

The provision for federal and state income taxes was \$22.6 million in 2016 compared to \$20.3 million in the first nine months of 2015. The increase in income tax expense was primarily due to a \$7.0 million increase in pre-tax income and a \$0.5 million benefit in 2015 relating to the completion of an IRS audit which closed the 2011 and 2012 tax years. These factors combine to produce a higher effective tax rate of 26.6% for 2016 compared to 26.0% in the first nine months of 2015. The provision for federal and state income taxes decreased \$2.0 million to \$5.8 million for the third quarter of 2016 as compared to \$7.8 million for the third quarter of 2015 due to merger-related expenses incurred in the third quarter of 2016.

FINANCIAL CONDITION

Total assets increased 15.8% during the nine months ended September, 2016, while deposits and shareholders' equity increased 17.6% and 20.1%, respectively, compared to December 31, 2015, primarily due to the acquisition of YCB. Total loans increased \$1.2 billion or 23.1% with \$1.0 billion from the YCB acquisition and the remaining \$168.2 million from WesBanco's originations outpacing pay-downs, which were a result of expanded market areas and additional commercial and lending personnel in WesBanco's core markets. Deposits increased \$1.1 billion, with \$1.2 billion from the YCB acquisition. Organic deposits decreased \$124.5 million as a result of a 15.7% decrease in certificates of deposit and a 14.6% decrease in money market deposits, which was partially offset by increases of 9.7% and 2.0% in demand deposits and savings deposits, respectively. The decrease in certificates of deposit is a result of lower rate offerings for maturing certificates of deposit and customer preferences for other deposit types. The increase in demand deposits and savings deposits were attributable to marketing, incentives paid to customers, focused retail and business strategies to obtain more account relationships, and customers' preference for maturities, coupled with initial deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. Total borrowings increased 1.4% during the first nine months of 2016, mostly as a result of \$57.2 million in subordinated debentures and junior subordinated debt owed to unconsolidated subsidiary trusts acquired in the YCB acquisition. Total shareholders' equity increased by approximately \$225.0 million or 20.1%, compared to December 31, 2015, primarily due to \$177.1 million of common stock issued in the YCB acquisition and net income exceeding dividends for the period by \$33.5 million, coupled with a \$15.9 million increase in other comprehensive income.

Table of Contents**TABLE 6. COMPOSITION OF SECURITIES (1)**

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | December 31, 2015 | \$ Change | % Change |
|--|-----------------------|----------------------|---------------------|--------------|
| Trading securities (at fair value) | \$ 7,070 | \$ 6,451 | \$ 619 | 9.6 |
| Available-for-sale (at fair value) | | | | |
| U.S. Government sponsored entities and agencies | 63,371 | 83,505 | (20,134) | (24.1) |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 1,086,916 | 1,176,080 | (89,164) | (7.6) |
| Obligations of states and political subdivisions | 111,265 | 80,265 | 31,000 | 38.6 |
| Corporate debt securities | 35,523 | 58,593 | (23,070) | (39.4) |
| Total debt securities | 1,297,075 | 1,398,443 | (101,368) | (7.2) |
| Equity securities | 4,954 | 4,626 | 328 | 7.1 |
| Total available-for-sale securities | \$ 1,302,029 | \$ 1,403,069 | \$ (101,040) | (7.2) |
| Held-to-maturity (at amortized cost) | | | | |
| U.S. Government sponsored entities and agencies | \$ 14,248 | \$ | \$ 14,248 | 100.0 |
| Residential mortgage-backed securities and collateralized mortgage obligations of government agencies | 195,533 | 216,419 | (20,886) | (9.7) |
| Obligations of states and political subdivisions | 804,883 | 762,039 | 42,844 | 5.6 |
| Corporate debt securities | 34,429 | 34,472 | (43) | (0.1) |
| Total held-to-maturity securities | 1,049,093 | 1,012,930 | 36,163 | 3.6 |
| Total securities | \$ 2,358,192 | \$ 2,422,450 | \$ (64,258) | (2.7) |
| Available-for-sale securities: | | | | |
| Weighted average yield at the respective period end ⁽²⁾ | 2.12% | 2.14% | | |
| As a % of total securities | 55.2% | 58.2% | | |
| Weighted average life (in years) | 3.9 | 4.1 | | |
| Held-to-maturity securities: | | | | |
| Weighted average yield at the respective period end ⁽²⁾ | 3.77% | 3.94% | | |
| As a % of total securities | 44.8% | 41.8% | | |
| Weighted average life (in years) | 4.4 | 5.0 | | |
| Total securities: | | | | |
| Weighted average yield at the respective period end ⁽²⁾ | 2.88% | 2.90% | | |
| As a % of total securities | 100.0% | 100.0% | | |

| | | |
|----------------------------------|------------|-----|
| Weighted average life (in years) | 4.1 | 4.5 |
|----------------------------------|------------|-----|

- (1) At September 30, 2016 and December 31, 2015, there were no holdings of any one issuer, other than the U.S. government and certain federal or federally-related agencies, in an amount greater than 10% of WesBanco's shareholders' equity.
- (2) Weighted average yields have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%.

Total investment securities, which are a source of liquidity for WesBanco as well as a contributor to interest income, decreased by \$64.3 million or 2.7% from December 31, 2015 to September 30, 2016. The investment securities portfolio at September 30, 2016 includes \$173.5 million of securities acquired in the YCB acquisition. Through the first nine months of 2016, the available-for-sale portfolio decreased by \$101.0 million or 7.2%, while the held-to-maturity portfolio increased by \$36.2 million or 3.6%. The decrease in the overall portfolio from December 31, 2015 was driven by sales, calls, maturities and paydowns exceeding both purchases in the first nine months of 2016 and the acquired YCB portfolio. The proceeds were used to fund decreases in both certificates of deposit and FHLB borrowings and to maintain the size of the balance sheet in order to stay under \$10.0 billion in assets following the YCB acquisition. The weighted average yield of the portfolio at September 30, 2016 decreased by only 2 basis points from December 31, 2015 to 2.88% despite bringing on the YCB portfolio at current market rates. The lower yield of the acquired portfolio was offset somewhat by a greater mix shift during 2016 to tax-exempt securities, which offer the highest yield in the portfolio.

Net unrealized gains (losses) on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of September 30, 2016 and December 31, 2015 were \$10.5 million and (\$4.2) million, respectively. Unrealized gains increased significantly on available-for-sale securities due to a decrease in market rates during the first nine months of 2016. With approximately 45% of the investment portfolio in the held-to-maturity category, the recent volatility in interest rates does not have as much impact on other comprehensive income as if the entire portfolio were included in the category available-for-sale.

Trading securities, which consist of investments in various mutual funds held in grantor trusts formed in connection with a deferred compensation plan, are recorded at fair value. Gains and losses due to fair value fluctuations on trading securities are included in non-interest income under other income, while the corresponding change in the obligation to the employee is recognized in employee benefits expense.

Table of Contents

WesBanco's municipal portfolio comprises 38.9% of the overall securities portfolio as of September 30, 2016 as compared to 34.8% as of December 31, 2015, and it carries different risks that are not as prevalent in other security types contained in the portfolio. The following table presents the allocation of the municipal bond portfolio based on the combined S&P and Moody's ratings of the individual bonds (at fair value):

TABLE 7. MUNICIPAL BOND RATINGS

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | | December 31, 2015 | |
|--|--------------------|--------------|-------------------|--------------|
| | Amount | % of Total | Amount | % of Total |
| Municipal bonds (at fair value) (1): | | | | |
| Moody's: Aaa / S&P: AAA | \$ 94,327 | 9.9 | \$ 82,005 | 9.5 |
| Moody's: Aa1 ; Aa2 ; Aa3 / S&P: AA+ ; AA ; AA- | 712,915 | 75.0 | 652,198 | 75.1 |
| Moody's: A1 ; A2 ; A3 / S&P: A+ ; A ; A- | 131,042 | 13.8 | 127,243 | 14.7 |
| Moody's: Baa1 ; Baa2 ; Baa3 / S&P: BBB+ ; BBB ; BBB- (2) | 757 | 0.1 | 1,820 | 0.2 |
| Not rated by either agency | 11,347 | 1.2 | 4,433 | 0.5 |
| Total municipal bond portfolio | \$ 950,388 | 100.0 | \$ 867,699 | 100.0 |

- (1) The highest available rating was used when placing the bond into a category in the table.
(2) As of September 30, 2016 and December 31, 2015, there are no securities in the municipal portfolio rated below investment grade.

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

TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | | December 31, 2015 | |
|--|--------------------|--------------|-------------------|--------------|
| | Amount | % of Total | Amount | % of Total |
| Municipal bond type: | | | | |
| General Obligation | \$ 657,750 | 69.2 | \$ 613,436 | 70.7 |
| Revenue | 292,638 | 30.8 | 254,263 | 29.3 |
| Total municipal bond portfolio | \$ 950,388 | 100.0 | \$ 867,699 | 100.0 |
| Municipal bond issuer: | | | | |
| State Issued | \$ 92,968 | 9.8 | \$ 77,952 | 9.0 |
| Local Issued | 857,420 | 90.2 | 789,747 | 91.0 |
| Total municipal bond portfolio | \$ 950,388 | 100.0 | \$ 867,699 | 100.0 |

WesBanco's municipal bond portfolio is broadly spread across the United States. The following table presents the top five states of municipal bond concentration based on total fair value at September 30, 2016:

TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | |
|--|--------------------|--------------|
| | Fair Value | % of Total |
| Pennsylvania | \$ 204,445 | 21.5 |
| Texas | 115,240 | 12.1 |
| Ohio | 107,976 | 11.4 |
| Illinois | 52,955 | 5.6 |
| Indiana | 33,399 | 3.5 |
| All other states (1) | 436,373 | 45.9 |
| Total municipal bond portfolio | \$ 950,388 | 100.0 |

- (1) WesBanco's municipal bond portfolio contains obligations in the state of West Virginia totaling \$26.1 million or 2.8% of the total municipal portfolio.

WesBanco uses prices from independent pricing services and, to a lesser extent, indicative (non-binding) quotes from independent brokers, to measure the fair value of its securities. WesBanco validates prices received from pricing services or brokers using a variety of methods, including, but not limited to, comparison to secondary pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, review of pricing by personnel familiar with market liquidity and other market-related conditions, review of pricing service methodologies, review of independent auditor reports received from the pricing service regarding its internal controls, and through review of inputs and assumptions used in pricing certain securities thinly traded or with limited observable data points. The procedures in place provide management with a sufficient understanding of the valuation models, assumptions, inputs and pricing to reasonably measure the fair value of WesBanco's securities. For additional disclosure relating to fair value measurements, refer to Note 7, Fair Value Measurement in the Consolidated Financial Statements.

Table of Contents**LOANS AND CREDIT RISK**

Loans represent WesBanco's single largest balance sheet asset classification and the largest source of interest income. Business purpose loans consist of commercial real estate (CRE) loans and other commercial and industrial (C&I) loans that are not secured by real estate. CRE loans are further segmented into land and construction loans, and loans for improved property. Consumer purpose loans consist of residential real estate loans, home equity lines of credit and other consumer loans. Loans held for sale generally consist of residential real estate loans originated for sale in the secondary market, but at times may also include other types of loans. The outstanding balance of each major category of the loan portfolio is summarized in Table 10.

The risk that borrowers will be unable or unwilling to repay their obligations and default on loans is inherent in all lending activities. Credit risk arises from many sources including general economic conditions, external events that impact businesses or industries, isolated events that impact a major employer, individual loss of employment or other personal hardships as well as changes in interest rates or the value of collateral. Credit risk is also impacted by a concentration of exposure within a geographic market or to one or more borrowers, industries or collateral types. The 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 portfolio that varies by the type of loan. The Bank's credit policies establish standard underwriting guidelines for each type of loan and require an appropriate evaluation of the credit characteristics of each borrower. This evaluation includes the borrower's primary source of repayment capacity; the adequacy of collateral, if any, to secure the loan; the potential value of personal guarantees as secondary sources of repayment; and other factors unique to each loan that may increase or mitigate its risk. Credit bureau scores are also considered when evaluating consumer purpose loans as well as guarantors of business purpose loans. However, the Bank does not periodically update credit bureau scores subsequent to when loans are made to determine changes in credit history.

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

TABLE 10. COMPOSITION OF LOANS (1)

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | | December 31, 2015 | |
|--|---------------------------|-------------------|--------------------------|-------------------|
| | Amount | % of Loans | Amount | % of Loans |
| Commercial real estate: | | | | |
| Land and construction | \$ 494,203 | 7.9 | \$ 344,748 | 6.8 |
| Improved property | 2,332,431 | 37.3 | 1,911,633 | 37.7 |
| Total commercial real estate | 2,826,634 | 45.2 | 2,256,381 | 44.5 |
| Commercial and industrial | 1,097,788 | 17.5 | 737,878 | 14.5 |
| Residential real estate | 1,395,886 | 22.3 | 1,247,800 | 24.6 |
| Home equity | 505,369 | 8.1 | 416,889 | 8.2 |
| Consumer | 411,175 | 6.6 | 406,894 | 8.0 |

| | | | | |
|-----------------------|---------------------|--------------|--------------|-------|
| Total portfolio loans | 6,236,852 | 99.7 | 5,065,842 | 99.8 |
| Loans held for sale | 20,231 | 0.3 | 7,899 | 0.2 |
| Total loans | \$ 6,257,083 | 100.0 | \$ 5,073,741 | 100.0 |

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

Total loans increased \$1,183.3 million from December 31, 2015 with \$1,015.1 million from the YCB acquisition, and \$168.2 million from organic growth. Prior to the consummation of the YCB acquisition, YCB sold approximately \$36 million in loans. CRE land and construction and C&I loans provided the most significant organic growth, respectively increasing 18.8% and 11.7% for the year-to-date period, while CRE improved property remained relatively unchanged. Overall organic loan growth was driven by expanded market areas and additional commercial personnel in our core markets with over 70% of the loan growth for the year achieved in the central and southwest Ohio markets. Residential real estate loans were relatively unchanged despite increased mortgage production due to an increase in loans into the secondary market, while organic growth in home equity lines of credit increased 7.1%. All other loan categories experienced less significant fluctuations from December 31, 2015.

Total loan commitments, including loans approved but not closed, increased \$180.5 million or 11.7% from December 2015 due primarily to the YCB acquisition which added \$266.1 million in new commitments. Organic commitments decreased primarily due to draw downs from CRE land and construction and home equity lines of credit that were previously unused.

The commercial portfolio is monitored for potential concentrations of credit risk by market, type of lending, CRE property type, C&I and owner-occupied CRE by industry, investment CRE dependence on common tenants and industries or property types that are similarly impacted by external factors.

Table of Contents

The global decline in coal, oil and natural gas prices has had a positive impact on the commercial portfolio by lowering all borrowers' energy costs, but it also results in a reduction in coal, oil and gas activity that adversely impacts certain industries or property types. At September 30, 2016, total exposure to core energy industries such as drilling, extraction, pipeline construction, mining equipment, investment real estate with energy-related tenants and other related support activities approximated \$42 million or 0.53% of total loan exposure compared to \$45 million or 0.69%, at June 30, 2016. Exposure to ancillary industries such as utility distribution and transportation, engineering services, manufacturers and retailers of other heavy equipment used in core energy industries, approximated an additional \$64 million in exposure or 0.80% of total loans at September 30, 2016, compared to \$59 million or 1.1% at June 30, 2016. Approximately \$32 million or 49.6% of the ancillary exposure is related to the utility distribution industry, which is generally not impacted by fluctuations in energy prices. The largest exposure to any one borrower in either core energy or ancillary industries was \$20.8 million to a company that installs gas line service for new residential and commercial buildings. Not all borrowers in these categories will be impacted to the same magnitude by a reduction in energy sector activity and some may not be at all dependent on, or may be able to replace revenue associated with this industry.

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

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

TABLE 11. NON-PERFORMING ASSETS

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| Non-accrual loans: | | |
| Commercial real estate - land and construction | \$ 670 | \$ 1,023 |
| Commercial real estate - improved property | 8,999 | 11,507 |
| Commercial and industrial | 4,516 | 8,148 |
| Residential real estate | 12,524 | 9,461 |
| Home equity | 3,207 | 2,391 |
| Consumer | 740 | 851 |
| Total non-accrual loans (1) | 30,656 | 33,381 |
| TDRs accruing interest: | | |
| Commercial real estate - land and construction | | 967 |
| Commercial real estate - improved property | 1,655 | 2,064 |
| Commercial and industrial | 158 | 205 |
| Residential real estate | 6,203 | 7,227 |
| Home equity | 490 | 642 |
| Consumer | 99 | 443 |
| Total TDRs accruing interest (1) | 8,605 | 11,548 |
| Total non-performing loans | \$ 39,261 | \$ 44,929 |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | |
|---|------------------|------------------|
| Other real estate owned and repossessed assets | 9,794 | 5,825 |
| Total non-performing assets | \$ 49,055 | \$ 50,754 |
| Non-performing loans/total portfolio loans | 0.63% | 0.89% |
| Non-performing assets/total assets | 0.50% | 0.60% |
| Non-performing assets/total portfolio loans, other real estate and repossessed assets | 0.79% | 1.00% |

(1) TDRs on nonaccrual of \$3.8 million and \$4.6 million at September 30, 2016 and December 31, 2015, respectively, are included in total nonaccrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, decreased \$5.7 million or 12.6%, from December 31, 2015 despite a \$2.7 million increase from YCB, as cash flows could not be reasonably estimated for a small population of YCB loans acquired with deteriorated credit quality and therefore were accounted for under the cost recovery method. Non-accrual loans decreased \$2.7 million from December 31, 2015 driven by reductions in commercial categories, despite a \$3.1 million increase in residential real estate loans placed on non-accrual, which includes \$2.3 million from YCB. TDRs decreased \$2.9 million due to successful exit strategies combined with normal repayments and fewer additions to the category due to overall improvement in economic conditions in our markets. (Please see the Notes to the Consolidated Financial Statements for additional discussion.)

Other real estate owned and repossessed assets increased \$4.0 million from December 31, 2015 to September 30, 2016, primarily due to the YCB acquisition which added \$3.0 million, as well as the addition of a \$1.3 million CRE property in the third quarter.

Table of Contents

The following table presents past due and accruing loans excluding non-accrual and TDRs:

TABLE 12. PAST DUE AND ACCRUING LOANS EXCLUDING NON-ACCRUAL AND TDRs

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | December 31, 2015 |
|--|-------------------------------|------------------------------|
| Loans past due 90 days or more: | | |
| Commercial real estate - land and construction | \$ | \$ |
| Commercial real estate - improved property | | |
| Commercial and industrial | 46 | 33 |
| Residential real estate | 1,482 | 2,159 |
| Home equity | 413 | 407 |
| Consumer | 451 | 527 |
| Total loans past due 90 days or more | 2,392 | 3,126 |
| Loans past due 30 to 89 days: | | |
| Commercial real estate - land and construction | 392 | |
| Commercial real estate - improved property | 2,977 | 318 |
| Commercial and industrial | 2,070 | 275 |
| Residential real estate | 5,417 | 3,216 |
| Home equity | 2,653 | 2,470 |
| Consumer | 4,060 | 4,726 |
| Total loans past due 30 to 89 days | 17,569 | 11,005 |
| Total 30 days or more | \$ 19,961 | \$ 14,131 |
| Loans past due 90 days or more and accruing to total portfolio loans | 0.04% | 0.06% |
| Loans past due 30-89 days and accruing to total portfolio loans | 0.28% | 0.22% |

Loans past due 90 days or more and accruing interest excluding TDRs decreased \$0.7 million from December 31, 2015. These loans continue to accrue interest because they are both well-secured and in the process of collection. Decreases in the 90 days past due status were primarily in retail loan categories which collectively decreased \$0.7 million or 24.2% from year end. Loans past due 30-89 days increased \$6.6 million from December 31, 2015, primarily due to the YCB acquisition which added \$5.6 million, and represented 0.28% of total loans at September 30, 2016 compared to 0.22% at December 31, 2015. The continued low levels of delinquency are the result of management's continued focus on sound initial underwriting, timely collection of loans at their earliest stage of delinquency, stable unemployment and generally improved economic conditions.

Table of Contents**ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses represented 0.69% of total portfolio loans at September 30, 2016 compared to 0.82% at December 31, 2015. The allowance increased \$1.0 million from December 31, 2015 to September 30, 2016 primarily due to loan growth. If the acquired YCB and ESB loans (recorded at fair value at the date of acquisition of \$1,714.1 million with no carry-over allowance) were excluded from the ratio, the allowance would approximate 0.95% of the adjusted loan total at September 30, 2016 compared to 1.09% prior to the ESB acquisition. The resulting ratio provides greater coverage over total loans and is considered by management to be a better comparison of the adequacy of the allowance. Portfolio mix shifts also affect management's evaluation of the overall allowance.

The allowance for loans individually-evaluated decreased from December 31, 2015 to September 30, 2016 primarily due to a partial charge-off on one large individually-evaluated commercial credit of \$2.3 million, while the allowance for loans collectively-evaluated increased \$1.7 million to \$41.9 million due to the aforementioned loan growth.

The allowance for loan commitments of \$0.6 million at September 30, 2016 was unchanged from December 31, 2015.

The allowance for credit losses by loan category, presented in Note 5 Loans and the Allowance for Credit Losses to the Consolidated Financial Statements, summarizes the impact of changes in various factors that affect the allowance for loan losses in each segment of the portfolio. The allowance for all segments is impacted by changes in loan balances, as well as changes in historical loss rates adjusted for qualitative factors such as economic conditions. The CRE and C&I segments of the portfolio are also impacted by changes in the risk grading distribution of the portfolio as well as the migration of CRE loans from land and construction to improved property upon the completion of construction.

The loss migration rate by internal risk grade is the primary factor for establishing the allowance for all commercial loans, and the portfolio segment loss history is the primary factor for establishing the allowance for residential real estate, home equity and consumer loans. The categorization of loans as non-performing is not as significant a factor as the loss migration rate by risk grade or the segment loss history, although certain non-performing loans that carry specific reserves are also typically considered classified under the internal risk grading system. Criticized and classified loans, including \$13.9 million from YCB, were \$88.4 million, or 1.42% of total loans at September 30, 2016, improving from 1.65% of total loans at September 30, 2015 and 1.57% from December 31, 2015, as credit quality continued to improve, enabling certain loans to be upgraded that were criticized but not classified throughout the economic downturn.

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The increase in the allowance for commercial loans from December 31, 2015 is primarily due to organic loan growth in these categories. The allowance for residential real estate, home equity and consumer loans collectively decreased despite overall organic loan growth from lower historical loss rates in each category due to overall continued improvement in the credit quality of the portfolio.

TABLE 13. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | Percent of Total | December 31, 2015 | Percent of Total |
|--|-------------------------------|-----------------------------|------------------------------|-----------------------------|
| Allowance for loan losses: | | | | |
| Commercial real estate - land and construction | \$ 4,818 | 11.1 | \$ 4,390 | 10.4 |

Edgar Filing: WESBANCO INC - Form 10-Q

| | | | | |
|--|------------------|--------------|------------------|--------------|
| Commercial real estate - improved property | 15,773 | 36.4 | 14,748 | 34.8 |
| Commercial and industrial | 10,187 | 23.5 | 10,002 | 23.6 |
| Residential real estate | 4,337 | 10.0 | 4,582 | 10.8 |
| Home equity | 3,010 | 7.0 | 2,883 | 6.8 |
| Consumer | 4,147 | 9.6 | 4,763 | 11.2 |
| Deposit account overdrafts | 483 | 1.1 | 342 | 0.9 |
| Total allowance for loan losses | \$ 42,755 | 98.7 | \$ 41,710 | 98.5 |
| Allowance for loan commitments: | | | | |
| Commercial real estate - land and construction | \$ 152 | 0.3 | \$ 157 | 0.4 |
| Commercial real estate - improved property | 26 | 0.1 | 26 | 0.1 |
| Commercial and industrial | 220 | 0.5 | 260 | 0.6 |
| Residential real estate | 9 | 0.0 | 7 | 0.0 |
| Home equity | 125 | 0.3 | 117 | 0.3 |
| Consumer | 44 | 0.1 | 46 | 0.1 |
| Total allowance for loan commitments | 576 | 1.3 | 613 | 1.5 |
| Total allowance for credit losses | \$ 43,331 | 100.0 | \$ 42,323 | 100.0 |

Although the allowance for credit losses is allocated as described in Table 13, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management's estimation of probable losses and actual incurred losses in subsequent periods for any category may necessitate future adjustments to the provision for loan losses applicable to the category. Management believes the allowance for credit losses is appropriate to absorb probable losses at September 30, 2016.

Table of Contents**DEPOSITS****TABLE 14. DEPOSITS**

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | December 31, 2015 | \$ Change | % Change |
|--|-----------------------|----------------------|---------------------|-------------|
| Deposits | | | | |
| Non-interest bearing demand | \$ 1,697,476 | \$ 1,311,455 | \$ 386,021 | 29.4 |
| Interest bearing demand | 1,618,514 | 1,152,071 | 466,443 | 40.5 |
| Money market | 1,016,300 | 967,561 | 48,739 | 5.0 |
| Savings deposits | 1,228,509 | 1,077,374 | 151,135 | 14.0 |
| Certificates of deposit | 1,573,712 | 1,557,838 | 15,874 | 1.0 |
| Total deposits | \$ 7,134,511 | \$ 6,066,299 | \$ 1,068,212 | 17.6 |

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 174 financial centers. The FDIC insures deposits up to \$250,000 per account.

Total deposits increased by \$1.1 billion or 17.6% during the first nine months of 2016 primarily due to the YCB acquisition, which provided \$1.2 billion of additional deposits, while organic deposits decreased 2.1%. Interest bearing demand and non-interest bearing demand deposits increased 40.5% and 29.4%, respectively, while savings and money market deposits increased 14.0% and 5.0%, respectively. This growth was due to the YCB acquisition and corresponding marketing, customer incentives, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities, coupled with initial deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. Demand deposits, savings deposits and money market deposits acquired through the YCB acquisition were \$607.9 million, \$132.7 million and \$190.8 million, respectively.

Certificates of deposit increased \$15.9 million due primarily to the YCB acquisition. Certificates of deposits acquired from the YCB acquisition totaled \$262.4 million, while organic balances declined 15.8% due to the effects of an overall corporate strategy designed to increase and remix retail deposit relationships with a focus on overall products that can be offered at a lower cost to WesBanco. The decline was also impacted by lower offered rates on maturing certificates of deposit earlier in the period and customer preferences for other non-maturity deposit types. WesBanco does not generally solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Services (CDARS®) program and the Insured Cash Sweep (ICS®) money market deposit program. CDARS® balances totaled \$164.7 million in total outstanding balances at September 30, 2016, of which \$119.5 million represented one-way buys, compared to \$243.7 million in total outstanding balances at December 31, 2015, of which \$182.7 million represented one-way buys. ICS® reciprocal balances totaled \$2.8 million at September 30, 2016 compared to \$147.3 million at December 31, 2015. Certificates of deposit greater than \$250,000 were approximately \$217.7 million at September 30, 2016 compared to \$232.6 million at December 31, 2015. Certificates of deposit of \$100,000 or more were approximately \$725.3 million at September 30, 2016 compared to \$780.1 million at December 31, 2015. Certificates of deposit totaling approximately \$862.0 million at September 30, 2016 with a cost of 0.56% are scheduled to mature within the next 12 months. WesBanco intends to continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions or match competitor rates on certain certificates of deposit

maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs.

Table of Contents**BORROWINGS****TABLE 15. BORROWINGS**

| <i>(unaudited, dollars in thousands)</i> | September 30, 2016 | December 31, 2015 | \$ Change | % Change |
|---|-----------------------|----------------------|--------------|-------------|
| Federal Home Loan Bank Borrowings | \$ 950,847 | \$ 1,041,750 | \$ (90,903) | (8.7) |
| Other short-term borrowings | 132,497 | 81,356 | 51,141 | 62.9 |
| Subordinated debentures and junior subordinated debt owed to unconsolidated subsidiary trusts | 163,364 | 106,196 | 57,168 | 53.8 |
| Total | \$ 1,246,708 | \$ 1,229,302 | \$ 17,406 | 1.4 |

Borrowings are a less significant source of funding for WesBanco compared to total deposits. During the first nine months of 2016, FHLB borrowings decreased \$90.9 million from December 31, 2015. The acquisition of YCB provided \$21.3 million in FHLB borrowings which were coupled with new borrowings of \$65.0 million and were offset by \$177.2 million in maturities, of which \$20.0 million were acquired from YCB. WesBanco utilized funds provided by investment securities sales and other available cash flows to fund the maturities.

Other short-term borrowings, which consist of securities sold under agreements to repurchase and notes payable at September 30, 2016, but may also include federal funds purchased, were \$132.5 million at September 30, 2016 compared to \$81.4 million at December 31, 2015. The YCB acquisition provided \$44.3 million in other short-term borrowings. The YCB acquisition also provided \$25.0 million in subordinated debentures at the bank and \$32.2 million in junior subordinated debentures at the parent company.

WesBanco renewed a revolving line of credit in September 2016, which is a senior obligation of the parent company, with another financial institution. This line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregate unsecured borrowings of up to \$25.0 million, of which \$5.0 million was outstanding at September 30, 2016. There was no outstanding balance at December 31, 2015.

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

WesBanco enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, letters of credit, loans approved but not closed, overdraft limits and contingent obligations to purchase loans funded by other entities. Since many of these commitments expire unused or partially used, these commitments may not reflect future cash requirements. Please refer to Note 9, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

CAPITAL RESOURCES

Shareholders' equity was \$1.3 billion at September 30, 2016 compared to \$1.1 billion at December 31, 2015. The increase resulted primarily from the issuance of \$177.1 million of common stock in the YCB acquisition, and was coupled with net income during the current nine-month period of \$62.4 million and a \$15.9 million increase in other comprehensive income, which were partially offset by the declaration of common shareholder dividends totaling \$28.9 million for the nine months ended September 30, 2016. WesBanco also increased its quarterly dividend rate to \$0.24 per share in February, representing a 4.3% increase over the prior quarterly rate and a cumulative 71% increase over the last twenty-two quarters.

WesBanco purchased 128,316 shares during the nine-month period ended September 30, 2016 under the current share repurchase plans. Of these shares, 117,100 were open market purchases and occurred during the first quarter while 11,216 were shares purchased from employees for the payment of withholding taxes upon vesting of restricted stock during the second quarter. At September 30, 2016, the remaining shares authorized to be purchased under the current repurchase plans totaled 1,123,944 shares.

On May 25, 2016, WesBanco granted 96,600 stock options to selected officers at an exercise price of \$32.37. These options are service-based and vest 50% at December 31, 2016 and 50% at December 31, 2017. On the same date, WesBanco also issued 51,650 shares of restricted stock to selected officers. The restricted shares are service-based and cliff-vest 36 months from the date of grant.

On September 9, 2016, WesBanco granted 24,750 shares of restricted stock to certain commercial lenders and market presidents from YCB. The restricted shares are service-based and cliff-vest 36 months from the date of grant. In addition, WesBanco converted certain YCB restricted stock units into 8,525 restricted stock units as part of the acquisition. These awards are service-based and vest 100% within 4 months of the acquisition date.

Regulatory guidelines require bank holding companies and commercial banks to maintain certain minimum capital ratios and define companies as well capitalized that sufficiently exceed the minimum ratios. At September 30, 2016, regulatory capital levels for both the Bank and WesBanco were substantially greater than the minimum amounts needed to be considered well capitalized under the regulations. 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, 2016, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of approximately \$33.8 million from the Bank. WesBanco intends to continue to improve its consolidated and Bank capital ratios primarily from retaining a majority of its increasing earnings.

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

Edgar Filing: WESBANCO INC - Form 10-Q

| <i>(unaudited, dollars in thousands)</i> | Minimum | | September 30, 2016 | | December 31, 2015 | | Minimum | |
|--|--------------|----------------------------|--------------------|--------|-------------------|------------|---------|---------------|
| | Value (1) | Well Capitalized (2) | Amount | Ratio | Amount (1) | Amount | Ratio | Amount (1) |
| <u>WesBanco, Inc.</u> | | | | | | | | |
| Tier 1 leverage | 4.00% | 5.00% | \$ 886,320 | 10.90% | \$ 325,262 | \$ 751,748 | 9.38% | \$ 320,575 |
| Common equity tier 1 | 4.50% | 6.50% | 758,102 | 11.07% | 308,074 | 656,911 | 11.66% | 253,418 |
| Tier 1 capital to risk-weighted assets | 6.00% | 8.00% | 886,320 | 12.95% | 410,765 | 751,748 | 13.35% | 337,891 |
| Total capital to risk-weighted assets | 8.00% | 10.00% | 954,957 | 13.95% | 547,687 | 794,643 | 14.11% | 450,521 |
| <u>WesBanco Bank, Inc.</u> | | | | | | | | |
| Tier 1 leverage | 4.00% | 5.00% | \$ 820,432 | 10.11% | \$ 324,460 | \$ 701,384 | 8.77% | \$ 320,020 |
| Common equity tier 1 | 4.50% | 6.50% | 820,432 | 11.99% | 307,817 | 701,384 | 12.49% | 252,793 |
| Tier 1 capital to risk-weighted assets | 6.00% | 8.00% | 820,432 | 11.99% | 410,422 | 701,384 | 12.49% | 337,057 |
| Total capital to risk-weighted assets | 8.00% | 10.00% | 888,970 | 13.00% | 547,229 | 743,923 | 13.24% | 449,409 |

(1) Minimum requirements to remain adequately capitalized.

(2) Well-capitalized under prompt corrective action regulations.

Table of Contents**LIQUIDITY RISK**

Liquidity is defined as a financial institution's capacity to meet its cash and collateral obligations at a reasonable cost. Liquidity risk is the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its obligations. An institution's obligations, and the funding sources to meet them, depend significantly on its business mix, balance sheet structure, and the cash flows of its on- and off-balance sheet obligations. Institutions confront various internal and external situations that can give rise to increased liquidity risk including funding mismatches, market constraints on funding sources, contingent liquidity events, changes in economic conditions, and exposure to credit, market, operation, legal and reputation risk.

WesBanco actively manages liquidity risk through its ability to provide adequate funds to meet changes in loan demand, unexpected outflows in deposits and other borrowings as well as to take advantage of market opportunities and meet operating cash needs. This is accomplished by maintaining liquid assets in the form of securities, sufficient borrowing capacity and a stable core deposit base. Liquidity is centrally monitored by WesBanco's Asset/Liability Committee (ALCO).

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. WesBanco believes its cash flow from the loan portfolio, the investment portfolio, and other sources, adequately meet its liquidity requirements. WesBanco's net loans to assets ratio was 63.1% at September 30, 2016 and deposit balances funded 72.7% of assets.

The following table lists the sources of liquidity from assets at September 30, 2016 expected within the next year:

| | |
|--|---------------------|
| <i>(in thousands)</i> | |
| Cash and cash equivalents | \$ 116,132 |
| Securities with a maturity date within the next year and callable securities | 137,552 |
| Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1) | 249,271 |
| Loans held for sale | 20,231 |
| Accruing loans scheduled to mature | 788,515 |
| Normal loan repayments | 654,218 |
| Total sources of liquidity expected within the next year | \$ 1,965,919 |

(1) Projected prepayments are based on current prepayment speeds.

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$7.1 billion at September 30, 2016. 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 \$862.0 million at September 30, 2016, which includes jumbo regular certificates of deposit totaling \$327.7 million with a weighted-average cost of 0.61%, and jumbo CDARS® deposits of \$75.1 million with a cost of 0.75%.

WesBanco maintains a line of credit with the FHLB of Pittsburgh as an additional funding source. Available credit with the FHLB was approximately \$1.3 billion and \$1.1 billion at September 30, 2016 and December 31, 2015, respectively. At September 30, 2016, the Bank had unpledged available-for-sale securities with an amortized cost of \$188.5 million, representing 15% of the available-for-sale portfolio. These securities are an available liquidity source, or such securities could be pledged to secure additional FHLB borrowings. The FHLB requires 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 borrowing capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities.

WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program (BIC) whereby WesBanco pledges certain consumer loans as collateral for borrowings. At September 30, 2016, WesBanco had a BIC line of credit totaling \$224.5 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$285.0 million, none of which was outstanding at September 30, 2016, along with seeking other lines of credit, borrowings under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing brokered deposits, or selling securities available-for-sale or certain types of loans.

Other short-term borrowings of \$132.5 million at September 30, 2016 consisted of overnight sweep checking accounts for large commercial customers and notes payable. There has not been a significant fluctuation in the average deposit balances of the overnight sweep checking accounts during the first nine months of 2016. The overnight sweep checking accounts require securities to be pledged equal to or greater than the average deposit balances in the related customer accounts.

The principal sources of parent company liquidity, other than the acquisition of \$17.4 million from YCB, are dividends from the Bank, \$46.2 million in cash and investments on hand, and a \$25.0 million revolving line of credit with another financial institution, which had a \$5.0 million outstanding balance at September 30, 2016. 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, 2016, under FDIC and State of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$33.8 million from the Bank. Management believes these are appropriate levels of cash for the parent company given the current environment. Management continuously monitors the adequacy of parent company cash levels and sources of liquidity through the use of metrics that relate current cash levels to historical and forecasted cash inflows and outflows.

WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating \$1.7 billion and \$1.5 billion at September 30, 2016 and December 31, 2015, respectively. On a historical basis, only a small portion of these commitments will result in an outflow of funds. Please refer to Note 9, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

Table of Contents**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

MARKET RISK

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

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

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

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

Management is aware of the significant effect inflation or deflation has upon interest rates and ultimately upon financial performance. WesBanco's ability to cope with inflation or deflation is best determined by analyzing its capability to respond to changing market interest rates, as well as its ability to manage the various elements of non-interest income and expense during periods of increasing or decreasing inflation or deflation. WesBanco monitors the level and mix of interest-rate sensitive assets and liabilities through ALCO in order to reduce the impact of inflation or deflation on net interest income. Management also controls the effects of inflation or deflation by

conducting periodic reviews of the prices and terms of its various products and services, both in terms of the costs to offer the services as well as outside market influences upon such pricing, by introducing new products and services or reducing the availability of existing products and services, and by controlling overhead expenses.

Interest rate risk policy limits are determined by measuring the anticipated change in net interest income over a twelve-month period assuming an immediate and sustained 100, 200, 300 and 400 basis point increase or decrease in market interest rates compared to a stable rate environment or base model. WesBanco's current policy limits this exposure to a reduction of 10%, 12.5%, 15%, and 20% or less, respectively, of net interest income from the base model over a twelve-month period. The table below shows WesBanco's interest rate sensitivity at September 30, 2016 and December 31, 2015 assuming a 100, 200, 300 and 400 basis point interest rate increase, compared to a base model. Due to the current low interest rate environment, particularly for short-term rates, the 200 and 300 basis point decreasing change is not calculated.

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

| Immediate Change in Interest Rates (basis points) | Percentage Change in Net Interest Income from Base over One Year | | ALCO |
|---|--|----------------------|------------|
| | September 30, 2016 | December 31, 2015 | Guidelines |
| | +400 | 5.5% | N/A (1) |
| +300 | 4.9% | 6.2% | (15.0%) |
| +200 | 4.8% | 5.5% | (12.5%) |
| +100 | 3.3% | 3.6% | (10.0%) |
| -100 | (3.2%) | (2.7%) | (10.0%) |

(1) Up 400 basis points shock was not calculated prior to 2016.

As per the table above, the earnings simulation model at September 30, 2016 currently projects that net interest income for the next twelve-month period would decrease by 3.2% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 2.7% for the same scenario as of December 31, 2015.

For rising rate scenarios, net interest income would increase by 3.3%, 4.8%, 4.9% and 5.5% if rates increased by 100, 200, 300 and 400 basis points, respectively, as of September 30, 2016 compared to increases of 3.6%, 5.5% and 6.2% in a 100, 200 and 300 basis point increasing rate environment as of December 31, 2015 (no 400 basis point calculation was available).

The balance sheet remains asset sensitive as of September 30, 2016, as compared to December 31, 2015, with differences resulting from changes in the mix of and growth in various earning assets and costing liabilities, changes due to the acquisition of YCB, as well as adjustments in modeling assumptions such as deposit beta rates and new loan and investment rates. Overall asset sensitivity in non-parallel rising rate scenarios may be somewhat neutralized due to slower prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities, as well as other earning asset and costing liability differences versus currently modeled assumptions. In addition, variable rate commercial loans with rate floors averaging 4.15% approximated \$1.3 billion at September 30, 2016, which represent approximately 32% of commercial loans, as compared to \$1.0 billion or 34% of commercial loans at December 31, 2015. Approximately 57% or \$721.4 million of these loans are currently priced at their floor, as compared to 52% or \$526.6 million at December 31, 2015. In a 100 basis point rising rate environment, these loans may not significantly re-price from their current floor level as compared to non-floor loans. As a result of the December, 2015 federal funds rate increase affecting short-term market rates such as one and three month LIBOR, an index used frequently in the setting of commercial loan rates, fixed rate loan spreads, and back-to-back loan swaps for certain commercial loan customers, more commercial loans with floors are now scheduled to experience a rate increase in a rising rate environment, assisting asset sensitivity overall.

Given the current low interest rate environment and flatter yield curve affecting the repricing of loans and investments, WesBanco previously expected that the base case net interest margin in the near term would somewhat decrease without loan growth. However, post-YCB, the net interest margin is expected to increase 5 to 10 basis points from the mix of the acquired earning assets and costing liabilities and the positive impact from purchase accounting adjustments on the net financial assets acquired from YCB. Management currently anticipates that one additional short-term federal funds rate increase may occur during the remainder of 2016, and potentially one or two more in

2017, relatively consistent with general market and economist expectations. A delay in implementing further rate increases in an asset sensitive scenario typically would have a negative impact on management's estimates of the future direction and level of the net interest margin.

Maturities and repricing of higher-costing certificates of deposit in the past have served to mitigate compression from lower loan spreads in the current competitive loan environment, along with anticipated loan growth in most loan categories. However, with current CDs costing an average of 0.72%, this factor does not assist the net interest margin in the near term as new CD rates are generally similar to, or slightly higher than the rates on maturing CDs. While customers over the past few years have elected to move maturing CD balances to lower-costing transaction account types and non-deposit accounts, a portion of these balances may move to higher-costing CDs upon a more significant short-term rate increase over a period of time. Certificates of deposit runoff over the last two years, due to customer preferences, from former single service customers at ESB and due to our own retail focus on customers with multiple relationships versus single service CD customers has been replaced with FHLB and other borrowings. Certificates of deposit totaling approximately \$862.0 million mature within the next year at an average cost of 0.56%. The increase in FHLB borrowings, primarily in 2015, and lengthening of their associated maturities assisted in improving the Bank's asset sensitive position. In the current interest rate environment, with lower expectations for future rate increases, certain intermediate-term FHLB maturities may be shortened or paid off at maturity. Also, management is currently controlling the size of the balance sheet, after the YCB acquisition, to remain under \$10 billion in total assets for some period of time, currently anticipated thru the end of 2017 or into 2018. In anticipation of the merger which occurred September 9, 2016, management elected to reduce the size of the investment portfolio by approximately \$200 million, in combination with YCB's pre-acquisition investment portfolio, and pay-down certain borrowings and higher cost wholesale CDs.

The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh, the Federal Reserve Bank of Cleveland, and various correspondent banks, and may utilize these funding sources or interest rate swaps as necessary to lengthen liabilities, help offset mismatches in various asset maturities, and manage short-term cash needs. CDARS[®] and ICS[®] deposits also continue to be used to lengthen maturities in certificates of deposit, and for customers seeking higher-yielding instruments and/or to maintain their total deposit levels below FDIC insurance limits.

Table of Contents

Current balance sheet strategies to reduce the potential for margin compression in the current low rate and flatter yield curve environment include:

increasing total loans; primarily commercial and home equity loans that have variable or adjustable rates;

selling an increasing amount of new residential mortgage loan production into the secondary market;

investing available short-term liquidity;

continuing marketing programs to increase consumer and home equity loans, and non-interest bearing or low-cost interest bearing checking accounts;

using loan swaps for customers desiring a longer-term fixed rate loan such that the Bank receives a variable rate;

re-mixing securities prepayment and maturity cash flows into loans as demand warrants, or to a lesser degree into new investments such as short-to-intermediate duration MBS and CMO securities and intermediate term tax-exempt municipal securities;

extending or renewing FHLB term borrowings as necessary to balance asset/liability mismatches,

using the CDARS[®] program as necessary to manage overall liability mix, and

managing the overall size of the balance sheet to remain under \$10 billion in total assets after the recent acquisition of YCB was completed to avoid certain costs associated with the Dodd-Frank Act.

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 a change of minus 10% in net interest income from the base model for a twelve-month period and minus 15% for an extended two year rate ramp of 400 basis points. 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, 2016 using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 2.8% over the next twelve months, compared to a 3.0% increase at December 31, 2015 and 3.0% for a 400 basis point rate ramp over two years. In addition, management utilizes a Most Likely forecast scenario to forecast net interest income over a rolling two year time frame, which is periodically updated and reviewed quarterly, incorporating current budget or re-forecast assumptions into the model such as estimated loan and deposit growth, asset and liability re-mixing, competitive market rates for various products and marketing promotions, and other assumptions. Such model helps to predict changes in forecasted outcomes and necessary adjustments to the plan to

achieve management's budgeted earnings goals.

WesBanco periodically measures the economic value of equity, which is defined as the market value of tangible equity in various increasing and decreasing rate scenarios. At September 30, 2016, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 9.6%, compared to an increase of 1.9% at December 31, 2015. In a 100 basis point falling rate environment, the model indicates an increase of 1.1%, compared to a decrease of 8.8% as of December 31, 2015. WesBanco's policy is to limit such change to minus 10% for a 100 basis point change in interest rates, minus 20% for a 200 basis point change in interest rates, minus 30% for a 300 basis point rate change in interest rates, and minus 40% for a 400 basis point rate change in interest rates. Certain changes to the market values associated with non-maturity deposits, recently updated by a third-party vendor contracted by WesBanco, caused the change in market value of tangible equity as compared to December 31, 2015.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES WesBanco's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that WesBanco's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), based on their evaluation of these controls and procedures as of the end of the period covered by this Form 10-Q, are effective at the reasonable assurance level as discussed below to ensure that information required to be disclosed by WesBanco in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC 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, 2016 as required to be reported by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, that materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

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

WesBanco is involved in various lawsuits, claims, investigations and proceedings which arise in the ordinary course of business. While any litigation contains an element of uncertainty, WesBanco does not believe that a material loss related to such proceedings or claims pending or known to be threatened is reasonably possible.

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

As of September 30, 2016, WesBanco had two active one million share stock repurchase plans. The first plan was originally approved by the Board of Directors on March 21, 2007 and the second, which is incremental to the first, was approved October 22, 2015. Each provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time.

The following table presents the monthly share purchase activity during the quarter ended September 30, 2016:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans | Maximum Number of Shares that May Yet Be Purchased Under the Plans |
|--|---|-------------------------------------|---|---|
| Balance at June 30, 2016 | | | | 1,123,944 |
| July 1, 2016 to July 31, 2016 | | | | |
| Other transactions (1) | 19,970 | \$ 31.08 | N/A | N/A |
| August 1, 2016 to August 31, 2016 | | | | |
| Other transactions (1) | 1,993 | \$ 31.61 | N/A | N/A |
| September 1, 2016 to September 30, 2016 | | | | |
| Other transactions (1) | 3,556 | \$ 32.66 | N/A | N/A |
| Third Quarter 2016 | | | | |
| Other transactions (1) | 25,519 | 31.34 | N/A | N/A |
| Total | 25,519 | \$ 31.34 | | 1,123,944 |

(1) Consists of open market purchases transacted for employee benefit and dividend reinvestment plans.
N/A Not applicable

Table of Contents

ITEM 6. EXHIBITS

- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
- 31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from WesBanco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at September 30, 2016 and December 31, 2015, (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2016 and 2015, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2016 and 2015, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015, and (v) the Notes to Consolidated Financial Statements.

Table of Contents

SIGNATURES

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

WESBANCO, INC.

Date: November 4, 2016

/s/ Todd F. Clossin
Todd F. Clossin
President and Chief Executive Officer

(Principal Executive Officer)

Date: November 4, 2016

/s/ Robert H. Young
Robert H. Young
Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)