

WESBANCO INC  
Form 10-Q  
May 07, 2015  
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 March 31, 2015

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-08467

**WESBANCO, INC.**

(Exact name of Registrant as specified in its charter)

**WEST VIRGINIA**  
(State of incorporation)

**55-0571723**  
(IRS Employer

Identification No.)

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

**26003**  
(Zip Code)

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

**NOT APPLICABLE**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject

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

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 April 30, 2015, there were 38,449,812 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

**Table of Contents**

**WESBANCO, INC.**

**TABLE OF CONTENTS**

<b>Item No.</b>	<b>ITEM</b>	<b>Page No.</b>
<b><u>PART I - FINANCIAL INFORMATION</u></b>		
1	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets at March 31, 2015 (unaudited) and December 31, 2014</u>	3
	<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014 (unaudited)</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2015 and 2014 (unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014 (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>	28
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
4	<u>Controls and Procedures</u>	49
<b><u>PART II - OTHER INFORMATION</u></b>		
1	<u>Legal Proceedings</u>	50
2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	51
6	<u>Exhibits</u>	52
	<u>Signatures</u>	53

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

<i>(unaudited, in thousands, except shares)</i>	March 31, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and due from banks, including interest bearing amounts of <b>\$17,871</b> and \$8,405, respectively	<b>\$ 92,974</b>	\$ 94,002
Securities:		
Available-for-sale, at fair value	<b>1,654,264</b>	917,424
Held-to-maturity (fair values of <b>\$772,843</b> and \$619,617, respectively)	<b>743,925</b>	593,670
Total securities	<b>2,398,189</b>	1,511,094
Loans held for sale	<b>6,064</b>	5,865
Portfolio loans, net of unearned income	<b>4,873,721</b>	4,086,766
Allowance for loan losses	<b>(44,173)</b>	(44,654)
Net portfolio loans	<b>4,829,548</b>	4,042,112
Premises and equipment, net	<b>110,900</b>	93,135
Accrued interest receivable	<b>25,232</b>	18,481
Goodwill and other intangible assets, net	<b>493,176</b>	319,506
Bank-owned life insurance	<b>153,991</b>	123,298
Other assets	<b>123,205</b>	89,072
<b>Total Assets</b>	<b>\$ 8,233,279</b>	\$ 6,296,565
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	<b>\$ 1,249,521</b>	\$ 1,061,075
Interest bearing demand	<b>1,199,801</b>	885,037
Money market	<b>1,018,184</b>	954,957
Savings deposits	<b>1,064,808</b>	842,818
Certificates of deposit	<b>1,883,888</b>	1,305,096
Total deposits	<b>6,416,202</b>	5,048,983
Federal Home Loan Bank borrowings	<b>432,456</b>	223,126
Other short-term borrowings	<b>76,630</b>	80,690
Junior subordinated debt owed to unconsolidated subsidiary trusts	<b>142,269</b>	106,176
Total borrowings	<b>651,355</b>	409,992
Accrued interest payable	<b>2,297</b>	1,620
Other liabilities	<b>72,041</b>	47,780

Edgar Filing: WESBANCO INC - Form 10-Q

<b>Total Liabilities</b>	<b>7,141,895</b>	5,508,375
<b>SHAREHOLDERS EQUITY</b>		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, \$2.0833 par value; 50,000,000 shares authorized; <b>38,546,042</b> and 29,367,511 issued in 2015 and 2014, respectively; outstanding: <b>38,449,812</b> and 29,298,188 shares in 2015 and 2014, respectively	<b>80,304</b>	61,182
Capital surplus	<b>520,596</b>	244,661
Retained earnings	<b>509,622</b>	504,578
Treasury stock ( <b>96,230</b> and 69,323 shares in 2015 and 2014, respectively, at cost)	<b>(3,061)</b>	(2,151)
Accumulated other comprehensive loss	<b>(13,624)</b>	(18,825)
Deferred benefits for directors	<b>(2,453)</b>	(1,255)
<b>Total Shareholders Equity</b>	<b>1,091,384</b>	788,190
<b>Total Liabilities and Shareholders Equity</b>	<b>\$ 8,233,279</b>	\$ 6,296,565

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 March 31,	
	2015	2014
<b>INTEREST AND DIVIDEND INCOME</b>		
Loans, including fees	\$ 47,713	\$ 42,746
Interest and dividends on securities:		
Taxable	8,498	7,225
Tax-exempt	3,533	3,385
Total interest and dividends on securities	12,031	10,610
Other interest income	635	101
Total interest and dividend income	60,379	53,457
<b>INTEREST EXPENSE</b>		
Interest bearing demand deposits	422	374
Money market deposits	456	440
Savings deposits	148	130
Certificates of deposit	2,872	3,630
Total interest expense on deposits	3,898	4,574
Federal Home Loan Bank borrowings	557	211
Other short-term borrowings	75	557
Junior subordinated debt owed to unconsolidated subsidiary trusts	894	790
Total interest expense	5,424	6,132
<b>NET INTEREST INCOME</b>	54,955	47,325
Provision for credit losses	1,289	2,199
Net interest income after provision for credit losses	53,666	45,126
<b>NON-INTEREST INCOME</b>		
Trust fees	6,053	5,648
Service charges on deposits	3,652	3,860
Electronic banking fees	3,325	3,013
Net securities brokerage revenue	2,059	1,829
Bank-owned life insurance	1,251	875
Net gains on sales of mortgage loans	272	154
Net securities gains	22	10
Net gain on other real estate owned and other assets	122	113
Other income	1,434	1,547
Total non-interest income	18,190	17,049
<b>NON-INTEREST EXPENSE</b>		
Salaries and wages	18,357	16,467

Edgar Filing: WESBANCO INC - Form 10-Q

Employee benefits	7,316	5,708
Net occupancy	3,490	3,491
Equipment	2,973	2,783
Marketing	965	1,003
FDIC insurance	910	877
Amortization of intangible assets	566	495
Restructuring and merger-related expense	9,733	
Other operating expenses	9,131	9,271
<b>Total non-interest expense</b>	<b>53,441</b>	<b>40,095</b>
Income before provision for income taxes	18,415	22,080
Provision for income taxes	4,528	5,659
<b>NET INCOME</b>	<b>\$ 13,887</b>	<b>\$ 16,421</b>
<b>EARNINGS PER COMMON SHARE</b>		
Basic	\$ 0.40	\$ 0.56
Diluted	\$ 0.40	\$ 0.56
<b>AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic	34,393,137	29,182,183
Diluted	34,478,335	29,262,680
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.23</b>	<b>\$ 0.22</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 19,088</b>	<b>\$ 19,694</b>

See Notes to Consolidated Financial Statements.

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

For the Three Months Ended March 31, 2015 and 2014

<i>(unaudited, in thousands, except shares and per share amounts)</i>	Common Stock		Capital Surplus	Retained Earnings	Treasury Stock	Accumulated	Deferred	Total
	Shares Outstanding	Amount				Other Comprehensive Income (Loss)	Benefits for Directors	
December 31, 2014	29,298,188	\$ 61,182	\$ 244,661	\$ 504,578	\$ (2,151)	\$ (18,825)	\$ (1,255)	\$ 788,190
Net income				13,887				13,887
Other comprehensive income						5,201		5,201
Comprehensive income								19,088
Common dividends declared (\$0.23 per share)				(8,843)				(8,843)
Shares issued for acquisition	9,178,531	19,122	274,507					293,629
Treasury shares acquired	(38,237)				(1,262)			(1,262)
Stock options exercised	11,330		(44)		352			308
Restricted stock granted								
Stock compensation expense			274					274
Deferred benefits for directors- net			1,198				(1,198)	
March 31, 2015	38,449,812	\$ 80,304	\$ 520,596	\$ 509,622	\$ (3,061)	\$ (13,624)	\$ (2,453)	\$ 1,091,384
December 31, 2013	29,175,236	\$ 61,182	\$ 244,974	\$ 460,351	\$ (5,969)	\$ (12,734)	\$ (1,209)	\$ 746,595
Net income				16,421				16,421
Other comprehensive income						3,273		3,273
Comprehensive income								19,694
Common dividends declared (\$0.22 per share)				(6,420)				(6,420)
Treasury shares acquired	(2,258)		49		(68)			(19)
Stock options exercised	37,092		(176)		1,152			976
Restricted stock granted	2,040		(63)		63			
Stock compensation expense			291					291
Deferred benefits for directors- net			10				(10)	
March 31, 2014	29,212,110	\$ 61,182	\$ 245,085	\$ 470,352	\$ (4,822)	\$ (9,461)	\$ (1,219)	\$ 761,117

See Notes to Consolidated Financial Statements.



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

<i>(unaudited, in thousands)</i>	For the Three Months Ended March 31,	
	2015	2014
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 36,064</b>	<b>\$ 23,985</b>
<b>INVESTING ACTIVITIES</b>		
Net (increase) decrease in loans	(94,812)	3,446
Securities available-for-sale:		
Proceeds from sales	560,676	3,155
Proceeds from maturities, prepayments and calls	52,783	53,631
Purchases of securities	(405,998)	(77,725)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	9,430	12,325
Purchases of securities	(51,246)	(12,240)
Proceeds from bank-owned life insurance	1,185	
Cash paid to acquire a business, net of cash acquired	(28,551)	
Purchases of premises and equipment - net	(2,033)	(1,485)
Net cash provided by (used in) investing activities	41,434	(18,893)
<b>FINANCING ACTIVITIES</b>		
Increase in deposits	120,954	153,387
Proceeds from Federal Home Loan Bank borrowings	325,000	
Repayment of Federal Home Loan Bank borrowings	(507,982)	(16,181)
Decrease in other short-term borrowings	(9,060)	(37,682)
Decrease in federal funds purchased		(20,000)
Dividends paid to common shareholders	(6,446)	(5,833)
Treasury shares (purchased) sold - net	(992)	862
Net cash (used in) provided by financing activities	(78,526)	74,553
Net (decrease) increase in cash and cash equivalents	(1,028)	79,645
Cash and cash equivalents at beginning of the period	94,002	95,551
Cash and cash equivalents at end of the period	\$ 92,974	\$ 175,196
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid on deposits and other borrowings	\$ 5,522	\$ 6,589
Income taxes paid	100	
Transfers of loans to other real estate owned	344	1,287
Non-cash transactions related to ESB acquisition	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, 2014.

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 2014 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 April 2015, the Financial Accounting Standards Board (the FASB ) issued an Accounting Standards Update ( ASU ) (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. 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 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. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

In August 2014, the FASB issued ASU 2014-14 related to the classification of certain government-guaranteed mortgage loans upon foreclosure. The amendments in this update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) The loan has a government guarantee that is not separable from the loan before foreclosure, (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim, (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based upon the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 and may be adopted under either a modified retrospective transition method or a prospective transition method. However, the same method of transition as elected under ASU 2014-04 must be applied. Early adoption is permitted. The adoption of this pronouncement did not have a material impact on WesBanco's Consolidated Financial Statements.

In June 2014, the FASB issued ASU 2014-11 related to repurchase-to-maturity transactions, repurchase financing and disclosures. The pronouncement changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The pronouncement also requires two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is not permitted. 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

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

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 is 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 is not permitted. In April 2015, the FASB issued an exposure draft of a proposed ASU that would delay by one year the effective date of ASU 2014-11. Under the proposal, the standard would be effective for annual reporting periods beginning after December 15, 2017 and interim periods therein. WesBanco is currently evaluating the impact of the adoption of this pronouncement on its Consolidated Financial Statements.

**Table of Contents****NOTE 2. MERGERS AND ACQUISITIONS**

On February 10, 2015, WesBanco completed its acquisition of ESB Financial Corporation ( ESB ), and its wholly-owned banking subsidiary, ESB Bank ( ESB Bank ), a Pennsylvania-chartered stock savings bank headquartered in Ellwood City, Pennsylvania. The transaction expanded WesBanco's franchise in the Pittsburgh region of western Pennsylvania from 16 to 38 offices.

On the acquisition date, ESB had \$1.9 billion in assets, excluding goodwill, which included \$700.8 million in loans, and \$486.9 million in securities. The ESB acquisition was valued at \$339.0 million, based on WesBanco's closing stock price on February 10, 2015 of \$32.00, and resulted in WesBanco issuing 9,178,531 shares of its common stock and \$45.0 million in cash and other assets in exchange for ESB common stock. The assets and liabilities of ESB were recorded on WesBanco's balance sheet at their preliminary estimated fair values as of February 10, 2015, the acquisition date, and ESB's results of operations have been included in WesBanco's Consolidated Statements of Income since that date. ESB was merged into WesBanco and ESB Bank was merged into WesBanco Bank, Inc. (the Bank ) on February 10, 2015. Based on a preliminary purchase price allocation, WesBanco recorded \$168.9 million in goodwill and \$5.3 million in core deposit intangibles in its community banking segment. The fair values for the assets acquired and liabilities assumed are provisional amounts and are currently under review. Due to the timing of the ESB acquisition, WesBanco is still in the process of completing its fair market valuation, including the valuation of certain tangible and intangible assets as well as deferred income taxes. None of the goodwill is deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes.

For the three months ended March 31, 2015, WesBanco recorded merger-related expenses of \$9.7 million associated with the ESB acquisition. In 2014 WesBanco recognized \$1.3 million in merger-related expenses in connection with the ESB acquisition.

The total of net interest income and non-interest income of the acquired operations of ESB was approximately \$6.5 million and net income was approximately \$2.7 million from February 11, 2015 through March 31, 2015. If the ESB acquisition had occurred on January 1, 2014, unaudited proforma net interest income and non-interest income of the combined entity for the three months ended March 31, 2014 would have totaled approximately \$76.1 million and unaudited proforma net income would have been approximately \$19.8 million as compared to proforma results of \$78.2 million and \$22.2 million, respectively, for the three months ended March 31, 2015. Merger-related expenses were excluded from the pro-forma results.

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

<i>(unaudited, in thousands)</i>	<b>February 10, 2015</b>
<b>Purchase Price:</b>	
Fair value of WesBanco shares issued, (net of equity issuance costs of \$0.1 million)	<b>\$ 293,933</b>
Cash consideration for outstanding ESB shares, options and restricted stock	<b>37,036</b>
Settlement of pre-existing loan to ESB	<b>8,000</b>
<b>Total purchase price</b>	<b>\$ 338,969</b>
<b>Fair value of:</b>	
Tangible assets acquired	<b>\$ 1,859,865</b>
Core deposit and other intangible assets acquired	<b>5,346</b>
Liabilities assumed	<b>(1,703,616)</b>
Net cash received in the acquisition	<b>8,485</b>
<b>Fair value of net assets acquired</b>	<b>170,080</b>
<b>Goodwill recognized</b>	<b>\$ 168,889</b>

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 ESB during 2015:

Edgar Filing: WESBANCO INC - Form 10-Q

<i>(unaudited, in thousands)</i>	February 10, 2015
<b>Assets</b>	
Cash and due from banks	\$ 8,485
Securities	486,891
Loans	700,849
Goodwill and other intangible assets	174,235
Accrued income and other assets <sup>(1)</sup>	672,125
<b>Total Assets</b>	<b>\$ 2,042,585</b>
<b>Liabilities</b>	
Deposits	\$ 1,246,992
Borrowings	433,454
Accrued expenses and other liabilities	23,170
<b>Total liabilities</b>	<b>1,703,616</b>
<b>Purchase price</b>	<b>\$ 338,969</b>

<sup>(1)</sup> Includes receivables of \$560.7 million from the sale of available-for-sale securities prior to the acquisition date. At March 31, 2015 the carrying value of goodwill increased by \$168.9 million from December 31, 2014 to \$481.0 million.

**Table of Contents****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 March 31,	
	2015	2014
Numerator for both basic and diluted earnings per common share:		
Net income	\$ 13,887	\$ 16,421
Denominator:		
Total average basic common shares outstanding	34,393,137	29,182,183
Effect of dilutive stock options and warrant	85,198	80,497
Total diluted average common shares outstanding	34,478,335	29,262,680
Earnings per common share - basic	\$ 0.40	\$ 0.56
Earnings per common share - diluted	\$ 0.40	\$ 0.56

All stock options outstanding were included in the computation of diluted earnings per share for the three months ended March 31, 2015 as all were considered dilutive, while 33,000 were not included in March 31, 2014, because to do so would have been anti-dilutive.

On February 10, 2015, WesBanco issued 9,178,531 shares to complete its acquisition of ESB. These shares are included in average shares outstanding beginning on that date. For additional information relating to the ESB 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>	March 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Available-for-sale</b>								
Obligations of government agencies	\$ 79,315	\$ 1,486	\$ (33)	\$ 80,768	\$ 86,964	\$ 1,087	\$ (315)	\$ 87,736
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	1,279,350	8,091	(3,996)	1,283,445	703,535	4,336	(6,758)	701,113
Obligations of states and political subdivisions	89,977	5,693	(17)	95,653	86,073	5,365	(5)	91,433
Corporate debt securities	182,781	430	(121)	183,090	25,974	141	(119)	25,996
<b>Total debt securities</b>	<b>\$ 1,631,423</b>	<b>\$ 15,700</b>	<b>\$ (4,167)</b>	<b>\$ 1,642,956</b>	<b>\$ 902,546</b>	<b>\$ 10,929</b>	<b>\$ (7,197)</b>	<b>\$ 906,278</b>
Equity securities	10,702	606		11,308	10,304	842		11,146
<b>Total available-for-sale securities</b>	<b>\$ 1,642,125</b>	<b>\$ 16,306</b>	<b>\$ (4,167)</b>	<b>\$ 1,654,264</b>	<b>\$ 912,850</b>	<b>\$ 11,771</b>	<b>\$ (7,197)</b>	<b>\$ 917,424</b>
<b>Held-to-maturity</b>								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 126,935	\$ 3,244	\$ (208)	\$ 129,971	\$ 79,004	\$ 3,262	\$ (246)	\$ 82,020
Obligations of states and political subdivisions	610,249	26,560	(878)	635,931	507,927	23,917	(1,043)	530,801
Corporate debt securities	6,741	200		6,941	6,739	106	(49)	6,796
<b>Total held-to-maturity securities</b>	<b>\$ 743,925</b>	<b>\$ 30,004</b>	<b>\$ (1,086)</b>	<b>\$ 772,843</b>	<b>\$ 593,670</b>	<b>\$ 27,285</b>	<b>\$ (1,338)</b>	<b>\$ 619,617</b>
<b>Total securities</b>	<b>\$ 2,386,050</b>	<b>\$ 46,310</b>	<b>\$ (5,253)</b>	<b>\$ 2,427,107</b>	<b>\$ 1,506,520</b>	<b>\$ 39,056</b>	<b>\$ (8,535)</b>	<b>\$ 1,537,041</b>

At March 31, 2015, and December 31, 2014, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at March 31, 2015. 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>	March 31, 2015					Mortgage-backed and Equity	Total
	One Year or less	One to Five Years	Five to Ten Years	After Ten Years			
<b>Available-for-sale</b>							
Obligations of government agencies	\$	\$ 23,276	\$ 40,297	\$ 17,195	\$		\$ 80,768
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies <sup>(1)</sup>						1,283,445	1,283,445
Obligations of states and political subdivisions	5,254	33,049	21,417	35,933			95,653
Corporate debt securities	82,193	62,312	33,658	4,927			183,090
Equity securities <sup>(2)</sup>						11,308	11,308

Edgar Filing: WESBANCO INC - Form 10-Q

Total available-for-sale securities	\$ 87,447	\$ 118,637	\$ 95,372	\$ 58,055	\$ 1,294,753	\$ 1,654,264
Held-to-maturity <sup>(3)</sup>						
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies <sup>(1)</sup>	\$	\$	\$	\$	\$ 129,971	\$ 129,971
Obligations of states and political subdivisions	2,852	17,024	259,231	356,824		635,931
Corporate debt securities			6,941			6,941
Total held-to-maturity securities	\$ 2,852	\$ 17,024	\$ 266,172	\$ 356,824	\$ 129,971	\$ 772,843
Total securities	\$ 90,299	\$ 135,661	\$ 361,544	\$ 414,879	\$ 1,424,724	\$ 2,427,107

- (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 \$743.9 million.



**Table of Contents**

Securities with aggregate fair values of \$1.1 billion and \$706.5 million at March 31, 2015 and December 31, 2014, 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 \$560.7 million, entirely due to the ESB portfolio restructuring, and \$3.2 million for the three months ended March 31, 2015 and 2014, respectively. Net unrealized gains on available-for-sale securities included in accumulated other comprehensive income net of tax, as of March 31, 2015 and December 31, 2014 were \$7.7 million and \$2.9 million, respectively.

The following table presents the gross realized gains and losses on sales and calls of securities for the three months ended March 31, 2015 and 2014, respectively.

<i>(unaudited, in thousands)</i>	For the Three Months Ended March 31,	
	2015	2014
Gross realized gains	\$ 24	\$ 195
Gross realized losses	(2)	(185)
<b>Net realized gains (losses)</b>	<b>\$ 22</b>	<b>\$ 10</b>

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 March 31, 2015 and December 31, 2014:

<i>(unaudited, dollars in thousands)</i>	Less than 12 months			March 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
Obligations of government agencies	17,953	(33)	3			0	17,953	(33)	3
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	260,103	(681)	55	168,693	(3,523)	32	428,796	(4,204)	87
Obligations of states and political subdivisions	68,439	(450)	79	20,777	(445)	31	89,216	(895)	110
Corporate debt securities	53,122	(113)	16	1,978	(8)	1	55,100	(121)	17
<b>Total temporarily impaired securities</b>	<b>399,617</b>	<b>(1,277)</b>	<b>153</b>	<b>191,448</b>	<b>(3,976)</b>	<b>64</b>	<b>591,065</b>	<b>(5,253)</b>	<b>217</b>

<i>(unaudited, dollars in thousands)</i>	Less than 12 months			December 31, 2014 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Obligations of government agencies	\$ 19,362	\$ (77)	5	\$ 19,757	\$ (238)	4	\$ 39,119	\$ (315)	9
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	78,786	(386)	19	240,055	(6,618)	43	318,841	(7,004)	62
Obligations of states and political subdivisions	12,615	(96)	15	61,548	(952)	93	74,163	(1,048)	108
Corporate debt securities	2,969	(31)	1	4,573	(137)	2	7,542	(168)	3
<b>Total temporarily impaired securities</b>	<b>\$ 113,732</b>	<b>\$ (590)</b>	<b>40</b>	<b>\$ 325,933</b>	<b>\$ (7,945)</b>	<b>142</b>	<b>\$ 439,665</b>	<b>\$ (8,535)</b>	<b>182</b>

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.

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

WesBanco does not believe the securities presented above are impaired due to reasons of credit quality, as there are no debt securities rated below 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 and FHLB of Cincinnati stock totaling \$20.9 million and \$11.6 million at March 31, 2015 and December 31, 2014, 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 of \$2.2 million and \$2.4 million at March 31, 2015 and December 31, 2014, respectively.

<i>(unaudited, in thousands)</i>	March 31, 2015	December 31, 2014
Commercial real estate:		
Land and construction	\$ 288,075	\$ 262,643
Improved property	1,908,869	1,682,817
Total commercial real estate	2,196,944	1,945,460
Commercial and industrial	709,621	638,410
Residential real estate	1,239,163	928,770
Home equity	362,163	330,031
Consumer	365,830	244,095
Total portfolio loans	4,873,721	4,086,766
Loans held for sale	6,064	5,865
Total loans	\$ 4,879,785	\$ 4,092,631

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

**Allowance for Credit Losses By Category**  
For the Three Months Ended March 31, 2015 and 2014

<i>(unaudited, in thousands)</i>	Commercial Real Estate- Land and Construction	Commercial Real Estate- Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total
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	(323)	903	(44)	(208)	747	133	58	1,266
Provision for loan commitments	(16)	8	8	4	17	2		23
Total provision for credit losses	(339)	911	(36)	(204)	764	135	58	1,289
Charge-offs		(577)	(122)	(358)	(589)	(717)	(154)	(2,517)
Recoveries		136	114	218	10	229	63	770
Net charge-offs		(441)	(8)	(140)	(579)	(488)	(91)	(1,747)

Balance at March 31, 2015:

Edgar Filing: WESBANCO INC - Form 10-Q

Allowance for loan losses	5,331	18,035	9,011	5,034	2,497	3,723	542	44,173
Allowance for loan commitments	178	18	120	13	107	42		478
<b>Total ending allowance for credit losses</b>	<b>\$ 5,509</b>	<b>\$ 18,053</b>	<b>\$ 9,131</b>	<b>\$ 5,047</b>	<b>\$ 2,604</b>	<b>\$ 3,765</b>	<b>\$ 542</b>	<b>\$ 44,651</b>

Balance at December 31, 2013:

Allowance for loan losses	\$ 6,056	\$ 18,157	\$ 9,925	\$ 5,673	\$ 2,017	\$ 5,020	\$ 520	\$ 47,368
Allowance for loan commitments	301	62	130	5	85	19		602
<b>Total beginning allowance for credit losses</b>	<b>6,357</b>	<b>18,219</b>	<b>10,055</b>	<b>5,678</b>	<b>2,102</b>	<b>5,039</b>	<b>520</b>	<b>47,970</b>

Provision for credit losses:

Provision for loan losses	(1,051)	(509)	2,128	869	153	305	361	2,256
Provision for loan commitments	(8)	(53)	3		1			(57)

<b>Total provision for credit losses</b>	<b>(1,059)</b>	<b>(562)</b>	<b>2,131</b>	<b>869</b>	<b>154</b>	<b>305</b>	<b>361</b>	<b>2,199</b>
--	----------------	--------------	--------------	------------	------------	------------	------------	--------------

Charge-offs		(493)	(2,276)	(879)	(155)	(752)	(180)	(4,735)
Recoveries		120	65	109	11	227	62	594

<b>Net charge-offs</b>		<b>(373)</b>	<b>(2,211)</b>	<b>(770)</b>	<b>(144)</b>	<b>(525)</b>	<b>(118)</b>	<b>(4,141)</b>
------------------------	--	--------------	----------------	--------------	--------------	--------------	--------------	----------------

Balance at March 31, 2014:

Allowance for loan losses	5,005	17,275	9,842	5,772	2,026	4,800	763	45,483
Allowance for loan commitments	293	9	133	5	86	19		545

<b>Total ending allowance for credit losses</b>	<b>\$ 5,298</b>	<b>\$ 17,284</b>	<b>\$ 9,975</b>	<b>\$ 5,777</b>	<b>\$ 2,112</b>	<b>\$ 4,819</b>	<b>\$ 763</b>	<b>\$ 46,028</b>
---	-----------------	------------------	-----------------	-----------------	-----------------	-----------------	---------------	------------------

**Table of Contents**

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

<i>(unaudited, in thousands)</i>	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
<b>March 31, 2015</b>								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment								
	\$	\$ 2,828	\$ 873	\$	\$	\$	\$	\$ 3,701
Allowance for loans collectively evaluated for impairment								
	5,331	15,207	8,138	5,034	2,497	3,723	542	40,472
Allowance for loan commitments								
	178	18	120	13	107	42		478
Total allowance for credit losses	\$ 5,509	\$ 18,053	\$ 9,131	\$ 5,047	\$ 2,604	\$ 3,765	\$ 542	\$ 44,651
Portfolio loans:								
Individually evaluated for impairment <sup>(1)</sup>								
	\$	\$ 9,822	\$ 2,722	\$	\$	\$	\$	\$ 12,544
Collectively evaluated for impairment								
	288,075	1,899,047	706,899	1,239,163	362,163	365,830		4,861,177
Total portfolio loans	\$ 288,075	\$ 1,908,869	\$ 709,621	\$ 1,239,163	\$ 362,163	\$ 365,830	\$	\$ 4,873,721
<b>December 31, 2014</b>								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment								
	\$	\$ 2,765	\$ 1,033	\$	\$	\$	\$	\$ 3,798
Allowance for loans collectively evaluated for impairment								
	5,654	14,808	8,030	5,382	2,329	4,078	575	40,856
Allowance for loan commitments								
	194	10	112	9	90	40		455
Total allowance for credit losses	\$ 5,848	\$ 17,583	\$ 9,175	\$ 5,391	\$ 2,419	\$ 4,118	\$ 575	\$ 45,109
Portfolio loans:								
Individually evaluated for impairment <sup>(1)</sup>								
	\$	\$ 11,469	\$ 2,844	\$	\$	\$	\$	\$ 14,313
Collectively evaluated for impairment								
	262,643	1,671,348	635,566	928,770	330,031	244,095		4,072,453
Total portfolio loans	\$ 262,643	\$ 1,682,817	\$ 638,410	\$ 928,770	\$ 330,031	\$ 244,095	\$	\$ 4,086,766

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

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

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 descriptions of risk grades apply 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 inadequately protect the Bank at some future date. These loans represent an unwarranted credit risk and would generally not be extended in the normal course of lending. Specific issues which may warrant this grade include declining financial results, increased reliance on secondary sources of repayment or guarantor support and adverse external influences that may negatively impact the business or property.

**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:

	Commerical 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>				
<b>As of March 31, 2015</b>				
Pass	\$ 281,730	\$ 1,848,655	\$ 683,226	\$ 2,813,611
Criticized - compromised	3,653	18,049	18,957	40,659
Classified - substandard	2,692	42,165	7,438	52,295
Classified - doubtful				
Total	\$ 288,075	\$ 1,908,869	\$ 709,621	\$ 2,906,565
<b>As of December 31, 2014</b>				
Pass	\$ 257,218	\$ 1,627,771	\$ 617,742	\$ 2,502,731
Criticized - compromised	3,645	17,873	12,770	34,288
Classified - substandard	1,780	37,173	7,898	46,851
Classified - doubtful				
Total	\$ 262,643	\$ 1,682,817	\$ 638,410	\$ 2,583,870

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 \$15.5 million at March 31, 2015 and \$15.2 million at December 31, 2014, of which \$1.5 and \$2.2 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.

---

**Table of Contents**

**Acquired Loans** Loans acquired in connection with acquisitions are recorded at their acquisition-date fair value in accordance with ASC 805, Business Combinations, with no carryover of related allowance for credit losses. Determining the fair value of the acquired loans involves estimating the principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. Management considers a number of factors in evaluating the acquisition-date fair value including the remaining life of the acquired loans, delinquency status, estimated prepayments, payment options and other loan features, internal risk grade, estimated value of the underlying collateral and interest rate environment.

Loans acquired with deteriorated credit quality are accounted for in accordance with ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality (ASC 310-30), and therefore impaired if, at acquisition, the loans have evidence of credit quality deterioration since origination and it is probable that all contractually required payments will not be collected. At acquisition, WesBanco considers several factors as indicators that an acquired loan has evidence of deterioration in credit quality. These factors include loans 90 days or more past due, loans with an internal risk grade of substandard or below, loans classified as non-accrual by the acquired institution, and loans that have been previously modified as a TDR.

Acquired loans that were not individually determined to be impaired are considered performing and are accounted for in accordance with ASC 310-20, Nonrefundable Fees and Other Costs (ASC 310-20), whereby the premium or discount derived from the fair market value adjustment, on a loan-by-loan or pooled basis, is recognized into interest income on a level yield over the remaining expected life of the loan or pool.

Under the ASC 310-30 model, the excess of cash flows expected to be collected at acquisition over recorded fair value is referred to as the accretable yield and is the interest component of expected cash flow. The accretable yield is recognized into income over the remaining life of the loan if the timing and/or amount of cash flows expected to be collected can be reasonably estimated. If the timing or amount of cash flows expected to be collected cannot be reasonably estimated, the cost recovery method of income recognition is used. The difference between the loan's total scheduled principal and interest payments over all cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the non-accretable difference. The non-accretable difference represents contractually required principal and interest payments which WesBanco does not expect to collect.

Over the life of the loan, management continues to estimate cash flows expected to be collected. Decreases in expected cash flows are recognized as impairments through a charge to the provision for loan losses resulting in an increase in the allowance for loan losses. Subsequent improvements in cash flows result in first, reversal of existing valuation allowances recognized subsequent to acquisition, if any, and next, an increase in the amount of accretable yield to be subsequently recognized in interest income on a prospective basis over the loan's remaining life.

In conjunction with the ESB acquisition, WesBanco acquired loans with a book value of \$716.1 million. These loans were recorded at their fair value of \$700.8 million, with \$691.1 million categorized as performing. The fair market value adjustment on performing loans of \$9.0 million at acquisition date is expected to be recognized into interest income on a level yield over the remaining expected life of the performing loans. Loans acquired with deteriorated credit quality with a book value of \$16.0 million were recorded at their estimated fair value of \$9.7 million. The accretable yield on the acquired impaired loans is estimated at \$2.4 million, while the non-accretable difference is estimated at \$3.9 million. The balance of these loans acquired with deteriorated credit quality at March 31, 2015, was \$9.3 million, of which \$3.6 million were categorized as non-accrual and \$5.7 million were categorized as accruing TDRs.



**Table of Contents**

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

<i>(unaudited, in thousands)</i>	Age Analysis of Loans					Total Loans	90 Days or More Past Due and Accruing (1)
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due		
<b>As of March 31, 2015</b>							
Commercial real estate:							
Land and construction	\$ 286,883	\$	\$	\$ 1,192	\$ 1,192	\$ 288,075	\$
Improved property	1,889,451	1,093	1,435	16,890	19,418	1,908,869	
Total commercial real estate	2,176,334	1,093	1,435	18,082	20,610	2,196,944	
Commercial and industrial	705,380	916	1,518	1,807	4,241	709,621	3
Residential real estate	1,226,131	4,981	1,673	6,378	13,032	1,239,163	74
Home equity	357,545	1,982	508	2,128	4,618	362,163	684
Consumer	362,338	2,117	868	507	3,492	365,830	270
Total portfolio loans	4,827,728	11,089	6,002	28,902	45,993	4,873,721	1,031
Loans held for sale	6,064					6,064	
Total loans	\$ 4,833,792	\$ 11,089	\$ 6,002	\$ 28,902	\$ 45,993	\$ 4,879,785	\$ 1,031
Impaired loans included above are as follows:							
Non-accrual loans	\$ 9,209	\$ 2,008	\$ 2,319	\$ 27,838	\$ 32,165	\$ 41,374	
TDRs accruing interest <sup>(1)</sup>	16,536	582	179	33	794	17,330	
Total impaired	\$ 25,745	\$ 2,590	\$ 2,498	\$ 27,871	\$ 32,959	\$ 58,704	
<b>As of December 31, 2014</b>							
Commercial real estate:							
Land and construction	\$ 261,356	\$ 20	\$	\$ 1,267	\$ 1,287	\$ 262,643	\$ 71
Improved property	1,665,363	961	4,772	11,721	17,454	1,682,817	
Total commercial real estate	1,926,719	981	4,772	12,988	18,741	1,945,460	71
Commercial and industrial	634,482	1,834	240	1,854	3,928	638,410	22
Residential real estate	915,968	1,237	3,384	8,181	12,802	928,770	1,306
Home equity	325,291	1,877	895	1,968	4,740	330,031	570
Consumer	240,365	2,571	685	474	3,730	244,095	319
Total portfolio loans	4,042,825	8,500	9,976	25,465	43,941	4,086,766	2,288
Loans held for sale	5,865					5,865	
Total loans	\$ 4,048,690	\$ 8,500	\$ 9,976	\$ 25,465	\$ 43,941	\$ 4,092,631	\$ 2,288
Impaired loans included above are as follows:							
Non-accrual loans	\$ 7,562	\$ 2,884	\$ 5,552	\$ 22,820	\$ 31,256	\$ 38,818	
TDRs accruing interest <sup>(1)</sup>	11,016	151	542	357	1,050	12,066	
Total impaired	\$ 18,578	\$ 3,035	\$ 6,094	\$ 23,177	\$ 32,306	\$ 50,884	

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

**Impaired Loans** A loan is considered impaired, based on current information and events, if it is probable that WesBanco will be unable to collect the payments of principal and interest when due according to the contractual terms of the loan agreement. Impaired loans generally included all non-accrual loans and TDRs.

Loans are generally placed on non-accrual when they are 90 days past due unless the loan is well-secured and in the process of collection. Loans may also be placed on non-accrual when full collection of principal is in doubt even if payments on such loans remain current, or may remain on non-accrual if they were past due but subsequently brought current.

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

Acquired loans that have experienced a deterioration of credit quality from origination to acquisition for which it is probable that WesBanco will be unable to collect all contractually required payments receivable, including both principal and interest, are considered impaired.

**Table of Contents**

The following tables summarize impaired loans:

	Impaired Loans					
	March 31, 2015			December 31, 2014		
	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance
<i>(unaudited, in thousands)</i>						
<b>With no related specific allowance recorded:</b>						
Commercial real estate:						
Land and construction	\$ 3,101	\$ 2,476	\$	\$ 1,588	\$ 1,488	\$
Improved property	30,138	22,481		16,480	14,684	
Commercial and industrial	3,094	2,432		3,152	2,597	
Residential real estate	20,943	19,132		20,077	18,544	
Home equity	2,824	2,617		2,890	2,663	
Consumer	1,659	1,332		1,287	1,086	
<b>Total impaired loans without a specific allowance</b>	<b>61,759</b>	<b>50,470</b>		<b>45,474</b>	<b>41,062</b>	
<b>With a specific allowance recorded:</b>						
Commercial real estate:						
Land and construction						
Improved property	6,466	6,466	2,828	7,980	7,980	2,765
Commercial and industrial	1,768	1,768	873	1,842	1,842	1,033
<b>Total impaired loans with a specific allowance</b>	<b>8,234</b>	<b>8,234</b>	<b>3,701</b>	<b>9,822</b>	<b>9,822</b>	<b>3,798</b>
<b>Total impaired loans</b>	<b>\$ 69,993</b>	<b>\$ 58,704</b>	<b>\$ 3,701</b>	<b>\$ 55,296</b>	<b>\$ 50,884</b>	<b>\$ 3,798</b>

- (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 March 31, 2015		For the Three Months Ended March 31, 2014	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<i>(unaudited, in thousands)</i>				
<b>With no related specific allowance recorded:</b>				
Commercial real estate:				
Land and construction	\$ 2,128	\$ 16	\$ 2,450	\$ 2
Improved property	18,932	223	19,158	20
Commercial and industrial	2,513	13	3,532	32
Residential real estate	18,715	230	19,463	182
Home equity	2,641	20	2,367	19
Consumer	1,194	20	1,174	28
<b>Total impaired loans without a specific allowance</b>	<b>46,123</b>	<b>522</b>	<b>48,144</b>	<b>283</b>
<b>With a specific allowance recorded:</b>				
Commercial real estate:				
Land and construction				

Edgar Filing: WESBANCO INC - Form 10-Q

Improved property	7,223		729	1
Commercial and industrial	1,805	19	2,329	12
<b>Total impaired loans with a specific allowance</b>	<b>9,028</b>	<b>19</b>	<b>3,058</b>	<b>13</b>
Total impaired loans	\$ 55,151	\$ 541	\$ 51,202	\$ 296

**Table of Contents**

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

<i>(unaudited, in thousands)</i>	Non-accrual Loans <sup>(1)</sup>	
	March 31, 2015	December 31, 2014
Commercial real estate:		
Land and construction	\$ 1,463	\$ 1,488
Improved property	22,143	20,227
Total commercial real estate	23,606	21,715
Commercial and industrial	3,849	4,110
Residential real estate	11,249	10,329
Home equity	1,899	1,923
Consumer	771	741
Total	\$ 41,374	\$ 38,818

<sup>(1)</sup> Total non-accrual loans include loans that are also restructured. Such loans are also set forth in the following table as non-accrual TDRs.

<i>(unaudited, in thousands)</i>	TDRs					
	March 31, 2015			December 31, 2014		
	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Commercial real estate:						
Land and construction	\$ 1,013	\$ 504	\$ 1,517	\$	\$ 464	\$ 464
Improved property	6,804	5,399	12,203	2,437	1,850	4,287
Total commercial real estate	7,817	5,903	13,720	2,437	2,314	4,751
Commercial and industrial	351	376	727	329	478	807
Residential real estate	7,883	2,386	10,269	8,215	2,074	10,289
Home equity	718	285	1,003	740	245	985
Consumer	561	274	835	345	309	654
Total	\$ 17,330	\$ 9,224	\$ 26,554	\$ 12,066	\$ 5,420	\$ 17,486

As of March 31, 2015, there were three 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.

The following table presents details related to loans identified as TDRs during the three months ended March 31, 2015 and 2014, respectively:

<i>(unaudited, dollars in thousands)</i>	New TDRs <sup>(1)</sup>					
	March 31, 2015			March 31, 2014		
	Number of Modifications	Pre-Modification Outstanding	Post-Modification Outstanding	Number of Modifications	Pre-Modification Outstanding	Post-Modification Outstanding

Edgar Filing: WESBANCO INC - Form 10-Q

		Recorded Investment	Recorded Investment		Recorded Investment	Recorded Investment
Commercial real estate:						
Land and construction	11	\$ 1,414	\$ 1,056		\$	\$
Improved Property	7	8,568	8,289	1	91	90
Total commercial real estate	18	9,982	9,345	1	91	90
Commercial and industrial	2	42	57			
Residential real estate	7	424	421	4	121	118
Home equity	1	7	6			
Consumer	21	269	303	2	33	31
Total	49	\$ 10,724	\$ 10,132	7	\$ 245	\$ 239

<sup>(1)</sup> 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**

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the three months ended March 31, 2015 and 2014, respectively, that were restructured within the last twelve months prior to March 31, 2015 and 2014, respectively:

<i>(unaudited, dollars in thousands)</i>	Defaulted TDRs <sup>(1)</sup> For the Three Months Ended March 31, 2015		Defaulted TDRs <sup>(1)</sup> For the Three Months Ended March 31, 2014	
	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				
Residential real estate			8	481
Home equity	1	42	1	3
Consumer	1	27		
<b>Total</b>	<b>2</b>	<b>\$ 69</b>	<b>9</b>	<b>\$ 484</b>

<sup>(1)</sup> Excludes loans that were either charged-off or cured by period end. The recorded investment is as of March 31, 2014 and 2013, respectively.

TDRs that defaulted during the three month period that were restructured within the last twelve months represented 0.3% of the total TDR balance at March 31, 2015. These loans are placed on non-accrual status unless they are both well-secured and in the process of collection. At March 31, 2015, 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>	March 31, 2015	December 31, 2014
Other real estate owned	\$ 5,886	\$ 4,920
Repossessed assets	340	162
<b>Total other real estate owned and repossessed assets</b>	<b>\$ 6,226</b>	<b>\$ 5,082</b>

Residential real estate included in other real estate owned at March 31, 2015 and December 31, 2014 was \$0.8 million and \$0.6 million, respectively. At March 31, 2015, formal foreclosure proceedings were in process on residential real estate loans totaling \$4.3 million.

**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 March 31,	
	2015	2014
Service cost - benefits earned during year	\$ 827	\$ 717

Edgar Filing: WESBANCO INC - Form 10-Q

Interest cost on projected benefit obligation	<b>1,201</b>	1,170
Expected return on plan assets	<b>(1,907)</b>	(1,783)
Amortization of prior service cost	<b>6</b>	11
Amortization of net loss	<b>784</b>	363
Net periodic pension cost	<b>\$ 911</b>	\$ 478

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 \$3.1 million is due for 2015 which could be all or partially offset by the Plan's \$34.9 million available credit balance. WesBanco expects to make a voluntary contribution of \$7.5 million to the Plan in 2015.



## **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:

Securities available-for-sale: The fair value of securities available-for-sale which are measured on a recurring basis are determined primarily by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities relationship to other similar securities. These securities are classified within level 1 or 2 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.

We may be required from time to time to measure certain assets 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.

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**

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 March 31, 2015 and December 31, 2014:

	March 31, 2015 Fair Value Measurements Using:			
	March 31, 2015	Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Observable Inputs (level 2)	Other Significant Unobservable Inputs (level 3)
<i>(unaudited, in thousands)</i>				
<b>Recurring fair value measurements</b>				
Securities - available-for-sale				
Obligations of government agencies	\$ 80,768	\$	\$ 80,768	\$
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	1,283,445		1,283,445	
Obligations of state and political subdivisions	95,653		95,653	
Corporate debt securities	183,090		183,090	
Equity securities	11,308	8,538	2,770	
Total securities - available-for-sale	\$ 1,654,264	\$ 8,538	\$ 1,645,726	\$
Total recurring fair value measurements	\$ 1,654,264	\$ 8,538	\$ 1,645,726	\$
<b>Nonrecurring fair value measurements</b>				
Impaired loans	\$ 4,533	\$	\$	\$ 4,533
Other real estate owned and repossessed assets	6,226			6,226
Loans held for sale	6,064		6,064	
Total nonrecurring fair value measurements	\$ 16,823	\$	\$ 6,064	\$ 10,759

	December 31, 2014 Fair Value Measurements Using:			
	December 31, 2014	Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Observable Inputs (level 2)	Other Significant Unobservable Inputs (level 3)
<i>(unaudited, in thousands)</i>				
<b>Recurring fair value measurements</b>				
Securities - available-for-sale				
Obligations of government agencies	\$ 87,736	\$	\$ 87,736	\$
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	701,113		701,113	
Obligations of state and political subdivisions	91,433		91,433	
Corporate debt securities	25,996		25,996	
Equity securities	11,146	8,440	2,706	
Total securities - available-for-sale	\$ 917,424	\$ 8,440	\$ 908,984	\$
Total recurring fair value measurements	\$ 917,424	\$ 8,440	\$ 908,984	\$
<b>Nonrecurring fair value measurements</b>				

Edgar Filing: WESBANCO INC - Form 10-Q

Impaired loans	\$ 6,024	\$	\$	\$ 6,024
Other real estate owned and repossessed assets	5,082			5,082
Loans held for sale	5,865		5,865	
Total nonrecurring fair value measurements	\$ 16,971	\$	\$ 5,865	\$ 11,106

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 three months ended March 31, 2015 or 2014.

**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)
<b>March 31, 2015:</b>				
Impaired loans	\$ 4,533	Appraisal of collateral <sup>(1)</sup>	Appraisal adjustments <sup>(2)</sup>	0% to (38.5%) / (6.9%)
			Liquidation expenses <sup>(2)</sup>	(3.1%) to (8.0%) / (7.4%)
Other real estate owned and repossessed assets	6,226	Appraisal of collateral <sup>(1), (3)</sup>		
<b>December 31, 2014:</b>				
Impaired loans	\$ 6,024	Appraisal of collateral <sup>(1)</sup>	Appraisal adjustments <sup>(2)</sup>	0% to (39.7%) / (6.7%)
			Liquidation expenses <sup>(2)</sup>	(1.2%) to (8.0%) / (6.7%)
Other real estate owned and repossessed assets	5,082	Appraisal of collateral <sup>(1), (3)</sup>		

<sup>(1)</sup> Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various level 3 inputs which are not identifiable.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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:

	Fair Value Measurements at March 31, 2015				
	Carrying Amount	Fair Value Estimate	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>					
<b>Financial Assets</b>					
Cash and due from banks	\$ 92,974	\$ 92,974	\$ 92,974	\$	\$
Securities available-for-sale	1,654,264	1,654,264	8,538	1,645,726	
Securities held-to-maturity	743,925	772,843		772,088	755
Net loans	4,829,548	4,820,779			4,820,779
Loans held for sale	6,064	6,064		6,064	
Accrued interest receivable	25,232	25,232	25,232		
Bank-owned life insurance	153,991	153,991	153,991		
<b>Financial Liabilities</b>					
Deposits	6,416,202	6,423,499	4,532,314	1,891,185	
Federal Home Loan Bank borrowings	432,456	435,089		435,089	
Other borrowings	76,630	76,621	73,589	3,032	
Junior subordinated debt	142,269	116,070		116,070	
Accrued interest payable	2,297	2,297	2,297		

	Fair Value Measurements at December 31, 2014				
	Carrying Amount	Fair Value Estimate	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>					
<b>Financial Assets</b>					
Cash and due from banks	\$ 94,002	\$ 94,002	\$ 94,002	\$	\$
Securities available-for-sale	917,424	917,424	8,440	908,984	
Securities held-to-maturity	593,670	619,617		618,895	722
Net loans	4,042,112	4,047,648			4,047,648
Loans held for sale	5,865	5,865		5,865	
Accrued interest receivable	18,481	18,481	18,481		
Bank-owned life insurance	123,298	123,298	123,298		
<b>Financial Liabilities</b>					
Deposits	5,048,983	5,056,828	3,743,887	1,312,941	
Federal Home Loan Bank borrowings	223,126	225,456		225,456	
Other borrowings	80,690	80,696	77,534	3,162	
Junior subordinated debt	106,176	79,212		79,212	
Accrued interest payable	1,620	1,620	1,620		

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 securities available-for-sale which is described above.

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

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

**Table of Contents**

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

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

*Junior subordinated debt owed to unconsolidated subsidiary trusts:* Due to the pooled nature of these instruments, 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 three months ended March 31, 2015 and 2014 is as follows:

<i>(unaudited, in thousands)</i>	Accumulated Other Comprehensive Income <sup>(1)</sup>			
	Defined Benefit Pension Plan	Unrealized Gains (Losses) on Securities Available-for-Sale	Unrealized Gains on Securities Transferred from Available-for-Sale to Held-to-Maturity	Total
Balance at December 31, 2014	\$ (22,776)	\$ 2,892	\$ 1,059	\$ (18,825)
Other comprehensive income before reclassifications		4,804		4,804
Amounts reclassified from accumulated other comprehensive income	475	(11)	(67)	397
Period change	475	4,793	(67)	5,201
Balance at March 31, 2015	\$ (22,301)	\$ 7,685	\$ 992	\$ (13,624)
Balance at December 31, 2013	\$ (7,966)	\$ (6,126)	\$ 1,358	\$ (12,734)
Other comprehensive income before reclassifications		3,075		3,075
Amounts reclassified from accumulated other comprehensive income	236	49	(87)	198
Period change	236	3,124	(87)	3,273
Balance at March 31, 2014	\$ (7,730)	\$ (3,002)	\$ 1,271	\$ (9,461)

<sup>(1)</sup> 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 months ended March 31, 2015 and 2014:

Details about Accumulated Other Comprehensive Income/(Loss) Components	Amounts Reclassified from Accumulated Other Comprehensive Income/(Loss) For the Three Months Ended March 31,		Affected Line Item in the Statement of Net Income
	2015	2014	
<i>(unaudited, in thousands)</i>			
Securities available-for-sale <sup>(1)</sup> :			
Net securities (gains) losses reclassified into earnings	(18)	\$ 78	Net securities gains (Non-interest income)
Related income tax expense (benefit)	7	(29)	Provision for income taxes



Edgar Filing: WESBANCO INC - Form 10-Q

Net effect on accumulated other comprehensive income for the period	(11)	49	
<b>Securities held-to-maturity <sup>(1)</sup>:</b>			
Amortization of unrealized gain transferred from available-for-sale	(107)	(138)	Interest and dividends on securities (Interest and dividend income)
Related income tax expense	40	51	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	(67)	(87)	
<b>Defined benefit pension plan <sup>(2)</sup>:</b>			
Amortization of net loss and prior service costs	790	374	Employee benefits (Non-interest expense)
Related income tax benefit	(315)	(138)	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	475	236	
<b>Total reclassifications for the period</b>	<b>397</b>	<b>\$ 198</b>	

(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 \$0.5 million as of March 31, 2015 and December 31, 2014, respectively, and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Letters of credit are considered guarantees. The liability associated with letters of credit was \$0.2 million as of March 31, 2015 and December 31, 2014, respectively.

Contingent obligations to purchase loans funded by other entities include affordable housing plan guarantees and credit card guarantees. Affordable housing plan guarantees are performance guarantees for various building project loans. The guarantee amortizes as the loan balances decrease. Credit card guarantees are credit card balances not owned by WesBanco, whereby the Bank guarantees the performance of the cardholder.

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

<i>(unaudited, in thousands)</i>	March 31, 2015	December 31, 2014
Lines of credit	\$ 1,032,235	\$ 984,352
Loans approved but not closed	295,702	116,757
Overdraft limits	110,389	95,965
Letters of credit	26,910	23,362
Contingent obligations to purchase loans funded by other entities	8,457	8,312

**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 \$3.9 billion and \$3.8 billion at March 31, 2015 and 2014, respectively. These assets are held by WesBanco in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

<i>(unaudited, in thousands)</i>	Community Banking	Trust and Investment Services	Consolidated
<b>For the Three Months ended March 31, 2015:</b>			
Interest income	\$ 60,379	\$	\$ 60,379
Interest expense	5,424		5,424
Net interest income	54,955		54,955
Provision for credit losses	1,289		1,289
Net interest income after provision for credit losses	53,666		53,666
Non-interest income	12,137	6,053	18,190
Non-interest expense	50,278	3,163	53,441
Income before provision for income taxes	15,525	2,890	18,415
Provision for income taxes	3,372	1,156	4,528
Net income	\$ 12,153	\$ 1,734	\$ 13,887
<b>For the Three Months ended March 31, 2014:</b>			
Interest income	\$ 53,457	\$	\$ 53,457
Interest expense	6,132		6,132
Net interest income	47,325		47,325
Provision for credit losses	2,199		2,199
Net interest income after provision for credit losses	45,126		45,126
Non-interest income	11,401	5,648	17,049
Non-interest expense	36,827	3,268	40,095
Income before provision for income taxes	19,700	2,380	22,080
Provision for income taxes	4,707	952	5,659
Net income	\$ 14,993	\$ 1,428	\$ 16,421

Total non-fiduciary assets of the trust and investment services segment were \$3.7 million and \$4.0 million at March 31, 2015 and 2014, 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 months ended March 31, 2015. 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, 2014 and documents subsequently filed by WesBanco with the Securities and Exchange Commission ( SEC ), 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 ESB 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 ESB may not be fully realized within the expected timeframes; disruption from the merger of WesBanco and ESB 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 142 branches, one loan production office and 130 ATM machines in West Virginia, Ohio and western Pennsylvania, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

On February 10, 2015, WesBanco completed the acquisition of ESB a Pennsylvania savings bank holding company, headquartered in Ellwood City, Lawrence County, northwest of Pittsburgh, PA, with approximately \$1.9 billion in assets and 23 offices in four southwestern PA counties, three of which are in the Pittsburgh Metropolitan Statistical Area ( MSA ). WesBanco now has \$8.2 billion in total assets; the transaction expanded WesBanco's franchise in western Pennsylvania from 16 to 38 offices with approximately \$1.7 billion in total deposits. ESB's results were included in WesBanco's results from the date of the consummation of the 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 March 31, 2015 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2014 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 three months ended March 31, 2015 was \$13.9 million, while diluted earnings per share were \$0.40, compared to \$16.4 million or \$0.56 per share for the first quarter of 2014. After tax merger-related expenses of \$6.3 million, and temporary extra operating costs of approximately \$0.5 million associated with ESB were the reasons for the decrease in net income in the first quarter. Net income for the three months ended March 31, 2015, excluding after-tax merger-related expenses, was \$20.2 million (non-GAAP measure) compared to \$16.4 million for the first quarter of 2014, representing an increase of 23.1%. Diluted earnings per share, excluding after-tax merger-related expenses, were \$0.59 (non-GAAP measure), compared to \$0.56 per share for the first quarter of 2014.

	For the Three Months Ended March 31,			
	2015		2014	
	Net Income	Diluted Earnings Per Share	Net Income	Diluted Earnings Per Share
<i>(unaudited, dollars in thousands, except per share amounts)</i>				
Net income, excluding after-tax merger-related expenses (Non-GAAP) <sup>(1)</sup>	\$ 20,213	\$ 0.59	\$ 16,421	\$ 0.56
Less: After tax merger-related expenses	(6,326)	(0.19)		
Net income (GAAP)	\$ 13,887	\$ 0.40	\$ 16,421	\$ 0.56

(1) 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 \$7.6 million or 16.1% in the first quarter of 2015 compared to the first quarter of 2014 due to a 16.9% increase in average earning assets, primarily through the ESB acquisition, and through a 6.4% increase in average loan balances, exclusive of ESB, slightly offset by a 4 basis point decrease in the net interest margin. Growth in net interest income has been consistent. The first quarter of 2015 is the seventh consecutive quarter that net interest income has increased. The net interest margin decreased to 3.59% in the first quarter compared to 3.63% in the same quarter of 2014. The net interest margin has ranged from 3.64% to 3.58% over the last five quarters as reduced funding costs have generally exceeded the effect of lower rates on newly acquired securities and loans. In addition, the aforementioned loan growth improves asset yields as the average rate on loans is higher than the average rate on securities. Funding costs continued to decrease in 2015 as a result of a 14.2% increase in average lower-cost demand, money market and savings account deposits, while higher-cost CDs increased by only 8.6%, entirely due to the ESB acquisition. The average rate on CDs declined by 27 basis points as higher-rate CDs matured. Overall, average deposits increased by 12.6% in the first quarter of 2015 compared to the same quarter of 2014. In addition, a 20.0% reduction in higher-rate average other borrowings improved funding costs through the prepayment of a higher-rate \$22.0 million repurchase agreement with another bank in the third quarter of 2014, and through maturities. Increased average FHLB borrowings in the first quarter were generally short to medium-term with an average rate lower than the average CD rate. The increase in other interest income was due to FHLB special dividends totaling \$0.6 million received in the first quarter. Excluding accretion of various purchase accounting adjustments relating to recent acquisitions, the net interest margin would have been 3.49% in the first quarter of 2015 compared to 3.58% for the same quarter of 2014. The reduction is primarily due to asset and liability mix shifts post-ESB, with a greater percentage of lower-yielding investment securities and a greater percentage of CDs versus lower-cost deposits. Loan accretion included in interest income on acquired ESB loans is estimated to approximate \$1.9 million in 2015, while accretion of \$2.9 million is estimated on acquired ESB interest bearing liabilities in 2015, primarily CDs.

Continued improvement in the credit quality of the pre-acquisition legacy portfolio resulted in a provision for credit losses of \$1.3 million in the first quarter of 2015 compared to \$2.2 million in the same quarter of 2014. Net charge-offs for the first three months of 2015 were \$1.7 million or 0.16% of average portfolio loans compared to \$4.1 million or 0.43% in the first quarter of 2014.

For the first quarter of 2015, non-interest income increased \$1.1 million or 6.7% compared to the first quarter of 2014. Trust fees increased \$0.4 million or 7.2% for the quarter as assets under management continued to increase from customer development initiatives and overall market improvements. Total trust assets were \$3.9 billion at March 31, 2015, representing an increase of 2.7% from March 31, 2014. Net securities brokerage revenues increased \$0.2 million or 12.6%, due to significant production increases from the addition of support and sales staff in several regions, as well as an increase in referrals and production from a licensed retail banker program. Bank-owned life insurance increased \$0.4 million or 43.0%, primarily due to a death claim in the first quarter, and electronic banking fees increased \$0.3 million or 10.4%. Mortgage

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

loan sale gains increased slightly, as production increased from last year's first quarter. Service charges on deposits decreased \$0.2 million or 5.4% compared to the 2014 first quarter due to lower overdraft fees that are affected by customer usage patterns and consistent increases in deposit levels and higher average deposits per account.

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

In the first quarter of 2015, non-interest expense increased \$13.3 million compared to the first quarter of 2014 due to normal operating expenses from the ESB acquisition and \$9.7 million of merger-related expenses. Excluding merger-related expenses, non-interest expense increased just \$3.6 million or 9.0%, primarily due to the ESB acquisition, with approximately \$0.7 million of such increase related to post-merger personnel and IT costs that will be immediately saved as a result of the April 24 weekend systems and branch conversions. Salaries and wages increased \$1.9 million or 11.5%, due to an 8.6% increase in average full-time equivalent employees, routine annual adjustments to compensation, and increased commissions on higher brokerage sales, partially offset by increased deferred loan costs. Employee benefits expense increased \$1.6 million or 28.2%, primarily from increased pension, health insurance and other benefit plan costs. Even with the ESB acquisition, net occupancy, marketing and other expenses were down from last year due to efficiencies applied in several of our vendor contracts, lower real estate owned ( REO ) costs, marketing campaign timing and other seasonal factors. The merger of ESB s information systems into WesBanco s will result in additional cost savings beyond those noted above over the course of the next 12 - 18 months.

**Table of Contents**

The provision for income taxes in the first quarter of 2015 included a credit of \$0.5 million relating to the completion of an IRS audit which closed the 2011 and 2012 tax years. As a result, the effective tax rate decreased to 24.59% compared to 25.63% for the first quarter of 2014.

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

<i>(unaudited, dollars in thousands)</i>	<b>For the Three Months Ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net interest income	<b>\$ 54,955</b>	\$ 47,325
Taxable equivalent adjustments to net interest income	<b>1,902</b>	1,823
<b>Net interest income, fully taxable equivalent</b>	<b>\$ 56,857</b>	\$ 49,148
Net interest spread, non-taxable equivalent	<b>3.38%</b>	3.39%
Benefit of net non-interest bearing liabilities	<b>0.09%</b>	0.11%
Net interest margin	<b>3.47%</b>	3.50%
Taxable equivalent adjustment	<b>0.12%</b>	0.13%
<b>Net interest margin, fully taxable equivalent</b>	<b>3.59%</b>	3.63%

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 \$7.6 million or 16.1% in the first quarter of 2015 compared to the first quarter of 2014 due to a 16.9% increase in average earning assets, primarily through the ESB acquisition, and through a 6.4% increase in average portfolio loan balances, exclusive of ESB. The increase was slightly offset by a 4 basis point decrease in the net interest margin. Average loan balances increased by \$629.1 million or 16.2% from the first quarter of 2014, of which \$243.6 million of the increase was from organic loan growth. Total average deposits increased by \$645.4 million or 12.6% as all major categories within deposits increased. Excluding the ESB acquisition, average certificates of deposit, which have the highest interest cost among interest bearing deposits, decreased by \$214.4 million or 14.2%, while all other deposit types increased by \$184.9 million or 5.1%. These lower-cost and non-interest bearing deposit increases were the result of 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 3.59% in the first quarter of 2015 from 3.63% in the same period of 2014. The reduction is primarily due to asset and liability mix shifts post-ESB. The cost of funds continued to improve, declining 13 basis points from the first quarter of 2014 due to lower offered rates, increases in the percentage of lower-cost and non-interest bearing deposit balances to total deposits and lower rates on FHLB and other borrowings.

Interest income increased in the first quarter of 2015 by \$6.9 million or 13.0% compared to the same period in 2014 due to higher average balances of earning assets acquired both in the ESB acquisition and organically, offset by lower yields on loans and the investment portfolio. Rates decreased 18 basis points in the first quarter on average loan balances from reduced rates on acquired, organic and repriced assets due to the necessity of offering lower rates on quality credits in an increasingly competitive and low interest rate environment. However, the increase in average loans helped to mitigate the effect of the lower rates, as rates earned on loans are higher than those on securities. In the first quarter of 2015, average loans represented 70.3% of average earning assets, a slight decrease compared to 70.7% in the same quarter of 2014 due to the acquired loan portfolio being smaller than the acquired investment portfolio. Total securities yields decreased by 22 basis points in the first quarter of 2015 from the same period in 2014 due to the ESB acquisition, net of sales, and the reinvestment of funds from pre-acquisition portfolio restructuring at current lower available interest rates. Within the investment portfolio, the average rate declined on taxable and tax-exempt securities by 12 and 29 basis points, respectively, from the first quarter of 2014, offset somewhat by the aforementioned higher average balances in each category. The average balance of tax-exempt securities, which provide the highest yield within securities, increased 10.5% or \$42.1 million over the last year, but were only 23.9% of total average securities in the first quarter of 2015 compared to 26.0% in the first quarter of 2014, contributing to the overall lower yield on total securities. Taxable securities balances increased by \$269.2 million or 23.6% from the first quarter of 2014 as a significant portion of the acquired securities consisted of 10-15 year residential mortgage pools. Shorter-term mortgage pools reduce the average life of the portfolio, particularly for the portion accounted for as available-for-sale, positioning the Bank for



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

possible future increases in interest rates, while maintaining required levels of pledgeable securities.

Portfolio loans increased \$986.6 million in the twelve months ended March 31, 2015 with \$699.0 million from the ESB acquisition and \$287.6 million or 7.4% from loan growth exclusive of ESB as originations continued to outpace paydowns. Organic loan growth from December 31, 2014, annualized was 8.7%, primarily due to \$357 million in loan originations for the first quarter compared to \$273 million last year. Loan growth was driven by increased business activity, additional commercial and lending personnel in our urban markets, focused marketing efforts, and continued improvement in loan origination processes, while paydowns decreased.

Interest expense decreased \$0.7 million or 11.5% in the first quarter of 2015 compared to the same period in 2014 due to decreases in average rates paid, and a continued shift in the liability mix towards less expensive sources of funding; offset slightly by an increase in average balances of interest bearing deposits and FHLB borrowings. Total average interest bearing liabilities increased \$763.6 million or 17.3% in the first quarter due to deposits from the ESB acquisition, increased organic deposits and increased short to medium-term FHLB borrowings. The average rate paid on

**Table of Contents**

interest bearing liabilities decreased 13 basis points in the first quarter of 2015 compared to the same period in 2014. Rates paid on interest bearing deposits declined by 11 basis points to 0.34% in the first quarter due to a significant decline in rates on certificates of deposit, as a result of management reducing offered rates and the repricing, through purchase accounting, of acquired CDs on the acquisition date at lower market rates. The average rate paid on certificates of deposit declined by 27 basis points from the first quarter of 2014, while the rates paid on other deposit types remained nearly unchanged. Improvements in the deposit funding mix also lowered the cost of funds, with average certificates of deposit decreasing to 28.3% of total average deposits from 29.3% in the first quarter of last year, even after the acquisition of ESB. Average CDs increased by only 8.6%, entirely due to the ESB acquisition, as average demand, money market and savings deposits increased by 14.2%. WesBanco continues to focus on reducing rate offerings and growing customers with multiple banking relationships, as opposed to single service certificates of deposit customers. In addition, non-interest bearing demand deposits increased to 20.1% of total average deposits in the first quarter of 2015 compared to 19.2% in the same period of 2014. Average total other borrowings decreased by \$23.0 million or 20.0% in the first quarter which further improved funding costs due to the prepayment of a higher-rate \$22.0 million repurchase agreement with another bank in the third quarter of 2014. Average FHLB borrowings increased in the first quarter of 2015 to manage normal liquidity needs and were generally short to medium-term with an average rate of 0.68%, which is lower than the average CD rate.

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

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended March 31, 2015		2014	
	Average Balance	Average Rate	Average Balance	Average Rate
<b>ASSETS</b>				
Due from banks - interest bearing	\$ 29,585	0.14%	\$ 51,149	0.17%
Loans, net of unearned income <sup>(1)</sup>	4,502,920	4.30%	3,873,789	4.48%
Securities: <sup>(2)</sup>				
Taxable	1,410,138	2.41%	1,140,982	2.53%
Tax-exempt <sup>(3)</sup>	441,923	4.92%	399,794	5.21%
Total securities	1,852,061	3.01%	1,540,776	3.23%
Other earning assets <sup>(4)</sup>	17,817	14.03%	11,568	2.73%
Total earning assets <sup>(3)</sup>	6,402,383	3.93%	5,477,282	4.08%
Other assets	1,128,712		709,216	
Total Assets	\$ 7,531,095		\$ 6,186,498	
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
Interest bearing demand deposits	\$ 1,041,608	0.16%	\$ 887,518	0.17%
Money market accounts	978,086	0.19%	945,412	0.19%
Savings deposits	962,987	0.06%	808,710	0.07%
Certificates of deposit	1,633,854	0.71%	1,504,605	0.98%
Total interest bearing deposits	4,616,535	0.34%	4,146,245	0.45%
Federal Home Loan Bank borrowings	331,703	0.68%	35,028	2.44%
Other borrowings	92,307	0.33%	115,326	1.96%
Junior subordinated debt	125,826	2.88%	106,141	3.02%
Total interest bearing liabilities <sup>(1)</sup>	5,166,371	0.43%	4,402,740	0.56%
Non-interest bearing demand deposits	1,158,228		983,096	
Other liabilities	249,660		41,821	
Shareholders equity	956,836		758,841	

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

Total Liabilities and Shareholders Equity	<b>\$ 7,531,095</b>	\$ 6,186,498
Taxable equivalent net interest spread	<b>3.50%</b>	3.52%
Taxable equivalent net interest margin	<b>3.59%</b>	3.63%

- (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 \$1.1 million and \$0.9 million for the three months ended March 31, 2015 and 2014, respectively. Additionally, loan accretion included in net interest income on loans acquired from prior acquisitions was \$0.8 million and \$0.4 million for the three months ended March 31, 2015 and 2014, respectively, while accretion on interest bearing liabilities from prior acquisitions was \$0.8 million and \$0.2 million for the three months ended March 31, 2015 and 2014, respectively.
- (2) Average yields on available-for-sale 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 three months ended March 31, 2015.

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

<i>(unaudited, in thousands)</i>	Three Months Ended March 31, 2015 Compared to March 31, 2014		
	Volume	Rate	Net Increase (Decrease)
Increase (decrease) in interest income:			
Due from banks - interest bearing	\$ (7)	\$ (5)	\$ (12)
Loans, net of unearned income	6,720	(1,753)	4,967
Taxable securities	1,636	(363)	1,273
Tax-exempt securities <sup>(1)</sup>	528	(300)	228
Other earning assets	67	479	546
<b>Total interest income change <sup>(1)</sup></b>	<b>8,944</b>	<b>(1,942)</b>	<b>7,002</b>
Increase (decrease) in interest expense:			
Interest bearing demand deposits	63	(15)	48
Money market accounts	16		16
Savings deposits	24	(6)	18
Certificates of deposit	291	(1,049)	(758)
Federal Home Loan Bank borrowings	599	(253)	346
Other borrowings	(93)	(389)	(482)
Junior subordinated debt	141	(37)	104
<b>Total interest expense change</b>	<b>1,041</b>	<b>(1,749)</b>	<b>(708)</b>
<b>Net interest income increase (decrease) <sup>(1)</sup></b>	<b>\$ 7,903</b>	<b>\$ (193)</b>	<b>\$ 7,710</b>

(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. Continued improvement in the credit quality of the pre-acquisition legacy portfolio resulted in a provision for credit losses of \$1.3 million in the first quarter of 2015 compared to \$2.2 million in the same quarter of 2014. Net charge-offs for the first three months of 2015 were \$1.7 million or 0.16% of average portfolio loans compared to \$4.1 million or 0.43% in the first quarter of 2014. Legacy non-performing loans, including TDRs, as well as criticized and classified loans, also improved as a percentage of total portfolio loans from their pre-acquisition levels in the fourth quarter of 2014. (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 March 31,			
	2015	2014	\$ Change	% Change
Trust fees	\$ 6,053	\$ 5,648	\$ 405	7.2
Service charges on deposits	3,652	3,860	(208)	(5.4)
Electronic banking fees	3,325	3,013	312	10.4
Net securities brokerage revenue	2,059	1,829	230	12.6
Bank-owned life insurance	1,251	875	376	43.0
Net gains on sales of mortgage loans	272	154	118	76.6
Net securities gains	22	10	12	120.0
Net gain on other real estate owned and other assets	122	113	9	8.0
Net insurance services revenue	862	741	121	16.3
Other	572	806	(234)	(29.0)
<b>Total non-interest income</b>	<b>\$ 18,190</b>	<b>\$ 17,049</b>	<b>\$ 1,141</b>	<b>6.7</b>

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 first quarter of 2015, non-interest income increased \$1.1 million or 6.7% compared to the first quarter of 2014. The increase was primarily due to improved trust fee income and securities brokerage revenue, a \$0.4 million bank-owned life insurance death benefit and a 10.4% increase in electronic banking fees, while service charges on deposits decreased due to lower overdraft fees affected by customer usage and increases in customer deposits.

Trust fees increased \$0.4 million or 7.2% as assets under management continued to increase from customer development initiatives and overall market improvements. Total trust assets were up 2.7% from \$3.8 billion at March 31, 2014 to \$3.9 billion at March 31, 2015. At March 31, 2015, trust assets include managed assets of \$3.2 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's trust and investment services group, were \$961.0 million as of March 31, 2015 and \$915.1 million at March 31, 2014 and are included in trust managed assets.

Service charges on deposits decreased 5.4% for the quarter compared to the first quarter of 2014 due to lower overdraft fees that were affected by lower customer usage patterns, implementation of certain FDIC guidelines for overdraft products, consistent increases in deposit levels and higher average deposits per account. The acquisition somewhat mitigated these factors.

Electronic banking fees, which include debit card interchange fees, continued to grow, increasing 10.4% compared to the first quarter of 2014, due to a higher volume of debit card transactions from the acquisition and WesBanco's legacy customers. The volume increase is due to marketing and process initiatives and as customers move more towards electronic transactions and a higher percentage of customers using these products.

Net securities brokerage revenue increased \$0.2 million or 12.6% from the first quarter of 2014 due to significant production increases from existing markets, additional market coverage in the expanded western Pennsylvania market, the addition of support and producing staff in several regions, as well as an increase in referrals and production from a licensed retail banker program.

Net gains on sales of mortgage loans increased 76.6% compared to the three months ended March 31, 2014 due to increased production and a greater volume of loans sold into the secondary market, despite the recently-adopted Qualified Mortgage and Ability-to-Repay rules, which have somewhat limited our product offerings and overall loan approvals. Total mortgage production was \$80.5 million in the first quarter of 2015, up 74.3% from the comparable 2014 quarter. Mortgages sold into the secondary market represented \$22.9 million or 28.4% of overall mortgage loan production in the first quarter of 2015 compared to \$17.1 million or 37.0% in the first quarter of 2014.



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

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended March 31,		\$ Change	% Change
	2015	2014		
Salaries and wages	\$ 18,357	\$ 16,467	\$ 1,890	11.5
Employee benefits	7,316	5,708	1,608	28.2
Net occupancy	3,490	3,491	(1)	(0.0)
Equipment	2,973	2,783	190	6.8
Marketing	965	1,003	(38)	(3.8)
FDIC insurance	910	877	33	3.8
Amortization of intangible assets	566	495	71	14.3
Restructuring and merger-related expenses	9,733		9,733	100.0
Miscellaneous, franchise, and other taxes	1,561	1,626	(65)	(4.0)
Postage	788	841	(53)	(6.3)
Consulting, regulatory, accounting and advisory fees	1,330	1,144	186	16.3
Other real estate owned and foreclosure expenses	170	259	(89)	(34.4)
Legal fees	541	658	(117)	(17.8)
Communications	346	521	(175)	(33.6)
ATM and interchange expenses	1,021	1,102	(81)	(7.4)
Supplies	637	626	11	1.8
Other	2,737	2,494	243	9.7
Total non-interest expense	\$ 53,441	\$ 40,095	\$ 13,346	33.3

Non-interest expense increased \$13.3 million in the first quarter compared to the first quarter of 2014 due to normal operating expenses from the ESB acquisition and \$9.7 million of merger-related expenses. Total non-interest expense would have increased \$3.6 million or 9.0% for the quarter without merger-related expenses, to a large extent due to the normal operating expenses from the 23 ESB offices acquired in the Pittsburgh area and increased revenue generation activity throughout the organization. Even with the ESB acquisition, other expenses including marketing, communications, and legal were down from last year due to efficiencies applied in several of our vendor contracts, lower REO costs and marketing campaign timing. The merger of ESB's information systems into WesBanco's will result in additional cost savings beyond those noted above over the course of the next 12-18 months as per our earlier announced plans.

Salaries and wages increased \$1.9 million or 11.5% from the first quarter of 2014 due to an 8.6% increase in average full-time equivalent employees, with approximately \$0.5 million of such increase related to post-merger personnel costs that will be immediately saved as a result of the April 24 weekend systems and branch conversions. In addition, routine annual adjustments to compensation and increased brokerage revenue commissions increased over the prior comparable period. Employee benefit expenses increased 28.2%, primarily from increased pension, health insurance and other benefit plan costs as well as the addition of ESB's personnel.

Net occupancy and equipment expense increased \$0.2 million or 3.0% due to increased depreciation and other maintenance costs resulting primarily from the 23 ESB offices. In addition, new teller cash recycling machines continue to be introduced into our branches, which have improved the speed of customer service, improved cash controls and reduced full-time equivalent employees.

Amortization of intangible assets increased due to the ESB acquisition, which added approximately \$5.3 million in core deposit intangibles.

Restructuring and merger-related expenses of \$9.7 million in 2015 related to the ESB acquisition include \$7.5 million in executive change-in-control and employee severance expenses, \$1.7 million in investment banking services, \$0.2 million in legal expenses, and \$0.3 million of various other merger-related expenses.

Other real estate owned and foreclosure expenses decreased \$0.1 million in 2015 compared to 2014 due to lower foreclosure and liquidation activity. Other real estate owned and repossessed assets increased \$0.8 million from the first quarter of 2014 to \$6.2 million due to the ESB

acquisition, which added approximately \$1.4 million.

Communications expense decreased 33.6% from the first quarter of 2014 due to the implementation of a company-wide modernization of the communication infrastructure during 2014.



**Table of Contents**

**INCOME TAXES**

The provision for federal and state income taxes was \$4.5 million in 2015 compared to \$5.7 million in the first quarter of 2014. The decrease in income tax expense was due to a decrease in pre-tax income, from merger-related expenses of \$9.7 million, and a \$0.5 million benefit relating to the completion of an IRS audit which closed the 2011 and 2012 tax years, which resulted in an effective tax rate of 24.6% for 2015 compared to 25.6% for 2014. The effective tax rate is anticipated to range between 26.5% and 27.5% for the remainder of 2015.

**FINANCIAL CONDITION**

Total assets increased 30.8% during the quarter, while deposits and shareholders' equity increased 27.1% and 38.5%, respectively, compared to December 31, 2014 primarily due to the acquisition of ESB. Total loans increased \$787.2 million or 19.2% with \$699.0 million from the ESB acquisition and the remaining \$88.2 million from WesBanco's originations outpacing pay downs, which were a result of increased business activity, additional lending personnel, focused marketing efforts, an expanded presence in larger urban markets, and continued improvement in the loan origination process. Deposits increased \$1.4 billion, with \$1.2 billion from the ESB acquisition and \$134.9 million from organic growth. The organic growth in deposits resulted from a 5.8% increase in demand deposits, a 3.8% increase in savings deposits and a 2.6% increase in money market deposits, which more than offset the 2.6% decrease in certificates of deposit due to lower rate offerings on maturities. The increase in demand deposits, savings deposits and money market deposits were attributable to marketing, incentives paid to customers, focused retail and business strategies to obtain more account relationships, and customers' preference for short-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. Total borrowings increased 58.9% during the quarter. FHLB borrowings increased \$209.3 million from December 31, 2014, due primarily to \$173.9 million in new borrowings, coupled with \$35.4 million in FHLB borrowings provided from the ESB acquisition. New borrowings were utilized to manage WesBanco's normal liquidity needs, including loan and investment funding, as well as certificates of deposit runoff. Total shareholders' equity increased by approximately \$303.2 million or 38.5%, compared to December 31, 2014, primarily due to \$293.6 million of common stock issued in the ESB acquisition and net income exceeding dividends for the period by \$5.0 million, coupled with \$5.2 million of additional unrealized gains in accumulated other comprehensive income.

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

<i>(unaudited, dollars in thousands)</i>	March 31, 2015	December 31, 2014	\$ Change	% Change
Available-for-sale (at fair value)				
Obligations of government agencies	\$ 80,768	\$ 87,736	\$ (6,968)	(7.9)
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	1,283,445	701,113	582,332	83.1
Obligations of states and political subdivisions	95,653	91,433	4,220	4.6
Corporate debt securities	183,090	25,996	157,094	604.3
Total debt securities	1,642,956	906,278	736,678	81.3
Equity securities	11,308	11,146	162	1.5
Total available-for-sale securities	\$ 1,654,264	\$ 917,424	\$ 736,840	80.3
Held-to-maturity (at amortized cost)				
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 126,935	\$ 79,004	\$ 47,931	60.7
Obligations of states and political subdivisions	610,249	507,927	102,322	20.1
Corporate debt securities	6,741	6,739	2	0.0
Total held-to-maturity securities	743,925	593,670	150,255	25.3
Total securities	\$ 2,398,189	\$ 1,511,094	\$ 887,095	58.7
Available-for-sale securities:				
Weighted average yield at the respective period end <sup>(2)</sup>	2.06%	2.34%		
As a % of total securities	69.0%	60.7%		
Weighted average life (in years)	4.1	4.0		
Held-to-maturity securities:				
Weighted average yield at the respective period end <sup>(2)</sup>	4.29%	4.67%		
As a % of total securities	31.0%	39.3%		
Weighted average life (in years)	5.0	5.1		
Total securities:				
Weighted average yield at the respective period end <sup>(2)</sup>	2.76%	3.27%		
As a % of total securities	100.0%	100.0%		
Weighted average life (in years)	4.4	4.4		

(1) At March 31, 2015 and December 31, 2014, 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, increased by \$887.1 million or 58.7% from December 31, 2014 to March 31, 2015. This increase is attributable to the ESB acquisition. On the date of merger, the investment portfolio increased by \$486.9 million. Portfolio restructuring on the acquired portfolio began prior to merger, and continued after the merger which resulted in purchases of \$457.2 million in the first quarter. Offsetting the acquired securities and purchases in the first quarter were maturities, paydowns, and calls that totaled \$62.2 million. Through the first quarter, the available-for-sale portfolio increased by \$736.8 million or 80.3%, while the held-to-maturity portfolio increased by \$150.3 million or 25.3%. The weighted average yield of the portfolio declined from 3.27% at December 31, 2014 to 2.76% at March 31, 2015 due to the ESB acquisition and purchases of securities in the first quarter at lower

current market rates.

Net unrealized gains on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of March 31, 2015 and December 31, 2014 were \$12.1 million and \$4.6 million, respectively. Unrealized gains increased on available-for-sale securities due to a decrease in market rates from December 31, 2014. With approximately 31% 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.

**Table of Contents**

WesBanco's municipal portfolio comprises 29.4% of the overall securities portfolio as of March 31, 2015 as compared to 39.7% as of December 31, 2014, 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>	March 31, 2015		December 31, 2014	
	Amount	% of Total	Amount	% of Total
Municipal bonds (at fair value) (1):				
Moody's: Aaa / S&P: AAA	\$ 66,260	9.1	\$ 50,205	8.1
Moody's: Aa1 ; Aa2 ; Aa3 / S&P: AA+ ; AA ; AA-	530,741	72.5	449,219	72.1
Moody's: A1 ; A2 ; A3 / S&P: A+ ; A ; A-	128,608	17.6	117,398	18.9
Moody's: Baa1 ; Baa2 ; Baa3 / S&P: BBB+ ; BBB ; BBB- (2)	3,035	0.4	1,958	0.3
Not rated by either agency	2,940	0.4	3,454	0.6
<b>Total municipal bond portfolio</b>	<b>\$ 731,584</b>	<b>100.0</b>	<b>\$ 622,234</b>	<b>100.0</b>

(1) The highest available rating was used when placing the bond into a category in the table.

(2) As of March 31, 2015 and December 31, 2014, 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>	March 31, 2015		December 31, 2014	
	Amount	% of Total	Amount	% of Total
<b>Municipal bond type:</b>				
General Obligation	\$ 506,111	69.2	\$ 432,967	69.6
Revenue	225,473	30.8	189,267	30.4
<b>Total municipal bond portfolio</b>	<b>\$ 731,584</b>	<b>100.0</b>	<b>\$ 622,234</b>	<b>100.0</b>
<b>Municipal bond issuer:</b>				
State Issued	\$ 69,888	9.6	\$ 53,931	8.7
Local Issued	661,696	90.4	568,303	91.3
<b>Total municipal bond portfolio</b>	<b>\$ 731,584</b>	<b>100.0</b>	<b>\$ 622,234</b>	<b>100.0</b>

The amortized cost of the municipal bond portfolio at March 31, 2015 and December 31, 2014 was \$700.2 million and \$594.0 million, respectively.

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 March 31, 2015:

**TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES**

Edgar Filing: WESBANCO INC - Form 10-Q

	March 31, 2015	
<i>(unaudited, dollars in thousands)</i>	Fair Value	% of Total
Pennsylvania	<b>\$ 180,130</b>	<b>24.6</b>
Texas	<b>102,953</b>	<b>14.1</b>
Ohio	<b>85,508</b>	<b>11.7</b>
Illinois	<b>40,595</b>	<b>5.5</b>
Michigan	<b>27,451</b>	<b>3.8</b>
All other states (1)	<b>294,947</b>	<b>40.3</b>
<b>Total municipal bond portfolio</b>	<b>\$ 731,584</b>	<b>100.0</b>

(1) WesBanco's municipal bond portfolio contains obligations in the state of West Virginia totaling \$14.8 million or 2.0% 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

**Table of Contents**

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.

**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>	March 31, 2015		December 31, 2014	
	Amount	% of Loans	Amount	% of Loans
Commercial real estate:				
Land and construction	\$ 288,075	5.9	\$ 262,643	6.4
Improved property	1,908,869	39.1	1,682,817	41.1
Total commercial real estate	2,196,944	45.0	1,945,460	47.5
Commercial and industrial	709,621	14.6	638,410	15.6
Residential real estate:				
Land and construction	37,038	0.8	19,681	0.5
Other	1,202,125	24.6	909,089	22.2
Home equity	362,163	7.4	330,031	8.1
Consumer	365,830	7.5	244,095	6.0
Total portfolio loans	4,873,721	99.9	4,086,766	99.9
Loans held for sale	6,064	0.1	5,865	0.1
Total loans	\$ 4,879,785	100.0	\$ 4,092,631	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 \$787.2 million compared to December 31, 2014 with \$699.0 million from the ESB acquisition. Excluding the acquisition, the legacy portfolio increased \$88.2 million, or 2.2% for the quarter and 8.7% annualized. Organic loan growth was achieved through \$357.0 million in loan originations during the quarter, which represents a 30.6% increase over the first quarter in 2014. Loan growth was driven by increased business activity, additional lending personnel, focused marketing efforts, an expanded presence in our larger urban markets, a reduction in unscheduled payoffs and a less severe winter that did not stifle certain types of business activity as much as it did the prior year. Excluding the ESB acquisition, CRE improved property and C&I loans provided the most significant organic growth, respectively increasing 2.2% and 2.0% for the quarter. A portion of the increase in CRE improved property came from CRE land and construction loans upon completion of the project. Organic loan growth was achieved without sacrificing profitability, loan structure and credit quality of the loan portfolio despite a highly competitive lending market for high quality borrowers.

Total loan commitments, including loans approved but not closed, increased \$244.8 million from December 2014 with \$85.3 million from the ESB acquisition and the remainder due primarily to increases in CRE land and construction and home equity lines of credit originations.

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

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

**TABLE 11. NON-PERFORMING ASSETS**

<i>(unaudited, dollars in thousands)</i>	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>Non-accrual loans:</b>		
Commercial real estate - land and construction	<b>\$ 1,463</b>	\$ 1,488
Commercial real estate - improved property	<b>22,143</b>	20,227
Commercial and industrial	<b>3,849</b>	4,110
Residential real estate	<b>11,249</b>	10,329
Home equity	<b>1,899</b>	1,923
Consumer	<b>771</b>	741
<b>Total non-accrual loans (1)</b>	<b>41,374</b>	38,818
<b>TDRs accruing interest:</b>		
Commercial real estate - land and construction	<b>1,013</b>	
Commercial real estate - improved property	<b>6,804</b>	2,437
Commercial and industrial	<b>351</b>	329
Residential real estate	<b>7,883</b>	8,215
Home equity	<b>718</b>	740
Consumer	<b>561</b>	345
<b>Total TDRs accruing interest (1)</b>	<b>17,330</b>	12,066
<b>Total non-performing loans</b>	<b>\$ 58,704</b>	\$ 50,884
<b>Other real estate owned and repossessed assets</b>	<b>6,226</b>	5,082
<b>Total non-performing assets</b>	<b>\$ 64,930</b>	\$ 55,966
Non-performing loans/total loans	<b>1.20%</b>	1.25%
Non-performing assets/total assets	<b>0.79%</b>	0.89%
Non-performing assets/total loans, other real estate and repossessed assets	<b>1.33%</b>	1.37%

(1) TDRs on nonaccrual of \$9.2 million and \$5.4 million at March 31, 2015 and December 31, 2014, respectively, are included in total nonaccrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, increased \$7.8 million, or 15.4% from December 31, 2014 to March 31, 2015 with \$9.3 million from the ESB acquisition, while legacy non-performing loans decreased \$1.5 million or 3.0%. Non-performing loans acquired, recognized at their acquisition date fair value of \$9.7 million with an unpaid principal balance of \$16.0 million primarily consist of three commercial relationships with an acquisition date aggregate fair value of \$8.9 million. Organic non-performing loans decreased primarily from an unscheduled principal payment on one loan as well as other successful exit strategies and 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 \$1.1 million from December 31, 2014 to March 31, 2015, entirely due to the ESB acquisition.





**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>	March 31, 2015	December 31, 2014
Loans past due 90 days or more:		
Commercial real estate - land and construction	\$	\$ 71
Commercial real estate - improved property		
Commercial and industrial	3	22
Residential real estate	74	1,306
Home equity	684	570
Consumer	270	319
 Total loans past due 90 days or more	 <b>1,031</b>	 2,288
Loans past due 30 to 89 days:		
Commercial real estate - land and construction		
Commercial real estate - improved property	1,144	480
Commercial and industrial	848	216
Residential real estate	4,661	3,105
Home equity	2,433	2,524
Consumer	2,917	3,022
 Total loans past due 30 to 89 days	 <b>12,003</b>	 9,347
 Total 30 days or more	 <b>\$ 13,034</b>	 \$ 11,635
 Loans past due 90 days or more and accruing to total portfolio loans	 <b>0.02%</b>	 0.06%
Loans past due 30-89 days and accruing to total portfolio loans	<b>0.25%</b>	0.23%

Loans past due 90 days or more and accruing interest excluding TDRs decreased \$1.3 million or 54.9% from December 31, 2014 due to loans being placed on nonaccrual or migrated back to 30-89 days past due or current status. These loans continue to accrue interest because they are both well-secured and in the process of collection. Loans past due 30-89 days increased \$2.7 million or 28.4% between December 31, 2014 and March 31, 2015 with \$1.3 million from the ESB acquisition and \$1.4 million from the legacy portfolio as certain legacy loans migrated from the 90 days past due category. Loans past due 30-89 days to total portfolio loans improved to 0.25% from 0.38% one year ago, representing a 34.2% decrease. This improvement in delinquency is the result of management's focus on controlling early stage delinquency as well as improving economic conditions.

---

**Table of Contents**

**ALLOWANCE FOR CREDIT LOSSES**

Continued improvement in the credit quality of the pre-acquisition legacy portfolio resulted in a decrease in the allowance as supported by reductions in nearly all categories of legacy loans with adverse characteristics and continued improvement in economic conditions. The allowance was not affected by the acquired ESB loan portfolio, as these loans were recorded at fair value at the date of acquisition and credit quality adjustments of \$21.3 million were reflected in the acquired loan portfolio at March 31, 2015.

The allowance for credit losses decreased \$0.5 million from December 31, 2014 to March 31, 2015 as a result of a lower provision expense than net charge-offs, representing 0.91% of total loans at March 31, 2015 compared to 1.09% of total loans at December 31, 2014. However, if the credit component of the unaccreted loan mark on acquired loans of \$24.2 million, including prior acquisitions, were added to the allowance, 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 and the unaccreted credit mark to absorb potential losses.

The allowance for loans individually evaluated was relatively unchanged from December 31, 2014 to March 31, 2015, while the allowance for loans collectively evaluated decreased \$0.4 million to \$40.5 million due to lower charge-offs and continued improvement in delinquent, non-performing and classified and criticized loans.

The allowance for loan commitments of \$0.5 million at March 31, 2015 was unchanged from December 31, 2014.

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 were \$93.0 million, or 1.91% of total loans at March 31, 2015, which represents a decrease of 28.1% from \$129.3 million or 3.33% of total loans at March 31, 2014, as credit quality continued to improve, enabling certain loans to be upgraded that were criticized but not classified throughout the economic downturn. The ESB acquisition increased criticized and classified loans by \$9.6 million.

**Table of Contents**

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The decrease in the allowance for CRE land and construction loans is due primarily to that category of loans consisting of more multi-family apartment and other commercial building construction loans than land and residential development loans, which had higher loss rates during the recession but now represent a much smaller percentage of the category. The increase in the allowance for CRE improved property and home equity loans is primarily attributable to growth in those categories, while the decrease in the allowance for residential real estate and consumer loans reflects lower historical loss rates in each category.

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

<i>(unaudited, dollars in thousands)</i>	March 31, 2015	Percent of Total	December 31, 2014	Percent of Total
Allowance for loan losses:				
Commercial real estate - land and construction	\$ 5,331	11.9	\$ 5,654	12.5
Commercial real estate - improved property	18,035	40.4	17,573	39.0
Commercial and industrial	9,011	20.2	9,063	20.1
Residential real estate	5,034	11.3	5,382	11.9
Home equity	2,497	5.6	2,329	5.2
Consumer	3,723	8.3	4,078	9.0
Deposit account overdrafts	542	1.2	575	1.3
<b>Total allowance for loan losses</b>	<b>\$ 44,173</b>	<b>98.9</b>	<b>\$ 44,654</b>	<b>99.0</b>
Allowance for loan commitments:				
Commercial real estate - land and construction	\$ 178	0.4	\$ 194	0.4
Commercial real estate - improved property	18	0.0	10	0.0
Commercial and industrial	120	0.4	112	0.3
Residential real estate	13	0.0	9	0.0
Home equity	107	0.2	90	0.2
Consumer	42	0.1	40	0.1
<b>Total allowance for loan commitments</b>	<b>478</b>	<b>1.1</b>	<b>455</b>	<b>1.0</b>
<b>Total allowance for credit losses</b>	<b>\$ 44,651</b>	<b>100.0</b>	<b>\$ 45,109</b>	<b>100.0</b>

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 March 31, 2015.

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

<i>(unaudited, dollars in thousands)</i>	March 31, 2015	December 31, 2014	\$ Change	% Change
<b>Deposits</b>				
Non-interest bearing demand	\$ 1,249,521	\$ 1,061,075	\$ 188,446	17.8
Interest bearing demand	1,199,801	885,037	314,764	35.6
Money market	1,018,184	954,957	63,227	6.6
Savings deposits	1,064,808	842,818	221,990	26.3
Certificates of deposit	1,883,888	1,305,096	578,792	44.3
<b>Total deposits</b>	<b>\$ 6,416,202</b>	<b>\$ 5,048,983</b>	<b>\$ 1,367,219</b>	<b>27.1</b>

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 142 branches. The FDIC insures deposits up to \$250,000 per account.

Total deposits increased by \$1.4 billion or 27.1% during the first three months of 2015 primarily due to the ESB acquisition which provided \$1.2 billion of additional deposits, while organic deposit growth was an annualized 10.8%. Interest bearing demand and non-interest bearing deposits increased 35.6% and 17.8%, respectively, while savings and money market deposits increased 26.3% and 6.6%, respectively, due to the ESB acquisition and corresponding marketing, incentive compensation paid to customers and employees, 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 ESB acquisition were \$391.1 million, \$189.7 million and \$38.3 million, respectively.

Certificates of deposit increased \$578.8 million due primarily to the ESB acquisition. Certificates of deposit acquired from the ESB acquisition totaled \$613.1 million, while organic balances declined 2.6% 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 the Bank. The decline is also impacted by lowered offered rates on maturing certificates of deposit 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 \$304.7 million in total outstanding balances at March 31, 2015, of which \$205.0 million represented one-way buys, compared to \$283.0 million in total outstanding balances at December 31, 2014, of which \$172.3 million represented one-way buys. ICS® reciprocal balances totaled \$143.3 million at March 31, 2015 compared to \$117.1 million at December 31, 2014. Certificates of deposit greater than \$250,000 were approximately \$306.4 million at March 31, 2015 compared to \$174.7 million at December 31, 2014. Certificates of deposit of \$100,000 or more were approximately \$974.9 million at March 31, 2015 compared to \$706.1 million at December 31, 2014. The increase in jumbo certificates of deposit was primarily due to the acquisition. Certificates of deposit totaling approximately \$1.2 billion at March 31, 2015 with a cost of 0.75% are scheduled to mature within the next 12 months. WesBanco will continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs, although in the current interest rate environment, CD rate offerings are generally equal or lower for all maturities and types compared to rates paid on existing CDs.

**BORROWINGS****TABLE 15. BORROWINGS**

<i>(unaudited, dollars in thousands)</i>	March 31, 2015	December 31, 2014	\$ Change	% Change
Federal Home Loan Bank Borrowings	\$ 432,456	\$ 223,126	\$ 209,330	93.8
Other short-term borrowings	76,630	80,690	(4,060)	(5.0)

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

Junior subordinated debt owed to unconsolidated subsidiary trusts	<b>142,269</b>	106,176	36,093	34.0
Total	<b>\$ 651,355</b>	\$ 409,992	\$ 241,363	58.9

Borrowings are currently a less significant source of funding for WesBanco compared to total deposits. During the first quarter of 2015, FHLB borrowings increased \$209.3 million due to the acquisition of ESB which provided \$35.4 million in borrowings coupled with \$173.9 million in new borrowings which were utilized to manage WesBanco's normal liquidity needs, including loan and investment funding, as well as CD runoff.

Other short-term borrowings, which consist of securities sold under agreements to repurchase at March 31, 2015, but may also include federal funds purchased and other borrowings, were \$76.6 million at March 31, 2015 compared to \$80.7 million at December 31, 2014. The ESB acquisition also provided \$36.1 million in junior subordinated debentures which the Federal Reserve Bank has approved for redemption, which will occur on the next payment due date of May 11, 2015. WesBanco has a revolving line of credit, 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. There were no outstanding balances as of March 31, 2015 or December 31, 2014.

**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 \$1.1 billion at March 31, 2015 compared to \$788.2 million at December 31, 2014. The increase was due primarily to \$293.6 million of common stock issued in the ESB acquisition coupled with net income during the current three month period of \$13.9 million and a \$5.2 million increase in other comprehensive income, which were partially offset by the declaration of common shareholder dividends totaling \$8.8 million for the three months ended March 31, 2015. WesBanco also increased its quarterly dividend rate to \$0.23 per share in February, representing a 4.5% increase over the prior quarterly rate and a cumulative 64% increase over the last seventeen quarters.

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 March 31, 2015, 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 March 31, 2015, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of approximately \$29.2 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:

<i>(unaudited, dollars in thousands)</i>	Minimum Value (1)	Well Capitalized (2)	March 31, 2015		December 31, 2014		Minimum Amount (1)	
			Amount	Ratio	Amount	Ratio		
<b>WesBanco, Inc. (3)</b>								
Tier 1 leverage	4.00%	5.00%	\$ 747,248	10.59%	\$ 282,363	\$ 593,031	9.88%	\$ 240,068
Common equity tier 1 (4)	4.50%	6.50%	609,248	11.49%	238,684	N/A	N/A	N/A
Tier 1 capital to risk-weighted assets	6.00%	8.00%	747,248	14.09%	318,245	593,031	13.76%	172,357
Total capital to risk-weighted assets	8.00%	10.00%	791,455	14.92%	424,327	638,064	14.81%	344,714
<b>WesBanco Bank, Inc.</b>								
Tier 1 leverage	4.00%	5.00%	\$ 676,262	9.66%	\$ 279,973	\$ 516,689	8.63%	\$ 239,533
Common equity tier 1 (4)	4.50%	6.50%	676,262	12.79%	237,842	N/A	N/A	N/A
Tier 1 capital to risk-weighted assets	6.00%	8.00%	676,262	12.79%	317,122	516,689	12.04%	171,612
Total capital to risk-weighted assets	8.00%	10.00%	720,469	13.63%	422,829	561,369	13.08%	343,225

- (1) Minimum to remain adequately capitalized. Minimums prior to January 1, 2015 were 4.00% for Tier 1 leverage and Tier 1 capital and 8.00% for total capital.
- (2) Well-capitalized under prompt corrective action regulations.
- (3) March 31, 2015 regulatory ratios for Tier 1 leverage, Tier 1 capital and total capital will be reduced by approximately 50, 66 and 66 basis points, respectively, after payoff of ESB's trust preferred securities totaling \$36.1 million on May 11, 2015.
- (4) The Common Equity Tier 1 ratio (known as CET 1) is a new regulatory ratio as of March 31, 2015, as the regulatory agencies adopted new guidelines for such ratio as a result of international adoption of the BASEL III regulatory capital accords in 2013.

**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 58.7% at March 31, 2015 and deposit balances funded 77.9% of assets.

The following table lists the sources of liquidity from assets at March 31, 2015 expected within the next year:

<i>(in thousands)</i>	
Cash and cash equivalents	\$ 92,974
Securities with a maturity date within the next year	89,523
Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1)	222,707
Callable securities	114,834
Loans held for sale	6,064
Accruing loans scheduled to mature	626,743
Normal loan repayments	529,717
Total sources of liquidity expected within the next year	\$ 1,682,562

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$6.4 billion at March 31, 2015. Deposit flows are impacted by current interest rates, products and rates offered by WesBanco versus various forms of competition, as well as customer behavior. Certificates of deposit scheduled to mature within one year totaled \$1.2 billion at March 31, 2015, which includes jumbo regular certificates of deposit totaling \$453.6 million with a weighted-average cost of 0.85%, and jumbo CDARS® deposits of \$195.5 million with a cost of 0.55%.

WesBanco maintains a line of credit with the FHLB as an additional funding source. Available credit with the FHLB was approximately \$1.7 billion and \$1.5 billion at March 31, 2015 and December 31, 2014, respectively. At March 31, 2015, the Bank had unpledged available-for-sale securities with an amortized cost of \$647.8 million, a portion of which is 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 March 31, 2015, WesBanco had a BIC line of credit totaling \$146.9 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$205.0 million, none of which was outstanding at March 31, 2015, 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.



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

Other short-term borrowings of \$76.6 million at March 31, 2015 consisted of overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balance of the overnight sweep checking accounts during the first three months of 2015. The overnight sweep checking accounts require securities to be pledged equal to or greater than the average deposit balance in the related customer accounts.

The principal sources of parent company liquidity are dividends from the Bank, \$31.8 million in cash and investments on hand, and a \$25.0 million revolving line of credit with another financial institution, which did not have an outstanding balance at March 31, 2015. 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 March 31, 2015, under FDIC and State of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$29.2 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 \$1.5 billion and \$1.2 billion at March 31, 2015 and December 31, 2014, 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**

Federal financial regulatory agencies previously have issued guidance to provide for sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. WesBanco maintains a comprehensive management process for identifying, measuring, monitoring, and controlling liquidity risk which is fully integrated into its risk management process. Management believes WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others as of March 31, 2015 and that WesBanco's current liquidity risk management policies and procedures adequately address this guidance.

**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 bi-monthly and reviewed and documented by the ALCO.

The earnings simulation model projects changes in net interest income resulting from the effect of changes in interest rates. Forecasting changes in net interest income requires management to make certain assumptions regarding loan and security prepayment rates, bond call dates, and adjustments to non-maturing deposit rates, which may not necessarily reflect the manner in which actual yields and costs respond to changes in market interest rates. Assumptions used are based primarily on historical experience and current market rates. Security portfolio maturities and prepayments are assumed to be reinvested in similar instruments and callable bond forecasts are adjusted at varying levels of interest rates. While management believes such assumptions to be reasonable, there can be no assurance that assumed prepayment rates, callable bond forecasts and non-maturing deposit rates will approximate actual future results. Moreover, the net interest income sensitivity chart presented in Table 1, "Net Interest Income Sensitivity," assumes the composition of interest sensitive assets and liabilities existing at the 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 and 300 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 5.0%, 12.5% and 25% 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 March 31, 2015 and December 31, 2014 assuming a 100, 200 and 300 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 1. NET INTEREST INCOME SENSITIVITY**

Edgar Filing: WESBANCO INC - Form 10-Q

Immediate Change in	Percentage Change in		
Interest Rates (basis points)	Net Interest Income from Base over One Year		ALCO Guidelines
	March 31, 2015	December 31, 2014	
+300	0.9%	0.9%	(25.0%)
+200	1.9%	2.1%	(12.5%)
+100	1.8%	1.9%	(5.0%)
-100	(2.4%)	(1.8%)	(5.0%)

---

## **Table of Contents**

As per the table above, the earnings simulation model at March 31, 2015 currently projects that net interest income for the next twelve month period would decrease by 2.4% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 1.8% for the same scenario as of December 31, 2014.

For rising rate scenarios, net interest income would increase by 1.8%, 1.9%, and 0.9% if rates increased by 100, 200 and 300 basis points, respectively, as of March 31, 2015 compared to increases of 1.9%, 2.1% and 0.9% in a 100, 200 and 300 basis point increasing rate environment as of December 31, 2014.

The balance sheet is asset sensitive as of March 31, 2015, slightly less than at December 31, 2014, based upon changes in the mix of various earning assets and costing liabilities, 2015 loan and transaction deposit account growth, an increase in borrowings, the ESB transaction and certain changes in modeling assumptions. Should rates rise more rapidly and by a higher amount than currently anticipated in the short to intermediate term, overall asset sensitivity may be somewhat neutralized due to slower anticipated prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities. In addition, variable rate commercial loans with rate floors averaging 4.23% approximated \$1.1 billion at March 31, 2015, which represented approximately 37% of commercial loans. In a 100 basis point rising rate environment, these loans would not as significantly re-price from their current floor level as compared to non-floor loans. However, not all such loans are currently priced at their floor. In the current lower spread and recently downward trending yield curve environment, WesBanco expects that the net interest margin may contract somewhat due to the acquisition and the continued low interest rate environment, until after rates begin to rise. A short-term rate increase is anticipated by late third quarter by a majority of economists and the Federal Reserve Board which should help the margin eventually improve assuming no earning asset or costing liability changes. Maturities of higher-costing certificates of deposit scheduled over the next year should help to mitigate potential compression from lower loan spreads and general loan re-pricing in an increasingly more competitive loan environment, along with anticipated loan growth in most loan categories. Of note, certificates of deposit totaling approximately \$1.2 billion mature within the next year at an average cost of 0.75%.

The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh, the Federal Reserve Bank of Cleveland, and various correspondent banks, and may utilize these funding sources as necessary to lengthen liabilities, help offset mismatches in various asset maturities, and manage short-term cash needs. CDARS<sup>®</sup> and ICS<sup>®</sup> deposits also continue to be used to lengthen maturities in certificates of deposit, and for customers seeking higher yielding instruments and to maintain deposit balances below insured limits.

Current balance sheet strategies to reduce the potential for margin compression in the current rate environment include:

increasing total loans; primarily commercial and residential with fixed rate periods of between 3-15 years, or variable to a published index;

investing available short-term liquidity;

continuing marketing programs to increase consumer loans and transaction deposits versus certificates of deposit;

reinvestment of securities cash flows into new loans as demand warrants, or into other investments such as short and intermediate-term CMO pay structures, lower coupon MBS, and mid-term tax-exempt municipal securities;

paying down borrowings as they mature with available cash from deposit growth, or extending term borrowings at current lower rates to balance asset/liability mismatches; and

extending a portion of CD maturities through the CDARS<sup>®</sup> program and continuing to decrease offered rates on CDs and other costing deposit types.

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve month period. WesBanco's current policy limits this exposure to 5.0% of net interest income from the base model for a twelve month period. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the

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

immediate rate shock reflects a less likely scenario. The simulation model at March 31, 2015, using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 2.0% over the next twelve months, compared to a 1.9% increase at December 31, 2014.

WesBanco also 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 March 31, 2015, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 2.6%, compared to an increase of 6.0% at December 31, 2014. In a 100 basis point falling rate environment, the model indicates a decrease of 3.6%, compared to a decrease of 11.0% as of December 31, 2014. WesBanco's policy is to limit such change to minus 20% for a 200 basis point change in interest rates, as long as the Tier 1 leverage capital ratio is not forecasted to decrease below 5.0% as a result of the change. Balance sheet changes in loan and securities portfolios, new borrowings, transaction deposits and certificates of deposit, as well as certain other modeling assumptions, resulted in the change in equity market value from 2014.

**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 March 31, 2015 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****Litigation Related to the ESB Merger**

On October 29, 2014, ESB and WesBanco entered into an Agreement and Plan of Merger (the **Merger Agreement**), providing for the merger of ESB with and into WesBanco, with WesBanco as the surviving corporation (the **Merger**). Each of ESB and WesBanco filed a definitive joint proxy statement/prospectus, dated as of December 11, 2014 (the **Joint Proxy Statement/Prospectus**), with the Securities and Exchange Commission in connection with the Merger. The Merger was consummated on February 10, 2015.

As previously reported by each of ESB and WesBanco on Current Reports on Form 8-K, each dated December 15, 2014 and filed on December 19, 2014, two putative class action complaints were filed by purported shareholders of ESB with respect to the Merger. One complaint was filed in the United States District Court for the Western District of Pennsylvania (the **Federal District Court**), and is captioned and numbered James Elliott vs. ESB Financial, Inc., et al., Case No. 2:14-cv-01689-MRH (the **Federal Lawsuit**). The other complaint was filed in the Court of Common Pleas of Lawrence County, Pennsylvania, and is captioned and numbered Randall Kress v. ESB Bank, Case No. 11185/14 CA (the **Lawrence County Lawsuit**). Both complaints alleged generally, among other things, that each member of ESB's board of directors (the **Director Defendants**) breached their fiduciary duties in approving the Merger Agreement, that ESB and WesBanco aided and abetted such breaches of fiduciary duty and that the disclosure regarding the Merger contained in the Joint Proxy Statement/Prospectus was materially deficient.

On January 15, 2015, solely to avoid the costs, risks and uncertainties inherent in litigation, ESB, ESB Bank, WesBanco and the Director Defendants (ESB, ESB Bank, WesBanco and the Director Defendants, collectively the **Defendants**) entered into a Memorandum of Settlement (the **MOS**) with the respective plaintiffs (collectively, the **Plaintiffs**) regarding the settlement of both the Federal Lawsuit and the Lawrence County Lawsuit. Pursuant to the MOS, ESB and WesBanco agreed to file with the SEC and make publicly available to shareholders of ESB and WesBanco supplemental disclosures provided on Form 8-K and the Plaintiffs agreed to release ESB, ESB Bank, WesBanco and the Director Defendants from all claims related to the Merger Agreement and the Merger, subject to approval of the Federal District Court. If the court approves the settlement contemplated in the MOS, both the Federal Lawsuit and the Lawrence County Lawsuit will be dismissed with prejudice, and all claims that were or could have been brought challenging any aspect of the Merger, the Merger Agreement, and any disclosure made in connection therewith will be released and barred. Under the terms of the MOS, counsel for the Plaintiffs reserved the right to seek an award of attorneys' fees and expenses. The Defendants have reserved the right to contest the fee and expense petition. The amount of any fees and expense awarded will ultimately be determined and approved by the court, and will not affect the amount of merger consideration paid by WesBanco. ESB or its successor or insurer will pay any fees and expenses awarded by the court. In the MOS, the parties have agreed to negotiate in good faith to prepare a stipulation of settlement to be filed with the court and other documentation as may be required to effectuate the settlement. There can be no assurance that the parties ultimately will enter into a stipulation of settlement or that the court will approve the settlement even if the parties were to enter into such stipulation. The proposed settlement contemplated by the MOS will become void in the event that the parties do not enter into such stipulation or the court does not approve the settlement.

The settlement did not affect the timing of the special meeting of shareholders of ESB held January 22, 2015 in Ellwood City, Pennsylvania to vote upon a proposal to adopt the Merger Agreement. Similarly, the settlement did not affect the timing of the special meeting of shareholders of WesBanco held January 22, 2015 in Wheeling, West Virginia to vote on a proposal to approve the issuance of shares of WesBanco common stock in connection with the Merger. The shareholders of both corporations approved the Merger. ESB and the other Defendants deny all of the allegations in the lawsuits and believe the disclosures previously included in the Joint Proxy Statement/Prospectus were appropriate under the law. Nevertheless, ESB and the other Defendants have agreed to settle the putative class action lawsuits in order to avoid the costs, disruptions and distraction of further litigation.

ESB and the other Defendants have vigorously denied, and continue to vigorously deny, that they have committed or aided and abetted in the commission of any violation of law or engaged in any of the wrongful acts that were alleged in the lawsuits, and expressly maintain that, to the extent applicable, they diligently and scrupulously complied with their fiduciary and other legal burdens and entered into the MOS solely to eliminate the burden and expense of further litigation and to put the claims that were or could have been asserted to rest. Nothing in the MOS or any stipulation of settlement shall be deemed an admission of the legal necessity or materiality under applicable laws of any of the disclosures set forth therein. WesBanco does not believe that a material loss related to these claims is reasonably possible.

**Other Litigation**



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

WesBanco is also involved in 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.

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

As of March 31, 2015, WesBanco had a current stock repurchase plan in which up to one million shares can be acquired. The plan was originally approved by the Board of Directors on March 21, 2007 and provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time. There were no repurchases during the first quarter of 2015, other than those for the KSOP and dividend reinvestment plans and a repurchase to facilitate the payoff of ESB's ESOP loan.

The following table presents the monthly share purchase activity during the quarter ended March 31, 2015:

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 December 31, 2014				378,286
<b>January 1, 2015 to January 31, 2015</b>				
Open market repurchases				378,286
Other transactions (1)	13,627	\$ 33.78	N/A	N/A
<b>February 1, 2015 to February 28, 2015</b>				
Open market repurchases				378,286
Other transactions (1)	1,601	\$ 32.61	N/A	N/A
<b>March 1, 2015 to March 31, 2015</b>				
Open market repurchases				378,286
Other repurchases (2)	38,237	\$ 33.01	38,237	340,049
Other transactions (1)	1,707	32.94	N/A	N/A
<b>First Quarter 2015</b>				
Open market repurchases				378,286
Other repurchases (2)	38,237	\$ 33.01	38,237	340,049
Other transactions (1)	16,935	33.59	N/A	N/A
Total	55,172	\$ 33.19	38,237	340,049

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

(2) Consists of repurchases to facilitate the payoff of ESB's ESOP loan.

---

**Table of Contents**

**ITEM 6. EXHIBITS**

- 10.1 Separation Agreement and Release and Waiver of Claims, dated October 29, 2014, by and among ESB Financial Corporation, ESB Bank, Charlotte A. Zuschlag, WesBanco, Inc. and WesBanco Bank, Inc. (incorporated by reference to Exhibit 10.1 of the Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 10, 2015).\*
- 10.2 Employment Agreement, dated October 29, 2014, by and between WesBanco Bank, Inc., Charlotte A. Zuschlag, and WesBanco, Inc. (incorporated by reference to Exhibit 10.2 of the Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 10, 2015).\*
- 10.3 Non-competition Agreement, dated October 29, 2014, by and between WesBanco, Inc., WesBanco Bank, Inc. and Charlotte A. Zuschlag. (incorporated by reference to Exhibit 10.3 of the Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 10, 2015).\*
- 10.4 Amended and Restated Employment Agreement, dated February 25, 2015, by and between WesBanco Bank, Inc., Bernard P. Twigg and WesBanco, Inc. (incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on February 27, 2015).\*
- 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 March 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at March 31, 2015 and December 31, 2014, (ii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2015 and 2014, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2015 and 2014, (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014, and (v) the Notes to Consolidated Financial Statements.

\* Indicates management compensatory plan, contract or arrangement.

**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: May 7, 2015

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

(Principal Executive Officer)

Date: May 7, 2015

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