

WESBANCO INC  
Form 10-Q  
October 30, 2017  
Table of Contents

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

(Mark One)

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

**For the quarterly period ended September 30, 2017**

**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 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, a smaller reporting company, or an emerging growth company. See definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).

Yes      No

As of October 23, 2017, there were 44,033,267 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

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

| <b>Item<br/>No.</b> | <b>ITEM</b>   | <b>Page<br/>No.</b> |
|---------------------|---|---------------------|
|                     | <b><u>PART I FINANCIAL INFORMATION</u></b>  |                     |
| 1                   | <u>Financial Statements</u>   |                     |
|                     | <u>Consolidated Balance Sheets at September 30, 2017 (unaudited) and December 31, 2016</u>                | 3                   |
|                     | <u>Consolidated Statements of Comprehensive Income for the three and nine months ended</u>                |                     |
|                     | <u>September 30, 2017 and 2016 (unaudited)</u>  | 4                   |
|                     | <u>Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30,</u> |                     |
|                     | <u>2017 and 2016 (unaudited)</u>  | 5                   |
|                     | <u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016</u>        |                     |
|                     | <u>(unaudited)</u>  | 6                   |
|                     | <u>Notes to Consolidated Financial Statements (unaudited)</u>   | 7                   |
| 2                   | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>              | 34                  |
| 3                   | <u>Quantitative and Qualitative Disclosures About Market Risk</u>   | 56                  |
| 4                   | <u>Controls and Procedures</u>  | 59                  |
|                     | <b><u>PART II OTHER INFORMATION</u></b>   |                     |
| 1                   | <u>Legal Proceedings</u>  | 60                  |
| 2                   | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>  | 60                  |
| 6                   | <u>Exhibits</u>   | 61                  |
|                     | <u>Signatures</u>   | 62                  |

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

| <i>(unaudited, in thousands, except shares)</i>   | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|---|-------------------------------|------------------------------|
| <b>ASSETS</b>   |                               |                              |
| Cash and due from banks, including interest bearing amounts of <b>\$14,704</b> and \$21,913, respectively | <b>\$ 110,871</b>             | \$ 128,170                   |
| Securities:   |                               |                              |
| Trading securities, at fair value   | <b>7,929</b>                  | 7,071                        |
| Available-for-sale, at fair value   | <b>1,305,532</b>              | 1,241,176                    |
| Held-to-maturity (fair values of <b>\$1,044,748</b> and \$1,076,790, respectively)                        | <b>1,025,688</b>              | 1,067,967                    |
| Total securities  | <b>2,339,149</b>              | 2,316,214                    |
| Loans held for sale   | <b>26,888</b>                 | 17,315                       |
| Portfolio loans, net of unearned income   | <b>6,373,049</b>              | 6,249,436                    |
| Allowance for loan losses   | <b>(45,487)</b>               | (43,674)                     |
| Net portfolio loans   | <b>6,327,562</b>              | 6,205,762                    |
| Premises and equipment, net   | <b>133,497</b>                | 133,297                      |
| Accrued interest receivable   | <b>30,152</b>                 | 28,299                       |
| Goodwill and other intangible assets, net   | <b>590,249</b>                | 593,187                      |
| Bank-owned life insurance   | <b>191,466</b>                | 188,145                      |
| Other assets  | <b>168,443</b>                | 180,488                      |
| <b>Total Assets</b>   | <b>\$ 9,918,277</b>           | \$ 9,790,877                 |
| <b>LIABILITIES</b>  |                               |                              |
| Deposits:   |                               |                              |
| Non-interest bearing demand   | <b>\$ 1,851,167</b>           | \$ 1,789,522                 |
| Interest bearing demand   | <b>1,666,117</b>              | 1,546,890                    |
| Money market  | <b>990,788</b>                | 995,477                      |
| Savings deposits  | <b>1,258,887</b>              | 1,213,168                    |
| Certificates of deposit   | <b>1,334,066</b>              | 1,495,822                    |
| Total deposits  | <b>7,101,025</b>              | 7,040,879                    |
| Federal Home Loan Bank borrowings   | <b>1,015,011</b>              | 968,946                      |

Edgar Filing: WESBANCO INC - Form 10-Q

|  |                     |              |
|--|---------------------|--------------|
| Other short-term borrowings  | <b>165,576</b>      | 199,376      |
| Subordinated debt and junior subordinated debt   | <b>164,278</b>      | 163,598      |
| <b>Total borrowings</b>  | <b>1,344,865</b>    | 1,331,920    |
| Accrued interest payable   | <b>3,924</b>        | 2,204        |
| Other liabilities  | <b>73,905</b>       | 74,466       |
| <b>Total Liabilities</b>   | <b>8,523,719</b>    | 8,449,469    |
| <b>SHAREHOLDERS EQUITY</b>   |                     |              |
| Preferred stock, no par value; 1,000,000 shares authorized; none outstanding   |                     |              |
| Common stock, \$2.0833 par value; <b>100,000,000</b> shares authorized in 2017 and 2016, respectively; <b>44,041,572</b> and 43,931,715 shares issued, respectively; <b>44,033,585</b> and 43,931,715 shares outstanding, respectively | <b>91,753</b>       | 91,524       |
| Capital surplus  | <b>683,348</b>      | 680,507      |
| Retained earnings  | <b>641,329</b>      | 597,071      |
| Treasury stock ( <b>7,987</b> and 0 shares in 2017 and 2016, respectively, at cost)  | <b>(300)</b>        |              |
| Accumulated other comprehensive loss   | <b>(20,837)</b>     | (27,126)     |
| Deferred benefits for directors  | <b>(735)</b>        | (568)        |
| <b>Total Shareholders Equity</b>   | <b>1,394,558</b>    | 1,341,408    |
| <b>Total Liabilities and Shareholders Equity</b>   | <b>\$ 9,918,277</b> | \$ 9,790,877 |

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> | <b>For the Three Months<br/>Ended September 30,</b> |             | <b>For the Nine Months<br/>Ended September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2017</b>   | <b>2016</b> | <b>2017</b>  | <b>2016</b> |
| <b>INTEREST AND DIVIDEND INCOME</b>                                   |   |             |  |             |
| Loans, including fees   | \$ 70,342   | \$ 55,822   | \$ 202,600   | \$ 160,858  |
| Interest and dividends on securities:                                 |   |             |  |             |
| Taxable   | 9,711   | 9,137       | 28,682   | 29,129      |
| Tax-exempt  | 4,862   | 4,559       | 14,617   | 13,620      |
| Total interest and dividends on securities                            | 14,573  | 13,696      | 43,299   | 42,749      |
| Other interest income   | 574   | 574         | 1,674  | 1,671       |
| Total interest and dividend income                                    | 85,489  | 70,092      | 247,573  | 205,278     |
| <b>INTEREST EXPENSE</b>   |   |             |  |             |
| Interest bearing demand deposits                                      | 1,814   | 691         | 4,413  | 1,841       |
| Money market deposits   | 751   | 444         | 1,970  | 1,350       |
| Savings deposits  | 189   | 173         | 555  | 502         |
| Certificates of deposit   | 2,610   | 2,592       | 7,512  | 7,835       |
| Total interest expense on deposits                                    | 5,364   | 3,900       | 14,450   | 11,528      |
| Federal Home Loan Bank borrowings                                     | 3,628   | 3,005       | 9,608  | 9,104       |
| Other short-term borrowings   | 394   | 118         | 954  | 299         |
| Subordinated debt and junior subordinated debt                        | 1,849   | 1,043       | 5,449  | 2,706       |
| Total interest expense  | 11,235  | 8,066       | 30,461   | 23,637      |
| <b>NET INTEREST INCOME</b>  |   |             |  |             |
| Provision for credit losses   | 2,516   | 2,214       | 7,610  | 6,350       |
| Net interest income after provision for credit losses                 | 71,738  | 59,812      | 209,502  | 175,291     |
| <b>NON-INTEREST INCOME</b>  |   |             |  |             |
| Trust fees  | 5,358   | 5,413       | 17,073   | 16,160      |
| Service charges on deposits   | 5,320   | 4,733       | 15,254   | 12,861      |
| Electronic banking fees   | 4,883   | 3,945       | 14,395   | 11,290      |
| Net securities brokerage revenue                                      | 1,721   | 1,473       | 5,164  | 5,119       |
| Bank-owned life insurance   | 1,164   | 995         | 3,671  | 2,910       |
| Net gains on sales of mortgage loans                                  | 1,103   | 814         | 3,511  | 2,045       |
| Net securities gains  | 6   | 598         | 511  | 2,293       |

Edgar Filing: WESBANCO INC - Form 10-Q

|   |                  |            |                  |            |
|---|------------------|------------|------------------|------------|
| Net (loss)/gain on other real estate owned and other assets | (298)            | 184        | 9                | 380        |
| Other income  | 1,642            | 2,862      | 6,318            | 6,943      |
| <b>Total non-interest income</b>                            | <b>20,899</b>    | 21,017     | <b>65,906</b>    | 60,001     |
| <b>NON-INTEREST EXPENSE</b>                                 |                  |            |                  |            |
| Salaries and wages  | 24,957           | 21,225     | 71,575           | 60,136     |
| Employee benefits   | 7,728            | 6,275      | 23,670           | 20,684     |
| Net occupancy   | 4,132            | 3,647      | 12,969           | 10,459     |
| Equipment   | 3,905            | 3,557      | 12,043           | 10,387     |
| Marketing   | 1,599            | 1,295      | 4,482            | 3,876      |
| FDIC insurance  | 945              | 961        | 2,677            | 3,225      |
| Amortization of intangible assets                           | 1,223            | 837        | 3,736            | 2,263      |
| Restructuring and merger-related expense                    |                  | 9,883      | 491              | 10,577     |
| Other operating expenses                                    | 11,265           | 9,921      | 34,380           | 28,696     |
| <b>Total non-interest expense</b>                           | <b>55,754</b>    | 57,601     | <b>166,023</b>   | 150,303    |
| Income before provision for income taxes                    | 36,883           | 23,228     | 109,385          | 84,989     |
| Provision for income taxes                                  | 10,527           | 5,793      | 30,801           | 22,572     |
| <b>NET INCOME</b>   | <b>\$ 26,356</b> | \$ 17,435  | <b>\$ 78,584</b> | \$ 62,417  |
| <b>EARNINGS PER COMMON SHARE</b>                            |                  |            |                  |            |
| Basic   | \$ 0.60          | \$ 0.44    | \$ 1.79          | \$ 1.61    |
| Diluted   | \$ 0.60          | \$ 0.44    | \$ 1.78          | \$ 1.61    |
| <b>AVERAGE COMMON SHARES OUTSTANDING</b>                    |                  |            |                  |            |
| Basic   | 44,031,813       | 39,715,516 | 43,992,017       | 38,828,618 |
| Diluted   | 44,086,881       | 39,743,291 | 44,059,469       | 38,855,453 |
| <b>DIVIDENDS DECLARED PER COMMON SHARE</b>                  | <b>\$ 0.26</b>   | \$ 0.24    | <b>\$ 0.78</b>   | \$ 0.72    |
| <b>COMPREHENSIVE INCOME</b>                                 | <b>\$ 27,637</b> | \$ 15,470  | <b>\$ 84,873</b> | \$ 78,309  |

See Notes to Consolidated Financial Statements.

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

For the Nine Months Ended September 30, 2017 and 2016

| <i>Unaudited, in thousands, except shares<br/>and per share amounts)</i> | Common Stock       |           |                 | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income |          | Deferred Benefits for Directors | Total |
|--|--------------------|-----------|-----------------|-------------------|----------------|--|----------|---------------------------------|-------|
|  | Shares Outstanding | Amount    | Capital Surplus |                   |                | (Loss)                                 | Income   |                                 |       |
| December 31, 2016  | 43,931,715         | \$ 91,524 | \$ 680,507      | \$ 597,071        | \$             | \$ (27,126)                            | \$ (568) | \$ 1,341,408                    |       |
| Net income   |                    |           |                 | 78,584            |                |  |          | 78,584                          |       |
| Other comprehensive income   |                    |           |                 |                   |                | 6,289                                  |          | 6,289                           |       |
| Comprehensive income   |                    |           |                 |                   |                |  |          | 84,873                          |       |
| Common dividends declared (\$0.78 per share)                             |                    |           |                 | (34,326)          |                |  |          | (34,326)                        |       |
| Treasury shares acquired   | (12,987)           |           |                 |                   | (488)          |  |          | (488)                           |       |
| Stock options exercised  | 40,834             | 75        | 858             |                   | 188            |  |          | 1,121                           |       |
| Issuance of restricted stock   | 74,023             | 154       | (154)           |                   |                |  |          |                                 |       |
| Stock compensation expense   |                    |           | 1,970           |                   |                |  |          | 1,970                           |       |
| Deferred benefits for directors- net                                     |                    |           | 167             |                   |                |  | (167)    |                                 |       |
| September 30, 2017   | 44,033,585         | \$ 91,753 | \$ 683,348      | \$ 641,329        | \$ (300)       | \$ (20,837)                            | \$ (735) | \$ 1,394,558                    |       |
| December 31, 2015  | 38,459,635         | \$ 80,304 | \$ 516,294      | \$ 549,921        | \$ (2,640)     | \$ (20,954)                            | \$ (793) | \$ 1,122,132                    |       |
| Net income   |                    |           |                 | 62,417            |                |  |          | 62,417                          |       |
| Other comprehensive income   |                    |           |                 |                   |                | 15,892                                 |          | 15,892                          |       |
| Comprehensive income   |                    |           |                 |                   |                |  |          | 78,309                          |       |
| Common dividends declared (\$0.72 per share)                             |                    |           |                 | (28,946)          |                |  |          | (28,946)                        |       |
| Shares issued for acquisition  | 5,423,348          | 11,071    | 162,934         |                   | 3,144          |  |          | 177,149                         |       |
| Treasury shares acquired   | (130,041)          |           | 56              |                   | (3,730)        |  |          | (3,674)                         |       |
| Stock options exercised  | 31,541             | 2         | (165)           |                   | 955            |  |          | 792                             |       |
| Issuance of restricted stock   | 76,400             |           | (2,271)         |                   | 2,271          |  |          |                                 |       |
| Stock compensation expense   |                    |           | 1,389           |                   |                |  |          | 1,389                           |       |
| Deferred benefits for directors- net                                     |                    |           | (230)           |                   |                |  | 230      |                                 |       |
| September 30, 2016   | 43,860,883         | \$ 91,377 | \$ 678,007      | \$ 583,392        | \$             | \$ (5,062)                             | \$ (563) | \$ 1,347,151                    |       |

See Notes to Consolidated Financial Statements.





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

| <i>(unaudited, in thousands)</i>                     | <b>For the Nine Months Ended<br/>September 30,</b> |                  |
|--|--|------------------|
|  | <b>2017</b>  | <b>2016</b>      |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>     | <b>\$ 93,506</b>                                   | <b>\$ 89,175</b> |
| <b>INVESTING ACTIVITIES</b>                          |  |                  |
| Net increase in loans held for investment            | (122,332)  | (160,654)        |
| Securities available-for-sale:                       |  |                  |
| Proceeds from sales                                  | 7,760  | 277,225          |
| Proceeds from maturities, prepayments and calls      | 156,944  | 214,786          |
| Purchases of securities                              | (225,404)  | (171,169)        |
| Securities held-to-maturity:                         |  |                  |
| Proceeds from maturities, prepayments and calls      | 90,457   | 72,859           |
| Purchases of securities                              | (53,251)   | (34,530)         |
| Proceeds from bank-owned life insurance              | 349  | 19               |
| Cash received to acquire a business, net             |  | 4,863            |
| Purchases of premises and equipment net              | (6,223)  | (3,894)          |
| Net cash (used in) provided by investing activities  | (151,700)  | 199,505          |
| <b>FINANCING ACTIVITIES</b>                          |  |                  |
| Increase (decrease) in deposits                      | 61,389   | (123,708)        |
| Proceeds from Federal Home Loan Bank borrowings      | 560,000  |                  |
| Repayment of Federal Home Loan Bank borrowings       | (513,911)  | (112,116)        |
| Increase in other short-term borrowings              | 20,200   | 6,832            |
| Decrease in federal funds purchased                  | (54,000)   |                  |
| Dividends paid to common shareholders                | (33,416)   | (27,277)         |
| Issuance of common stock                             | 991  | 2                |
| Treasury shares purchased net                        | (358)  | (2,966)          |
| Net cash provided by (used in) financing activities  | 40,895   | (259,233)        |
| Net (decrease) increase in cash and cash equivalents | (17,299)   | 29,447           |
| Cash and cash equivalents at beginning of the period | 128,170  | 86,685           |
| Cash and cash equivalents at end of the period       | \$ 110,871   | \$ 116,132       |
| <b>SUPPLEMENTAL DISCLOSURES</b>                      |  |                  |
| Interest paid on deposits and other borrowings       | \$ 29,857  | \$ 24,141        |
| Income taxes paid                                    | 20,825   | 17,925           |
| Transfers of loans to other real estate owned        | 506  | 3,368            |
| Non-cash transactions related to the YCB acquisition |  | 177,149          |

Edgar Filing: WESBANCO INC - Form 10-Q

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, 2016.

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 2016 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco's financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

**Recent accounting pronouncements** In August 2017, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2017-12 Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities. The new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies' risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. WesBanco is assessing the impact of ASU 2017-12 and does not expect it to have a material impact on WesBanco's Consolidated Financial Statements.

In May 2017, the FASB issued ASU No. 2017-09 that provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. The amendments should be applied on a prospective basis to an award modified on or after the adoption date. WesBanco is assessing the impact of ASU 2017-09 and does not expect it to have a material impact on WesBanco's Consolidated Financial Statements.

In March 2017, FASB issued ASU 2017-08 that shortens the amortization period of certain callable debt securities held at a premium. The premium is required to be amortized to the earliest call date. Securities held at a discount continue to be amortized to maturity. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2019. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07 that changes how an employer presents the net periodic benefit cost in the income statement for an employer-sponsored defined benefit pension and/or other postretirement benefit plans. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net

periodic benefit cost separately from the line items that includes the service cost outside of any subtotal of operating income, if one is presented. These components will not be eligible for capitalization in assets. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual period (i.e., only in the first interim period). For WesBanco, this update will be effective for the fiscal year beginning January 1, 2018. Upon adoption, WesBanco will reclassify the service cost component from employee benefits to salaries and wages, which are both components of non-interest expense. The service cost component for the three and nine months ending September 30, 2017 was \$0.7 million and \$1.9 million, respectively.

**Table of Contents**

In January 2017, the FASB issued ASU 2017-04 that eliminated the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. Public business entities that are a U.S. Securities and Exchange Commission filer should adopt this update for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, which for WesBanco will be effective for the fiscal year beginning January 1, 2020. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

In January 2017, the FASB issued ASU No. 2017-01, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, which for WesBanco will be effective for the fiscal year beginning January 1, 2018. WesBanco is currently evaluating the potential impact of ASU 2017-01 but it is not expected that the adoption of this new standard will have a material impact on WesBanco's Consolidated Financial Statements.

In October 2016, the FASB issued ASU 2016-16 that provides the recognition of income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Current guidance prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. This prohibition on recognition is an exception to the principle of comprehensive recognition of current and deferred income taxes in generally accepted accounting principles. The exception has led to diversity in practice and is a source of complexity in financial reporting. FASB decided that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this update eliminate the exception for an intra-entity transfer of an asset other than inventory. The amendments in this update do not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods, which for WesBanco will be effective for the fiscal year beginning January 1, 2018. The amendments in this update should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

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

In June 2016, the FASB issued ASU 2016-13 that will require entities to use a new forward-looking expected loss model on trade and other receivables, held-to-maturity debt securities, loans and other instruments that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Entities will have to disclose

significantly more information, including information they use to track credit quality by year of origination for most financing receivables. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2020. Early adoption is permitted for fiscal years beginning after December 15, 2018. WesBanco is currently evaluating the impact of the adoption of this pronouncement on WesBanco's Consolidated Financial Statements.

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

---

**Table of Contents**

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

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

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

In May 2014, the FASB issued ASU 2014-09 related to the recognition of revenue from contracts with customers. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are, (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the update. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. Early adoption is now permitted as of the original effective date for interim and annual reporting periods in fiscal years beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08, which amends the principle versus agent guidance in the revenue standard. In April 2016, the FASB issued ASU 2016-10, which clarifies when promised goods or services are separately identifiable in the revenue standard. In May 2016, FASB issued ASU 2016-12, which provides narrow-scope improvements and practical expedients to the revenue standard. While WesBanco is currently evaluating the impact of this standard on individual customer contracts, management has evaluated the impact of this standard on the broad categories of its customer contracts and revenue streams. WesBanco currently anticipates this standard will not have a material impact on its Consolidated Financial Statements because revenue related to financial instruments, including loans and investment securities are not in scope of these updates. Loan interest income, investment interest income, insurance services revenue and bank-owned life insurance are accounted for under other U.S. GAAP standards and are therefore, out of scope of the ASC 606 revenue standard. Trust fees, service charges on deposits, electronic banking fees, net securities brokerage revenue, net gains on sales of mortgage loans, and net gain on other real estate owned and other assets are in scope of the ASC 606 revenue standard. Management has substantially completed evaluating revenue contracts, as well as identifying WesBanco's customers, performance obligations and material revenue streams. For revenue streams evaluated to date, no changes have been identified as to the timing of revenue recognition. The Company plans to



adopt the revenue recognition standard under the modified retrospective approach as of January 1, 2018.

In January 2014, the FASB issued ASU No. 2014-01, which applies to all reporting entities that invest in qualified affordable housing projects through limited liability entities. The pronouncement permits reporting entities to make an accounting policy election to account for these investments using the proportional amortization method if certain conditions exist. The pronouncement also requires disclosure that enables users of its financial statements to understand the nature of these investments in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. WesBanco made an accounting policy election to adopt the ASU in the first quarter of 2017. With the adoption of this pronouncement, WesBanco now classifies the amortization of the investment as a component of income tax expense (benefit). The amount for the three and nine months ending September 30, 2017 was \$0.4 million and \$1.2 million, respectively, which is included in income tax expense within WesBanco's Consolidated Financial Statements.

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

On September 9, 2016, WesBanco completed its acquisition of Your Community Bankshares, Inc. ( YCB ), and its wholly-owned banking subsidiary, Your Community Bank ( YCB Bank ), an Indiana state-chartered commercial bank headquartered in New Albany, Indiana. The transaction expanded WesBanco's franchise into Kentucky and southern Indiana.

On the acquisition date, YCB had \$1.5 billion in total assets, excluding goodwill, including \$1.0 billion in loans and \$173.2 million in securities. The YCB acquisition was valued at \$220.5 million, based on WesBanco's closing stock price on September 9, 2016 of \$32.62, and resulted in WesBanco issuing 5,423,348 shares of its common stock and \$43.3 million in cash in exchange for all of the outstanding shares of YCB common stock. The assets and liabilities of YCB were recorded on WesBanco's balance sheet at their fair value as of September 9, 2016, the acquisition date, and YCB's results of operations have been included in WesBanco's Consolidated Statements of Income since that date. Based on the final purchase price allocation, WesBanco recorded \$93.0 million in goodwill and \$12.0 million in core deposit intangibles in its Community Banking segment, representing the principal change in goodwill and intangibles in 2016. 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 nine months ended September 30, 2017 and for the twelve months ended December 31, 2016, WesBanco recorded merger-related expenses of \$0.5 million and \$13.3 million, respectively, associated with the YCB acquisition.

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

| <i>(unaudited, in thousands)</i>                  | <b>September 9, 2016</b> |
|---|--------------------------|
| <b>Purchase Price:</b>                            |                          |
| Fair value of WesBanco shares issued              | \$ 177,149               |
| Cash consideration for outstanding YCB shares     | 43,349                   |
| <b>Total purchase price</b>                       | <b>\$ 220,498</b>        |
| <b>Fair value of:</b>                             |                          |
| Tangible assets acquired                          | \$ 1,398,183             |
| Core deposit and other intangible assets acquired | 11,957                   |
| Liabilities assumed                               | (1,330,887)              |
| Net cash received in the acquisition              | 48,212                   |
| <b>Fair value of net assets acquired</b>          | <b>\$ 127,465</b>        |
| <b>Goodwill recognized</b>                        | <b>\$ 93,033</b>         |

The following table presents the allocation of the purchase price of the assets acquired and the liabilities assumed at the date of acquisition.

| <i>(unaudited, in thousands)</i> | <b>September 9, 2016</b> |
|----------------------------------|--------------------------|
|----------------------------------|--------------------------|

Edgar Filing: WESBANCO INC - Form 10-Q

|  |                     |
|--|---------------------|
| <b>Assets acquired</b>                 |                     |
| Cash and due from banks                | <b>\$ 48,212</b>    |
| Securities                             | <b>173,223</b>      |
| Loans                                  | <b>1,012,410</b>    |
| Goodwill and other intangible assets   | <b>104,990</b>      |
| Accrued income and other assets (1)    | <b>212,550</b>      |
| <b>Total assets acquired</b>           | <b>\$ 1,551,385</b> |
| <b>Liabilities assumed</b>             |                     |
| Deposits                               | <b>\$ 1,193,010</b> |
| Borrowings                             | <b>123,001</b>      |
| Accrued expenses and other liabilities | <b>14,876</b>       |
| <b>Total liabilities assumed</b>       | <b>1,330,887</b>    |
| <b>Net assets acquired</b>             | <b>\$ 220,498</b>   |

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

**Table of Contents**

There were no adjustments to the allocation of the purchase price of the assets acquired and the liabilities assumed during the third quarter of 2017. The following table presents the changes in the allocation of the purchase price of the assets acquired and the liabilities assumed at the date of the acquisition previously reported as of December 31, 2016:

|  |                          |
|--|--------------------------|
| <i>(unaudited, in thousands)</i>             | <b>September 9, 2016</b> |
| Goodwill recognized as of December 31, 2016  | <b>\$ 92,889</b>         |
| Change in fair value of net assets acquired: |                          |
| Assets                                       |                          |
| Loans  | <b>(1,156)</b>           |
| Accrued income and other assets              | <b>743</b>               |
| Liabilities                                  |                          |
| Borrowings                                   |                          |
| Accrued expenses and other liabilities       | <b>269</b>               |
| Fair value of net assets acquired            | <b>\$ (144)</b>          |
| Increase in goodwill recognized              | <b>144</b>               |
| Goodwill recognized as of September 30, 2017 | <b>\$ 93,033</b>         |

**NOTE 3. EARNINGS PER COMMON SHARE**

Earnings per common share are calculated as follows:

| <i>(unaudited, in thousands, except shares<br/>and per share amounts)</i> | <b>For the Three Months<br/>Ended<br/>September 30,</b> |             | <b>For the Nine Months<br/>Ended<br/>September 30,</b> |             |
|---|---|-------------|--|-------------|
|   | <b>2017</b>   | <b>2016</b> | <b>2017</b>  | <b>2016</b> |
| Numerator for both basic and diluted earnings per common share:           |   |             |  |             |
| Net income  | <b>\$ 26,356</b>  | \$ 17,435   | <b>\$ 78,584</b>                                       | \$ 62,417   |
| Denominator:  |   |             |  |             |
| Total average basic common shares outstanding                             | <b>44,031,813</b>                                       | 39,715,516  | <b>43,992,017</b>                                      | 38,828,618  |
| Effect of dilutive stock options and other stock compensation             | <b>55,068</b>   | 27,775      | <b>67,452</b>  | 26,835      |
| Total diluted average common shares outstanding                           | <b>44,086,881</b>                                       | 39,743,291  | <b>44,059,469</b>                                      | 38,855,453  |
| Earnings per common share basic   | <b>\$ 0.60</b>  | \$ 0.44     | <b>\$ 1.79</b>   | \$ 1.61     |
| Earnings per common share diluted   | <b>\$ 0.60</b>  | \$ 0.44     | <b>\$ 1.78</b>   | \$ 1.61     |

Options to purchase 117,550 shares and 96,600 shares at September 30, 2017 and 2016, respectively, were not included in the computation of net income per diluted share for the three months ended September 30, 2017 and 2016, respectively, because the exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive. All options to purchase shares were included in the nine months ended September 30, 2017 computation of net income per diluted share. Options to purchase 185,250 shares were not included in the computation of net income per diluted share for the nine months ended September 30, 2016 because the exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

As of September 30, 2017, 28,502 shares of market and performance-based restricted stock were not included in the computation of net income per diluted share for the three and nine months ended September 30, 2017 because the effect would be antidilutive. There were no antidilutive shares of restricted stock excluded from the computation of net income for the three or nine months ended September 30, 2016.

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

**Table of Contents****NOTE 4. SECURITIES**

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

| <i>(unaudited, in thousands)</i>   | September 30, 2017  |                        |                         |                      | December 31, 2016   |                        |                         |                      |
|--|---------------------|------------------------|-------------------------|----------------------|---------------------|------------------------|-------------------------|----------------------|
|  | 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>  |                     |                        |                         |                      |                     |                        |                         |                      |
| U.S. Government sponsored entities and agencies  | \$ 72,672           | \$ 88                  | \$ (441)                | \$ 72,319            | \$ 54,803           | \$ 3                   | \$ (763)                | \$ 54,043            |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 974,370             | 776                    | (11,672)                | 963,474              | 953,475             | 884                    | (16,070)                | 938,289              |
| Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies  | 122,908             | 77                     | (1,151)                 | 121,834              | 98,922              | 27                     | (2,139)                 | 96,810               |
| Obligations of states and political subdivisions   | 104,228             | 3,187                  | (568)                   | 106,847              | 110,208             | 3,114                  | (1,659)                 | 111,663              |
| Corporate debt securities  | 35,249              | 325                    | (71)                    | 35,503               | 35,292              | 117                    | (108)                   | 35,301               |
| <b>Total debt securities</b>   | <b>\$ 1,309,427</b> | <b>\$ 4,453</b>        | <b>\$ (13,903)</b>      | <b>\$ 1,299,977</b>  | <b>\$ 1,252,700</b> | <b>\$ 4,145</b>        | <b>\$ (20,739)</b>      | <b>\$ 1,236,106</b>  |
| Equity securities  | 4,238               | 1,320                  | (3)                     | 5,555                | 4,062               | 1,032                  | (24)                    | 5,070                |
| <b>Total available-for-sale securities</b>   | <b>\$ 1,313,665</b> | <b>\$ 5,773</b>        | <b>\$ (13,906)</b>      | <b>\$ 1,305,532</b>  | <b>\$ 1,256,762</b> | <b>\$ 5,177</b>        | <b>\$ (20,763)</b>      | <b>\$ 1,241,176</b>  |
| <b>Held-to-maturity</b>  |                     |                        |                         |                      |                     |                        |                         |                      |
| U.S. Government sponsored entities and agencies  | \$ 12,128           | \$                     | \$ (254)                | \$ 11,874            | \$ 13,394           | \$                     | \$ (414)                | \$ 12,980            |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and          | 178,429             | 763                    | (1,467)                 | 177,725              | 215,141             | 1,279                  | (2,563)                 | 213,857              |

|  |                     |                  |                    |                     |              |           |             |              |
|--|---------------------|------------------|--------------------|---------------------|--------------|-----------|-------------|--------------|
| agencies   |                     |                  |                    |                     |              |           |             |              |
| Obligations of states and political subdivisions | <b>801,760</b>      | <b>20,153</b>    | <b>(1,200)</b>     | <b>820,713</b>      | 805,019      | 15,652    | (5,529)     | 815,142      |
| Corporate debt securities                        | <b>33,371</b>       | <b>1,065</b>     |                    | <b>34,436</b>       | 34,413       | 418       | (20)        | 34,811       |
| Total held-to-maturity securities                | <b>\$ 1,025,688</b> | <b>\$ 21,981</b> | <b>\$ (2,921)</b>  | <b>\$ 1,044,748</b> | \$ 1,067,967 | \$ 17,349 | \$ (8,526)  | \$ 1,076,790 |
| Total  | <b>\$ 2,339,353</b> | <b>\$ 27,754</b> | <b>\$ (16,827)</b> | <b>\$ 2,350,280</b> | \$ 2,324,729 | \$ 22,526 | \$ (29,289) | \$ 2,317,966 |

Trading securities, which consist of investments in various mutual funds held in grantor trusts formed in connection with the Company's deferred compensation plan, are recorded at fair value and totaled \$7.9 million and \$7.1 million, at September 30, 2017 and December 31, 2016, respectively.

At September 30, 2017 and December 31, 2016, there were no holdings of any one issuer, other than U.S. government sponsored entities and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

**Table of Contents**

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at September 30, 2017. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

| <i>(unaudited, in thousands)</i>   | September 30, 2017  |                         |                         |                       |           | Mortgage-backed<br>and Equity | Total               |
|--|---------------------|-------------------------|-------------------------|-----------------------|-----------|-------------------------------|---------------------|
|  | One Year<br>or less | One to<br>Five<br>Years | Five to<br>Ten<br>Years | After<br>Ten<br>Years |           |                               |                     |
| <b>Available-for-sale</b>  |                     |                         |                         |                       |           |                               |                     |
| U.S. Government sponsored entities<br>and agencies   | \$                  | \$ 11,967               | \$ 16,855               | \$ 6,908              | \$        | 36,589                        | \$ 72,319           |
| Residential mortgage-backed<br>securities and collateralized mortgage<br>obligations of government sponsored<br>entities and agencies <sup>(1)</sup> |                     |                         |                         |                       |           | 963,474                       | 963,474             |
| Commercial mortgage-backed<br>securities and collateralized mortgage<br>obligations of government sponsored<br>entities and agencies <sup>(1)</sup>  |                     |                         |                         |                       |           | 121,834                       | 121,834             |
| Obligations of states and political<br>subdivisions  | 7,723               | 17,886                  | 36,514                  | 44,724                |           |                               | 106,847             |
| Corporate debt securities  |                     | 30,483                  | 5,020                   |                       |           |                               | 35,503              |
| Equity securities <sup>(2)</sup>   |                     |                         |                         |                       |           | 5,555                         | 5,555               |
| <b>Total available-for-sale securities</b>   | <b>\$ 7,723</b>     | <b>\$ 60,336</b>        | <b>\$ 58,389</b>        | <b>\$ 51,632</b>      | <b>\$</b> | <b>1,127,452</b>              | <b>\$ 1,305,532</b> |
| <b>Held-to-maturity <sup>(3)</sup></b>   |                     |                         |                         |                       |           |                               |                     |
| U.S. Government sponsored entities<br>and agencies   | \$                  | \$                      | \$                      | \$                    | \$        | 11,874                        | \$ 11,874           |
| Residential mortgage-backed<br>securities and collateralized mortgage<br>obligations of government sponsored<br>entities and agencies <sup>(1)</sup> |                     |                         |                         |                       |           | 177,725                       | 177,725             |
| Obligations of states and political<br>subdivisions  | 4,703               | 88,402                  | 412,322                 | 315,286               |           |                               | 820,713             |
| Corporate debt securities  |                     | 2,804                   | 31,632                  |                       |           |                               | 34,436              |
| <b>Total held-to-maturity securities</b>   | <b>\$ 4,703</b>     | <b>\$ 91,206</b>        | <b>\$ 443,954</b>       | <b>\$ 315,286</b>     | <b>\$</b> | <b>189,599</b>                | <b>\$ 1,044,748</b> |
| <b>Total</b>   | <b>\$ 12,426</b>    | <b>\$ 151,542</b>       | <b>\$ 502,343</b>       | <b>\$ 366,918</b>     | <b>\$</b> | <b>1,317,051</b>              | <b>\$ 2,350,280</b> |

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

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



(3) The held-to-maturity portfolio is carried at an amortized cost of \$1.0 billion. Securities with aggregate fair values of \$1.4 billion and \$1.2 billion at September 30, 2017 and December 31, 2016, 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 \$7.8 million and \$277.2 million for the nine months ended September 30, 2017 and 2016, respectively. Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income net of tax, as of September 30, 2017 and December 31, 2016, were \$5.1 million and \$9.9 million, respectively.

The following table presents the gross realized gains and losses on sales and calls of available-for-sale and held-to-maturity securities for the three and nine months ended September 30, 2017 and 2016, respectively. Gains and losses due to fair value fluctuations on trading securities are included in non-interest income under other income, with an offsetting entry in compensation expense.

| <i>(unaudited, in thousands)</i> | <b>For the Three<br/>Months<br/>Ended</b> |             | <b>For the Nine<br/>Months Ended</b> |             |
|----------------------------------|---|-------------|--------------------------------------|-------------|
|                                  | <b>September 30,<br/>2017</b>             | <b>2016</b> | <b>September 30,<br/>2017</b>        | <b>2016</b> |
| Gross realized gains             | \$ 29                                     | \$ 602      | \$ 603                               | \$ 2,517    |
| Gross realized losses            | (23)                                      | (4)         | (92)                                 | (224)       |
| Net realized gains               | \$ 6                                      | \$ 598      | \$ 511                               | \$ 2,293    |

**Table of Contents**

The following tables provide information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of September 30, 2017 and December 31, 2016:

| <i>(unaudited, dollars in thousands)</i>   | September 30, 2017  |                   |                 |                   |                   |                 |              |                   |                 |
|--|---------------------|-------------------|-----------------|-------------------|-------------------|-----------------|--------------|-------------------|-----------------|
|  | Less than 12 months |                   |                 | 12 months or more |                   |                 | Total        |                   |                 |
|  | Fair Value          | Unrealized Losses | # of Securities | Fair Value        | Unrealized Losses | # of Securities | Fair Value   | Unrealized Losses | # of Securities |
| U.S. Government sponsored entities and agencies  | \$ 29,875           | \$ (208)          | 6               | \$ 36,284         | \$ (487)          | 5               | \$ 66,159    | \$ (695)          | 11              |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 729,219             | (6,426)           | 180             | 254,554           | (6,713)           | 69              | 983,773      | (13,139)          | 249             |
| Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies  | 93,924              | (1,135)           | 13              | 660               | (16)              | 2               | 94,584       | (1,151)           | 15              |
| Obligations of states and political subdivisions   | 96,323              | (526)             | 153             | 73,210            | (1,242)           | 156             | 169,533      | (1,768)           | 309             |
| Corporate debt securities  | 4,015               | (22)              | 1               | 6,960             | (49)              | 2               | 10,975       | (71)              | 3               |
| Equity securities  | 1,359               | (3)               | 1               |                   |                   |                 | 1,359        | (3)               | 1               |
| Total temporarily impaired securities  | \$ 954,715          | \$ (8,320)        | 354             | \$ 371,668        | \$ (8,507)        | 234             | \$ 1,326,383 | \$ (16,827)       | 588             |

| <i>(unaudited, dollars in thousands)</i>   | December 31, 2016   |                   |                 |                   |                   |                 |            |                   |                 |
|--|---------------------|-------------------|-----------------|-------------------|-------------------|-----------------|------------|-------------------|-----------------|
|  | Less than 12 months |                   |                 | 12 months or more |                   |                 | Total      |                   |                 |
|  | Fair Value          | Unrealized Losses | # of Securities | Fair Value        | Unrealized Losses | # of Securities | Fair Value | Unrealized Losses | # of Securities |
| U.S. Government sponsored entities and agencies  | \$ 58,108           | \$ (1,177)        | 11              | \$                | \$                |                 | \$ 58,108  | \$ (1,177)        | 11              |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 969,174             | (16,436)          | 232             | 58,839            | (2,197)           | 14              | 1,028,013  | (18,633)          | 246             |
| Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies  | 88,169              | (2,122)           | 14              | 679               | (17)              | 2               | 88,848     | (2,139)           | 16              |
|  | 364,583             | (7,121)           | 604             | 2,047             | (67)              | 3               | 366,630    | (7,188)           | 607             |

## Obligations of states and political subdivisions

|  |                     |                    |            |                  |                   |           |                     |                    |            |
|--|---------------------|--------------------|------------|------------------|-------------------|-----------|---------------------|--------------------|------------|
| Corporate debt securities                    | 10,011              | (78)               | 3          | 5,973            | (50)              | 2         | 15,984              | (128)              | 5          |
| Equity securities                            | 2,938               | (24)               | 2          |                  |                   |           | 2,938               | (24)               | 2          |
| <b>Total temporarily impaired securities</b> | <b>\$ 1,492,983</b> | <b>\$ (26,958)</b> | <b>866</b> | <b>\$ 67,538</b> | <b>\$ (2,331)</b> | <b>21</b> | <b>\$ 1,560,521</b> | <b>\$ (29,289)</b> | <b>887</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.

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

**Table of Contents**

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, Cincinnati and Indianapolis stock totaling \$48.6 million and \$46.4 million at September 30, 2017 and December 31, 2016, 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.

**NOTE 5. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES**

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs, and discounts on purchased loans. The deferred loan (costs) and fees were \$(1.0) million and \$0.3 million at September 30, 2017 and December 31, 2016, respectively. The unamortized discount on purchased loans from acquisitions was \$23.0 million, including \$11.1 million related to YCB, and \$24.1 million at September 30, 2017 and December 31, 2016, respectively.

| <i>(unaudited, in thousands)</i> | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|----------------------------------|-------------------------------|------------------------------|
| Commercial real estate:          |                               |                              |
| Land and construction            | \$ 606,593                    | \$ 496,539                   |
| Improved property                | 2,407,819                     | 2,376,972                    |
| Total commercial real estate     | 3,014,412                     | 2,873,511                    |
| Commercial and industrial        | 1,125,693                     | 1,088,118                    |
| Residential real estate          | 1,356,580                     | 1,383,390                    |
| Home equity                      | 527,216                       | 508,359                      |
| Consumer                         | 349,148                       | 396,058                      |
| Total portfolio loans            | 6,373,049                     | 6,249,436                    |
| Loans held for sale              | 26,888                        | 17,315                       |
| Total loans                      | \$ 6,399,937                  | \$ 6,266,751                 |

**Table of Contents**

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

|   | <b>Allowance for Credit Losses By Category</b>               |                                  |                    |                    |                 |                  |                |              |
|---|--|----------------------------------|--------------------|--------------------|-----------------|------------------|----------------|--------------|
|   | <b>For the Nine Months Ended September 30, 2017 and 2016</b> |                                  |                    |                    |                 |                  |                |              |
|   | <b>Commercial</b>  | <b>Commercial</b>                |                    |                    |                 |                  |                |              |
|   | <b>Real</b>  | <b>Real</b>                      |                    |                    |                 |                  |                |              |
|   | <b>Estate-</b>   | <b>Estate-</b>                   |                    |                    |                 |                  |                |              |
|   | <b>Land</b>  | <b>Land</b>                      |                    |                    |                 |                  |                |              |
|   | <b>and</b>   | <b>Improved</b>                  | <b>Commercial</b>  | <b>Residential</b> | <b>Home</b>     |                  | <b>Deposit</b> |              |
| <i>(unaudited, in thousands)</i>            | <b>Construction</b>  | <b>Property &amp; Industrial</b> | <b>Real Estate</b> | <b>Equity</b>      | <b>Consumer</b> | <b>Overdraft</b> |                | <b>Total</b> |
| Balance at December 31, 2016:               |  |                                  |                    |                    |                 |                  |                |              |
| Allowance for loan losses                   | \$ 4,348   | \$ 18,628                        | \$ 8,412           | \$ 4,106           | \$ 3,422        | \$ 3,998         | \$ 760         | \$ 43,674    |
| Allowance for loan commitments              | 151  | 17                               | 188                | 9                  | 162             | 44               |                | 571          |
| Total beginning allowance for credit losses | 4,499  | 18,645                           | 8,600              | 4,115              | 3,584           | 4,042            | 760            | 44,245       |
| Provision for credit losses:                |  |                                  |                    |                    |                 |                  |                |              |
| Provision for loan losses                   | 415  | 1,619                            | 2,842              | (203)              | 1,259           | 922              | 680            | 7,534        |
| Provision for loan commitments              | (18)   | 4                                | 45                 |                    | 49              | (4)              |                | 76           |
| Total provision for credit losses           | 397  | 1,623                            | 2,887              | (203)              | 1,308           | 918              | 680            | 7,610        |
| Charge-offs                                 |  | (1,752)                          | (2,255)            | (797)              | (372)           | (2,877)          | (947)          | (9,000)      |
| Recoveries                                  | 89   | 492                              | 649                | 266                | 180             | 1,336            | 267            | 3,279        |
| Net charge-offs                             | 89   | (1,260)                          | (1,606)            | (531)              | (192)           | (1,541)          | (680)          | (5,721)      |
| Balance at September 30, 2017:              |  |                                  |                    |                    |                 |                  |                |              |
| Allowance for loan losses                   | 4,852  | 18,987                           | 9,648              | 3,372              | 4,489           | 3,379            | 760            | 45,487       |
| Allowance for loan commitments              | 133  | 21                               | 233                | 9                  | 211             | 40               |                | 647          |
| Total ending allowance for credit losses    | \$ 4,985   | \$ 19,008                        | \$ 9,881           | \$ 3,381           | \$ 4,700        | \$ 3,419         | \$ 760         | \$ 46,134    |
| Balance at December 31, 2015:               |  |                                  |                    |                    |                 |                  |                |              |
| Allowance for loan losses                   | \$ 4,390   | \$ 14,748                        | \$ 10,002          | \$ 4,582           | \$ 2,883        | \$ 4,763         | \$ 342         | \$ 41,710    |

Edgar Filing: WESBANCO INC - Form 10-Q

|   |          |           |           |          |          |          |        |           |
|---|----------|-----------|-----------|----------|----------|----------|--------|-----------|
| Allowance for loan commitments              | 157      | 26        | 260       | 7        | 117      | 46       |        | 613       |
| Total beginning allowance for credit losses | 4,547    | 14,774    | 10,262    | 4,589    | 3,000    | 4,809    | 342    | 42,323    |
| Provision for credit losses:                |          |           |           |          |          |          |        |           |
| Provision for loan losses                   | 498      | 1,351     | 2,827     | (67)     | 301      | 918      | 559    | 6,387     |
| Provision for loan commitments              | (5)      |           | (40)      | 2        | 8        | (2)      |        | (37)      |
| Total provision for credit losses           | 493      | 1,351     | 2,787     | (65)     | 309      | 916      | 559    | 6,350     |
| Charge-offs                                 | (73)     | (1,732)   | (2,883)   | (529)    | (345)    | (2,733)  | (585)  | (8,880)   |
| Recoveries                                  | 3        | 1,406     | 241       | 351      | 171      | 1,199    | 167    | 3,538     |
| Net charge-offs                             | (70)     | (326)     | (2,642)   | (178)    | (174)    | (1,534)  | (418)  | (5,342)   |
| Balance at September 30, 2016:              |          |           |           |          |          |          |        |           |
| Allowance for loan losses                   | 4,818    | 15,773    | 10,187    | 4,337    | 3,010    | 4,147    | 483    | 42,755    |
| Allowance for loan commitments              | 152      | 26        | 220       | 9        | 125      | 44       |        | 576       |
| Total ending allowance for credit losses    | \$ 4,970 | \$ 15,799 | \$ 10,407 | \$ 4,346 | \$ 3,135 | \$ 4,191 | \$ 483 | \$ 43,331 |

**Table of Contents**

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

**Allowance for Credit Losses and Recorded Investment in Loans**

|   | Commercial<br>Real<br>Estate-<br>Land<br>and<br>Construction | Commercial<br>Real<br>Estate-<br>Improved<br>Property | Commercial<br>and<br>Industrial | Residential<br>Real<br>Estate | Home<br>Equity | Consumer   | Deposit<br>Over-<br>draft | Total        |
|---|--|---|---------------------------------|-------------------------------|----------------|------------|---------------------------|--------------|
| <b>(unaudited, in thousands)</b>                          |  |   |                                 |                               |                |            |                           |              |
| <b>September 30, 2017</b>                                 |  |   |                                 |                               |                |            |                           |              |
| Allowance for credit losses:                              |  |   |                                 |                               |                |            |                           |              |
| Allowance for loans individually evaluated for impairment | \$   | \$ 579  | \$                              | \$                            | \$             | \$         | \$                        | \$ 579       |
| Allowance for loans collectively evaluated for impairment | 4,852  | 18,408  | 9,648                           | 3,372                         | 4,489          | 3,379      | 760                       | 44,908       |
| Allowance for loan commitments                            | 133  | 21  | 233                             | 9                             | 211            | 40         |                           | 647          |
| Total allowance for credit losses                         | \$ 4,985   | \$ 19,008   | \$ 9,881                        | \$ 3,381                      | \$ 4,700       | \$ 3,419   | \$ 760                    | \$ 46,134    |
| Portfolio loans:  |  |   |                                 |                               |                |            |                           |              |
| Individually evaluated for impairment <sup>(1)</sup>      | \$   | \$ 5,117  | \$                              | \$                            | \$             | \$         | \$                        | \$ 5,117     |
| Collectively evaluated for impairment                     | 605,100  | 2,397,278   | 1,124,824                       | 1,355,829                     | 527,216        | 349,141    |                           | 6,359,388    |
| Acquired with deteriorated credit quality                 | 1,493  | 5,424   | 869                             | 751                           |                | 7          |                           | 8,544        |
| Total portfolio loans                                     | \$ 606,593   | \$ 2,407,819  | \$ 1,125,693                    | \$ 1,356,580                  | \$ 527,216     | \$ 349,148 | \$                        | \$ 6,373,049 |
| <b>December 31, 2016</b>                                  |  |   |                                 |                               |                |            |                           |              |
| Allowance for credit losses:                              |  |   |                                 |                               |                |            |                           |              |
| Allowance for loans individually evaluated for impairment | \$   | \$ 470  | \$ 407                          | \$                            | \$             | \$         | \$                        | \$ 877       |
| Allowance for loans collectively evaluated for impairment | 4,348  | 18,158  | 8,005                           | 4,106                         | 3,422          | 3,998      | 760                       | 42,797       |
| Allowance for loan commitments                            | 151  | 17  | 188                             | 9                             | 162            | 44         |                           | 571          |
| Total allowance for credit losses                         | \$ 4,499   | \$ 18,645   | \$ 8,600                        | \$ 4,115                      | \$ 3,584       | \$ 4,042   | \$ 760                    | \$ 44,245    |

## Portfolio loans:

|  |            |              |              |              |            |            |    |    |    |              |
|--|------------|--------------|--------------|--------------|------------|------------|----|----|----|--------------|
| Individually evaluated for impairment <sup>(1)</sup> | \$         | \$           | 3,012        | \$           | 1,270      | \$         | \$ | \$ | \$ | 4,282        |
| Collectively evaluated for impairment                | 494,928    | 2,364,067    | 1,086,445    | 1,382,447    | 508,359    | 396,049    |    |    |    | 6,232,295    |
| Acquired with deteriorated credit quality            | 1,611      | 9,893        | 403          | 943          |            | 9          |    |    |    | 12,859       |
| Total portfolio loans                                | \$ 496,539 | \$ 2,376,972 | \$ 1,088,118 | \$ 1,383,390 | \$ 508,359 | \$ 396,058 | \$ |    |    | \$ 6,249,436 |

<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.

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.



---

**Table of Contents**

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

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

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

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

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

**Commercial Loans by Internally Assigned Risk  
Grade**

| <i>(unaudited, in thousands)</i> | <b>Commercial<br/>Real<br/>Estate-<br/>Land<br/>and<br/>Construction</b> | <b>Commercial<br/>Real<br/>Estate-<br/>Improved<br/>Property</b> | <b>Commercial<br/>&amp;<br/>Industrial</b> | <b>Total<br/>Commercial<br/>Loans</b> |
|----------------------------------|--|--|--|---------------------------------------|
| <b>As of September 30, 2017</b>  |  |  |  |                                       |
| Pass                             | \$ 600,325   | \$ 2,350,919   | \$ 1,109,774                               | \$ 4,061,018                          |
| Criticized - compromised         | 2,971  | 24,550   | 7,263                                      | 34,784                                |
| Classified - substandard         | 3,297  | 32,350   | 8,656                                      | 44,303                                |
| Classified - doubtful            |  |  |  |                                       |
| <b>Total</b>                     | <b>\$ 606,593</b>  | <b>\$ 2,407,819</b>  | <b>\$ 1,125,693</b>                        | <b>\$ 4,140,105</b>                   |
| <b>As of December 31, 2016</b>   |  |  |  |                                       |
| Pass                             | \$ 489,380   | \$ 2,324,755   | \$ 1,072,751                               | \$ 3,886,886                          |
| Criticized - compromised         | 4,405  | 15,295   | 5,078                                      | 24,778                                |
| Classified - substandard         | 2,754  | 36,922   | 10,289                                     | 49,965                                |
| Classified - doubtful            |  |  |  |                                       |
| <b>Total</b>                     | <b>\$ 496,539</b>  | <b>\$ 2,376,972</b>  | <b>\$ 1,088,118</b>                        | <b>\$ 3,961,629</b>                   |

**Table of Contents**

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 was \$22.4 million at September 30, 2017 and \$20.6 million at December 31, 2016, of which \$4.6 million and \$3.4 million were accruing, respectively. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard are not included in the tables above.

**Acquired YCB Loans** The carrying amount of loans acquired from YCB with deteriorated credit quality at September 30, 2017 and December 31, 2016 was \$4.5 million and \$5.7 million, respectively, of which \$0.8 million and \$1.4 million, respectively, were accounted for under the cost recovery method in accordance with ASC 310-30, as cash flows cannot be reasonably estimated, and therefore are categorized as non-accrual. At September 30, 2017, the accretable yield was \$0.5 million. At September 30, 2017 and December 31, 2016, no allowance for loan loss has been recognized related to the YCB acquired impaired loans.

**Acquired ESB Loans** The carrying amount of loans acquired from ESB Financial Corporation and ESB Bank ( ESB ), which WesBanco acquired on February 10, 2015, with deteriorated credit quality at September 30, 2017 and December 31, 2016 was \$4.0 million and \$7.2 million, respectively, of which \$3.5 million and \$0, respectively, were accounted for under the cost recovery method in accordance with ASC 310-30, as cash flows cannot be reasonably estimated, and therefore are categorized as non-accrual. At September 30, 2017, the accretable yield was \$1.1 million. At September 30, 2017 and December 31, 2016 an allowance for loan loss of \$2.0 million and \$1.8 million, respectively, has been recognized related to the ESB acquired impaired loans, as the estimates for future cash flows on these loans have been negatively impacted.

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

| <i>(unaudited, in thousands)</i>                | <b>For the Nine Months<br/>Ended</b> |                               |
|---|--------------------------------------|-------------------------------|
|   | <b>September 30,<br/>2017</b>        | <b>September 30,<br/>2016</b> |
| Balance at beginning of period                  | \$ 1,717                             | \$ 1,206                      |
| Acquisitions                                    |                                      | 669                           |
| Reduction due to change in projected cash flows |                                      | (324)                         |
| Reclass from non-accretable difference          | 1,490                                | 1,065                         |
| Transfers                                       | (216)                                | (328)                         |
| Accretion                                       | (1,384)                              | (398)                         |
| Balance at end of period                        | \$ 1,607                             | \$ 1,890                      |

**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<br>Loans | 90 Days<br>or More<br>Past Due and<br>Accruing<br>(1) |
|---|-----------------------|---------------------------|---------------------------|--------------------------------------|----------------------|----------------|---|
|   | Current               | 30-59 Days<br>Past<br>Due | 60-89 Days<br>Past<br>Due | 90 Days<br>or<br>More<br>Past<br>Due | Total<br>Past<br>Due |                |   |
| <b>As of September 30, 2017</b>               |                       |                           |                           |                                      |                      |                |   |
| Commercial real estate:                       |                       |                           |                           |                                      |                      |                |   |
| Land and construction                         | \$ 606,122            | \$                        | \$                        | \$ 471                               | \$ 471               | \$ 606,593     | \$  |
| Improved property                             | 2,391,693             | 2,235                     | 617                       | 13,274                               | 16,126               | 2,407,819      | 542   |
| Total commercial real estate                  | 2,997,815             | 2,235                     | 617                       | 13,745                               | 16,597               | 3,014,412      | 542   |
| Commercial and industrial                     | 1,121,307             | 1,363                     | 497                       | 2,526                                | 4,386                | 1,125,693      | 20  |
| Residential real estate                       | 1,341,924             | 4,831                     | 759                       | 9,066                                | 14,656               | 1,356,580      | 2,418   |
| Home equity                                   | 519,110               | 3,354                     | 808                       | 3,944                                | 8,106                | 527,216        | 1,289   |
| Consumer                                      | 344,241               | 3,134                     | 901                       | 872                                  | 4,907                | 349,148        | 587   |
| Total portfolio loans                         | 6,324,397             | 14,917                    | 3,582                     | 30,153                               | 48,652               | 6,373,049      | 4,856   |
| Loans held for sale                           | 26,888                |                           |                           |                                      |                      | 26,888         |   |
| Total loans                                   | \$ 6,351,285          | \$ 14,917                 | \$ 3,582                  | \$ 30,153                            | \$ 48,652            | \$ 6,399,937   | \$ 4,856  |
| Impaired loans included above are as follows: |                       |                           |                           |                                      |                      |                |   |
| Non-accrual loans                             | \$ 9,360              | \$ 873                    | \$ 226                    | \$ 24,999                            | \$ 26,098            | \$ 35,458      |   |
| TDRs accruing interest (1)                    | 6,232                 | 108                       |                           | 298                                  | 406                  | 6,638          |   |
| Total impaired                                | \$ 15,592             | \$ 981                    | \$ 226                    | \$ 25,297                            | \$ 26,504            | \$ 42,096      |   |
| <b>As of December 31, 2016</b>                |                       |                           |                           |                                      |                      |                |   |
| Commercial real estate:                       |                       |                           |                           |                                      |                      |                |   |
| Land and construction                         | \$ 496,245            | \$                        | \$                        | \$ 294                               | \$ 294               | \$ 496,539     | \$  |
| Improved property                             | 2,367,790             | 1,154                     | 363                       | 7,665                                | 9,182                | 2,376,972      | 318   |
| Total commercial real estate                  | 2,864,035             | 1,154                     | 363                       | 7,959                                | 9,476                | 2,873,511      | 318   |
| Commercial and industrial                     | 1,082,390             | 2,508                     | 1,011                     | 2,209                                | 5,728                | 1,088,118      | 229   |
| Residential real estate                       | 1,365,956             | 6,701                     | 1,043                     | 9,690                                | 17,434               | 1,383,390      | 1,922   |
| Home equity                                   | 502,087               | 2,358                     | 862                       | 3,052                                | 6,272                | 508,359        | 626   |
| Consumer                                      | 390,354               | 3,674                     | 1,149                     | 881                                  | 5,704                | 396,058        | 644   |
| Total portfolio loans                         | 6,204,822             | 16,395                    | 4,428                     | 23,791                               | 44,614               | 6,249,436      | 3,739   |
| Loans held for sale                           | 17,315                |                           |                           |                                      |                      | 17,315         |   |
| Total loans                                   | \$ 6,222,137          | \$ 16,395                 | \$ 4,428                  | \$ 23,791                            | \$ 44,614            | \$ 6,266,751   | \$ 3,739  |

Edgar Filing: WESBANCO INC - Form 10-Q

Impaired loans included above are as follows:

|                                       |           |          |        |           |           |           |
|---------------------------------------|-----------|----------|--------|-----------|-----------|-----------|
| Non-accrual loans                     | \$ 7,570  | \$ 3,479 | \$ 923 | \$ 19,812 | \$ 24,214 | \$ 31,784 |
| TDRs accruing interest <sup>(1)</sup> | 7,014     | 342      | 50     | 240       | 632       | 7,646     |
| Total impaired                        | \$ 14,584 | \$ 3,821 | \$ 973 | \$ 20,052 | \$ 24,846 | \$ 39,430 |

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

**Table of Contents**

The following tables summarize impaired loans:

|   | Impaired Loans         |                        |                        |                        |                        |                        |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | September 30, 2017     |                        |                        | December 31, 2016      |                        |                        |
|   | Unpaid                 | Recorded               | Related                | Unpaid                 | Recorded               | Related                |
|   | Principal              | Investment             | Allowance              | Principal              | Investment             | Allowance              |
| <i>(unaudited, in thousands)</i>                    | Balance <sup>(1)</sup> | Balance <sup>(1)</sup> | Balance <sup>(1)</sup> | Balance <sup>(1)</sup> | Balance <sup>(1)</sup> | Balance <sup>(1)</sup> |
| <b>With no related specific allowance recorded:</b> |                        |                        |                        |                        |                        |                        |
| Commercial real estate:                             |                        |                        |                        |                        |                        |                        |
| Land and construction                               | \$ 666                 | \$ 474                 | \$                     | \$ 1,212               | \$ 766                 | \$                     |
| Improved property                                   | 15,981                 | 10,709                 |                        | 9,826                  | 8,141                  |                        |
| Commercial and industrial                           | 3,884                  | 3,083                  |                        | 4,456                  | 3,181                  |                        |
| Residential real estate                             | 18,925                 | 17,094                 |                        | 20,152                 | 18,305                 |                        |
| Home equity   | 5,528                  | 4,845                  |                        | 4,589                  | 4,011                  |                        |
| Consumer  | 934                    | 774                    |                        | 884                    | 744                    |                        |
| Total impaired loans without a specific allowance   | 45,918                 | 36,979                 |                        | 41,119                 | 35,148                 |                        |
| <b>With a specific allowance recorded:</b>          |                        |                        |                        |                        |                        |                        |
| Commercial real estate:                             |                        |                        |                        |                        |                        |                        |
| Land and construction                               |                        |                        |                        |                        |                        |                        |
| Improved property                                   | 5,117                  | 5,117                  | 579                    | 3,012                  | 3,012                  | 470                    |
| Commercial and industrial                           |                        |                        |                        | 4,875                  | 1,270                  | 407                    |
| Total impaired loans with a specific allowance      | 5,117                  | 5,117                  | 579                    | 7,887                  | 4,282                  | 877                    |
| Total impaired loans                                | \$ 51,035              | \$ 42,096              | \$ 579                 | \$ 49,006              | \$ 39,430              | \$ 877                 |

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

|   | Impaired Loans             |            |                    |            |                           |            |                    |            |
|---|----------------------------|------------|--------------------|------------|---------------------------|------------|--------------------|------------|
|   | For the Three Months Ended |            |                    |            | For the Nine Months Ended |            |                    |            |
|   | September 30, 2017         |            | September 30, 2016 |            | September 30, 2017        |            | September 30, 2016 |            |
|   | Average                    | Interest   | Average            | Interest   | Average                   | Interest   | Average            | Interest   |
| <i>(unaudited, in thousands)</i>                    | Recorded                   | Income     | Recorded           | Income     | Recorded                  | Income     | Recorded           | Income     |
| <b>With no related specific allowance recorded:</b> | Investment                 | Recognized | Investment         | Recognized | Investment                | Recognized | Investment         | Recognized |

Edgar Filing: WESBANCO INC - Form 10-Q

Commercial real estate:

|                           |        |    |        |    |        |     |          |     |
|---------------------------|--------|----|--------|----|--------|-----|----------|-----|
| Land and construction     | \$ 444 | \$ | \$ 701 | \$ | \$ 516 | \$  | \$ 1,062 | \$  |
| Improved Property         | 10,923 | 31 | 8,403  | 28 | 10,271 | 400 | 9,408    | 86  |
| Commercial and industrial | 3,588  | 2  | 3,172  | 2  | 3,700  | 6   | 3,246    | 7   |
| Residential real estate   | 17,039 | 57 | 17,013 | 81 | 17,743 | 192 | 16,882   | 256 |
| Home equity               | 4,727  | 4  | 3,613  | 4  | 4,456  | 14  | 3,381    | 16  |
| Consumer                  | 731    | 2  | 814    |    | 746    | 5   | 953      | 6   |

|   |        |    |        |     |        |     |        |     |
|---|--------|----|--------|-----|--------|-----|--------|-----|
| Total impaired loans without a specific allowance | 37,452 | 96 | 33,716 | 115 | 37,432 | 617 | 34,932 | 371 |
|---|--------|----|--------|-----|--------|-----|--------|-----|

**With a specific allowance recorded:**

Commercial real estate:

|                           |       |  |       |  |       |  |       |  |
|---------------------------|-------|--|-------|--|-------|--|-------|--|
| Land and construction     |       |  |       |  |       |  |       |  |
| Improved Property         | 5,137 |  | 3,012 |  | 5,032 |  | 3,012 |  |
| Commercial and industrial |       |  | 2,678 |  | 318   |  | 3,700 |  |

|  |       |  |       |  |       |  |       |  |
|--|-------|--|-------|--|-------|--|-------|--|
| Total impaired loans with a specific allowance | 5,137 |  | 5,690 |  | 5,350 |  | 6,712 |  |
|--|-------|--|-------|--|-------|--|-------|--|

|                      |           |       |           |        |           |        |           |        |
|----------------------|-----------|-------|-----------|--------|-----------|--------|-----------|--------|
| Total impaired loans | \$ 42,589 | \$ 96 | \$ 39,406 | \$ 115 | \$ 42,782 | \$ 617 | \$ 41,644 | \$ 371 |
|----------------------|-----------|-------|-----------|--------|-----------|--------|-----------|--------|

**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> |                   |
|----------------------------------|----------------------------------|-------------------|
|                                  | September 30, 2017               | December 31, 2016 |
| Commercial real estate:          |                                  |                   |
| Land and construction            | \$ 474                           | \$ 766            |
| Improved property                | 14,263                           | 9,535             |
| Total commercial real estate     | 14,737                           | 10,301            |
| Commercial and industrial        | 2,950                            | 4,299             |
| Residential real estate          | 12,641                           | 12,994            |
| Home equity                      | 4,426                            | 3,538             |
| Consumer                         | 704                              | 652               |
| Total                            | \$ 35,458                        | \$ 31,784         |

- (1) At September 30, 2017, there were three borrowers with loans greater than \$1.0 million totaling \$8.6 million, as compared to two borrowers with loans greater than \$1.0 million totaling \$4.3 million at December 31, 2016. 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               |             |          |                   |             |           |
|----------------------------------|--------------------|-------------|----------|-------------------|-------------|-----------|
|                                  | September 30, 2017 |             |          | December 31, 2016 |             |           |
|                                  | Accruing           | Non-Accrual | Total    | Accruing          | Non-Accrual | Total     |
| Commercial real estate:          |                    |             |          |                   |             |           |
| Land and construction            | \$ 4               | \$ 4        | \$ 4     | \$ 8              | \$ 8        | \$ 8      |
| Improved property                | 1,563              | 446         | 2,009    | 1,618             | 688         | 2,306     |
| Total commercial real estate     | 1,563              | 450         | 2,013    | 1,618             | 696         | 2,314     |
| Commercial and industrial        | 133                | 164         | 297      | 152               | 151         | 303       |
| Residential real estate          | 4,453              | 1,810       | 6,263    | 5,311             | 2,212       | 7,523     |
| Home equity                      | 419                | 419         | 838      | 473               | 297         | 770       |
| Consumer                         | 70                 | 139         | 209      | 92                | 190         | 282       |
| Total                            | \$ 6,638           | \$ 2,982    | \$ 9,620 | \$ 7,646          | \$ 3,546    | \$ 11,192 |

As of September 30, 2017 and December 31, 2016, there were no TDRs greater than \$1.0 million. The concessions granted in the majority of loans reported as accruing and non-accrual TDRs are extensions of the maturity date or the amortization period, reductions in the interest rate below the prevailing market rate for loans with comparable characteristics, and/or permitting interest-only payments for longer than three months. WesBanco had unfunded



commitments to debtors whose loans were classified as impaired of \$0.1 million and \$0 as of September 30, 2017 and December 31, 2016, respectively.

**Table of Contents**

The following tables present details related to loans identified as TDRs during the three and nine months ended September 30, 2017 and 2016, respectively:

| <i>(unaudited, dollars in thousands)</i> | New TDRs <sup>(1)</sup>             |                                      |                              |                                     |                                      |            |
|--|-------------------------------------|--------------------------------------|------------------------------|-------------------------------------|--------------------------------------|------------|
|  | For the Three Months Ended          |                                      |                              |                                     |                                      |            |
|  | September 30, 2017                  |                                      |                              | September 30, 2016                  |                                      |            |
|  | Pre-<br>Modification<br>Outstanding | Post-<br>Modification<br>Outstanding | Investment                   | Pre-<br>Modification<br>Outstanding | Post-<br>Modification<br>Outstanding | Investment |
| Number<br>of<br>Modification             | Recorded<br>Investment              | Recorded<br>Investment               | Number<br>of<br>Modification | Recorded<br>Investment              | Recorded<br>Investment               |            |
| Commercial real estate:                  |                                     |                                      |                              |                                     |                                      |            |
| Land and construction                    |                                     | \$                                   | \$                           |                                     | \$                                   | \$         |
| Improved Property                        | 1                                   | 190                                  | 185                          |                                     |                                      |            |
| Total commercial real estate             | 1                                   | 190                                  | 185                          |                                     |                                      |            |
| Commercial and industrial                |                                     |                                      |                              | 2                                   | 125                                  | 122        |
| Residential real estate                  |                                     |                                      |                              | 2                                   | 124                                  | 122        |
| Home equity                              | 2                                   | 94                                   | 88                           |                                     |                                      |            |
| Consumer                                 | 1                                   | 7                                    | 6                            | 4                                   | 26                                   | 23         |
| Total                                    | 4                                   | \$ 291                               | \$ 279                       | 8                                   | \$ 275                               | \$ 267     |

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

| <i>(unaudited, dollars in thousands)</i> | New TDRs <sup>(1)</sup>             |                                      |                              |                                     |                                      |            |
|--|-------------------------------------|--------------------------------------|------------------------------|-------------------------------------|--------------------------------------|------------|
|  | For the Nine Months Ended           |                                      |                              |                                     |                                      |            |
|  | September 30, 2017                  |                                      |                              | September 30, 2016                  |                                      |            |
|  | Pre-<br>Modification<br>Outstanding | Post-<br>Modification<br>Outstanding | Investment                   | Pre-<br>Modification<br>Outstanding | Post-<br>Modification<br>Outstanding | Investment |
| Number<br>of<br>Modification             | Recorded<br>Investment              | Recorded<br>Investment               | Number<br>of<br>Modification | Recorded<br>Investment              | Recorded<br>Investment               |            |
| Commercial real estate:                  |                                     |                                      |                              |                                     |                                      |            |
| Land and construction                    |                                     | \$                                   | \$                           |                                     | \$                                   | \$         |
| Improved Property                        | 1                                   | 190                                  | 185                          |                                     |                                      |            |
| Total commercial real estate             | 1                                   | 190                                  | 185                          |                                     |                                      |            |

Edgar Filing: WESBANCO INC - Form 10-Q

|                           |           |               |               |    |               |               |
|---------------------------|-----------|---------------|---------------|----|---------------|---------------|
| Commercial and industrial | <b>1</b>  | <b>64</b>     | <b>59</b>     | 2  | 125           | 122           |
| Residential real estate   | <b>2</b>  | <b>22</b>     | <b>17</b>     | 3  | 150           | 143           |
| Home equity               | <b>3</b>  | <b>141</b>    | <b>132</b>    | 1  | 44            | 41            |
| Consumer                  | <b>4</b>  | <b>42</b>     | <b>33</b>     | 10 | 70            | 54            |
| <b>Total</b>              | <b>11</b> | <b>\$ 459</b> | <b>\$ 426</b> | 16 | <b>\$ 389</b> | <b>\$ 360</b> |

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

**Table of Contents**

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the nine months ended September 30, 2017 and 2016, respectively, that were restructured within the last twelve months prior to September 30, 2017 and 2016, respectively:

| <i>(unaudited, dollars in thousands)</i> | <b>Defaulted TDRs <sup>(1)</sup></b> |                               |  |  |
|--|--------------------------------------|-------------------------------|--|--|
|  | <b>For the Nine Months Ended</b>     |                               |  |  |
|  | <b>September 30,<br/>2017</b>        | <b>September 30,<br/>2016</b> | <b>Number of Recorded<br/>Defaults</b> | <b>Number of Recorded<br/>Investment</b> |
| Commercial real estate:                  |                                      |                               |  |  |
| Land and construction                    |                                      |                               |  |  |
| Improved property                        |                                      |                               |  |  |
| Total commercial real estate             |                                      |                               |  |  |
| Commercial and industrial                |                                      |                               | 1                                      | 40                                       |
| Residential real estate                  | 1                                    | 7                             |  |  |
| Home equity                              |                                      |                               |  |  |
| Consumer                                 | 1                                    | 7                             |  |  |
| <b>Total</b>                             | <b>2</b>                             | <b>\$ 14</b>                  | <b>1</b>                               | <b>\$ 40</b>                             |

<sup>(1)</sup> Excludes loans that were either charged-off or cured by period end. The recorded investment is as of September 30, 2017 and 2016, respectively.

TDRs that default are placed on non-accrual status unless they are both well-secured and in the process of collection. The loans in the table above were not accruing interest.

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

| <i>(unaudited, in thousands)</i>                                | <b>September 30,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|---|-------------------------------|------------------------------|
| Other real estate owned   | <b>\$ 5,636</b>               | <b>\$ 8,206</b>              |
| Repossessed assets  | <b>146</b>                    | <b>140</b>                   |
| <b>Total other real estate owned and repossessed<br/>assets</b> | <b>\$ 5,782</b>               | <b>\$ 8,346</b>              |

At September 30, 2017, other real estate owned includes \$1.1 million from the YCB acquisition and \$3.1 million at December 31, 2016. Residential real estate included in other real estate owned at September 30, 2017 and December 31, 2016 was \$1.7 million and \$1.6 million, respectively. At September 30, 2017 and December 31, 2016, formal foreclosure proceedings were in process on residential real estate loans totaling \$3.3 million and \$4.1 million,

respectively.

#### NOTE 6. PENSION PLAN

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

| <i>(unaudited, in thousands)</i>              | For the Three Months Ended |                       | For the Nine Months Ended |                       |
|---|----------------------------|-----------------------|---------------------------|-----------------------|
|   | September 30,<br>2017      | September 30,<br>2016 | September 30,<br>2017     | September 30,<br>2016 |
| Service cost – benefits earned during year    | \$ 650                     | \$ 703                | \$ 1,929                  | \$ 2,095              |
| Interest cost on projected benefit obligation | 1,107                      | 1,280                 | 3,287                     | 3,813                 |
| Expected return on plan assets                | (1,928)                    | (1,940)               | (5,721)                   | (5,778)               |
| Amortization of prior service cost            | 7                          | 8                     | 19                        | 20                    |
| Amortization of net loss                      | 812                        | 759                   | 2,409                     | 2,261                 |
| Net periodic pension cost                     | \$ 648                     | \$ 810                | \$ 1,923                  | \$ 2,411              |

**Table of Contents**

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 \$2.7 million is due for 2017, which could be all or partially offset by the Plan's \$46.9 million available credit balance. A voluntary contribution of \$2.5 million was made in June 2017.

On September 9, 2016, WesBanco assumed YCB's obligation for a predecessor bank's participation in the Pentegra Defined Benefit Plan for Financial Institutions ( Pentegra Plan ). The participating employer plan had been frozen to new participants since 2002. WesBanco spun out the assets from the Pentegra Plan in the second quarter of 2017, and contributed approximately \$2.8 million to satisfy the final costs to do so. The spin off had no impact on earnings as the liability was included in YCB's balance sheet as of the acquisition date. The \$8.4 million in distributed assets from the Pentegra Plan were transferred to a new plan providing the same benefits to the participants.

**NOTE 7. FAIR VALUE MEASUREMENT**

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

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

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

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

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

current period earnings as other income and other expense.

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

**Table of Contents**

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

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

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

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

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The following tables set forth WesBanco's financial assets and liabilities that were accounted for at fair value on a recurring and nonrecurring basis by level within the fair value hierarchy as of September 30, 2017 and December 31, 2016:

|  | September 30, 2017             |           |                |           |             |
|--|--------------------------------|-----------|----------------|-----------|-------------|
|  | Fair Value Measurements Using: |           |                |           |             |
|  | Quoted Prices in               |           | Significant    |           | Investments |
|  | Active                         |           | Other          |           |             |
|  | Markets                        |           | Observable     |           |             |
|  | for                            |           | Inputs         |           |             |
|  | Identical                      |           | Unobservable   |           |             |
|  | Assets                         |           | Inputs         |           |             |
|  | (level 1)                      |           | (level 3)      |           |             |
|  | September 30,                  | Assets    | Inputs         | Inputs    | Net Asset   |
| <i>(unaudited, in thousands)</i>   | 2017                           | (level 1) | (level 2)      | (level 3) | Value       |
| <b>Recurring fair value measurements</b>   |                                |           |                |           |             |
| Trading securities   | \$ 7,929                       | \$ 6,457  | \$             | \$        | \$ 1,472    |
| Securities - available-for-sale  |                                |           |                |           |             |
| U.S. Government sponsored entities and agencies  | 72,319                         |           | 72,319         |           |             |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 963,474                        |           | 963,474        |           |             |
|  | <b>121,834</b>                 |           | <b>121,834</b> |           |             |



|   |              |           |              |           |          |
|---|--------------|-----------|--------------|-----------|----------|
| Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies |              |           |              |           |          |
| Obligations of state and political subdivisions   | 106,847      |           | 106,847      |           |          |
| Corporate debt securities   | 35,503       |           | 35,503       |           |          |
| Equity securities   | 5,555        | 5,555     |              |           |          |
| Total securities - available-for-sale   | \$ 1,305,532 | \$ 5,555  | \$ 1,299,977 | \$        | \$       |
| Other assets - interest rate derivatives agreements   | \$ 5,506     | \$        | \$ 5,506     | \$        | \$       |
| Total assets recurring fair value measurements  | \$ 1,318,967 | \$ 12,012 | \$ 1,305,483 | \$        | \$ 1,472 |
| Other liabilities - interest rate derivatives agreements  | \$ 5,443     | \$        | \$ 5,443     | \$        | \$       |
| Total liabilities recurring fair value measurements   | \$ 5,443     | \$        | \$ 5,443     | \$        | \$       |
| <b>Nonrecurring fair value measurements</b>   |              |           |              |           |          |
| Impaired loans  | \$ 4,538     | \$        | \$           | \$ 4,538  | \$       |
| Other real estate owned and repossessed assets  | 5,782        |           |              | 5,782     |          |
| Loans held for sale   | 26,888       |           | 26,888       |           |          |
| Total nonrecurring fair value measurements  | \$ 37,208    | \$        | \$ 26,888    | \$ 10,320 | \$       |

**Table of Contents**

**December 31, 2016**  
**Fair Value Measurements Using:**  
**Quoted Prices in Significant**  
**Active Markets Other Significant**  
**Investments**  
**Measured at**  
**for Identical Observable Unobservable**

|  | December 31,<br>2016 | Assets<br>(level<br>1) | Inputs<br>(level 2) | Inputs<br>(level 3) | Net<br>Asset<br>Value |
|--|----------------------|------------------------|---------------------|---------------------|-----------------------|
| <b>(unaudited, in thousands)</b>   |                      |                        |                     |                     |                       |
| <b>Recurring fair value measurements</b>   |                      |                        |                     |                     |                       |
| Trading securities   | \$ 7,071             | \$ 5,633               | \$                  | \$                  | \$ 1,438              |
| Securities - available-for-sale  |                      |                        |                     |                     |                       |
| U.S. Government sponsored entities and agencies  | 54,043               |                        | 54,043              |                     |                       |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 938,289              |                        | 938,289             |                     |                       |
| Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies  | 96,810               |                        | 96,810              |                     |                       |
| Obligations of state and political subdivisions  | 111,663              |                        | 111,663             |                     |                       |
| Corporate debt securities  | 35,301               |                        | 35,301              |                     |                       |
| Equity securities  | 5,070                | 2,938                  | 2,132               |                     |                       |
| Total securities - available-for-sale  | \$ 1,241,176         | \$ 2,938               | \$ 1,238,238        | \$                  | \$                    |
| Other assets - interest rate derivatives agreements  | \$ 5,596             | \$                     | \$ 5,596            | \$                  | \$                    |
| Total assets recurring fair value measurements   | \$ 1,253,843         | \$ 8,571               | \$ 1,243,834        | \$                  | \$ 1,438              |
| Other liabilities - interest rate derivatives agreements   |                      |                        |                     |                     |                       |
| Other liabilities - interest rate derivatives agreements   | \$ 5,199             | \$                     | \$ 5,199            | \$                  | \$                    |
| Total liabilities recurring fair value measurements  | \$ 5,199             | \$                     | \$ 5,199            | \$                  | \$                    |
| <b>Nonrecurring fair value measurements</b>  |                      |                        |                     |                     |                       |
| Impaired loans   | \$ 3,405             | \$                     | \$                  | \$ 3,405            | \$                    |
| Other real estate owned and repossessed assets   | 8,346                |                        |                     | 8,346               |                       |
| Loans held for sale  | 17,315               |                        | 17,315              |                     |                       |
| Total nonrecurring fair value measurements   | \$ 29,066            | \$                     | \$ 17,315           | \$ 11,751           | \$                    |

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 and nine months ended September 30, 2017 or for the year ended December 31, 2016.



**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:

**Quantitative Information about Level 3 Fair Value Measurements**

| <i>(unaudited, in thousands)</i>               | Fair Value Estimate | Valuation Techniques                        | Unobservable Input                   | Range (Weighted Average)  |
|--|---------------------|---|--------------------------------------|---------------------------|
| <b>September 30, 2017</b>                      |                     |   |                                      |                           |
| Impaired loans                                 | \$ 4,538            | Appraisal of collateral <sup>(1)</sup>      | Appraisal adjustments <sup>(2)</sup> | 0% to (4.8%) / (1.9%)     |
|  |                     |   | Liquidation expenses <sup>(2)</sup>  | (7.6%) to (8.0%) / (7.9%) |
| Other real estate owned and repossessed assets | 5,782               | Appraisal of collateral <sup>(1), (3)</sup> |                                      |                           |
| <b>December 31, 2016:</b>                      |                     |   |                                      |                           |
| Impaired loans                                 | \$ 3,405            | Appraisal of collateral <sup>(1)</sup>      | Appraisal adjustments <sup>(2)</sup> | 0% to (70.0%) / (36.6%)   |
|  |                     |   | Liquidation expenses <sup>(2)</sup>  | (1.5%) to (8.0%) / (4.6%) |
| Other real estate owned and repossessed assets | 8,346               | Appraisal of collateral <sup>(1), (3)</sup> |                                      |                           |

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

(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of appraisal adjustments and liquidation expenses are presented as a percent of the appraisal.

(3) Includes estimated liquidation expenses and numerous dissimilar qualitative adjustments by management which are not identifiable.

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

| <i>(unaudited, in thousands)</i> | Fair Value Measurements at<br>September 30, 2017 |                     |  |   |   |   |
|----------------------------------|--|---------------------|--|---|---|---|
|                                  | Carrying Amount                                  | Fair Value Estimate | Quoted Prices in Active Markets for Identical Assets (level 1) | Significant Observable Inputs (level 2) | Other Significant Unobservable Inputs (level 3) | Investments Measured at Net Asset Value |
| <b>Financial Assets</b>          |  |                     |  |   |   |   |
| Cash and due from banks          | \$ 110,871                                       | \$ 110,871          | \$ 110,871   | \$                                      | \$  | \$                                      |
| Trading securities               | 7,929  | 7,929               | 6,457  |   |   | 1,472                                   |
| Securities available-for-sale    | 1,305,532  | 1,305,532           | 5,555  | 1,299,977                               |   |   |
| Securities held-to-maturity      | 1,025,688  | 1,044,748           |  | 1,044,135                               | 613   |   |
| Net loans                        | 6,327,562  | 6,241,388           |  |   | 6,241,388                                       |   |
| Loans held for sale              | 26,888   | 26,888              |  | 26,888                                  |   |   |
|                                  | 5,506  | 5,506               |  | 5,506                                   |   |   |

Other assets - interest rate  
derivatives

|                             |        |        |        |
|-----------------------------|--------|--------|--------|
| Accrued interest receivable | 30,152 | 30,152 | 30,152 |
|-----------------------------|--------|--------|--------|

**Financial Liabilities**

|          |           |           |           |           |
|----------|-----------|-----------|-----------|-----------|
| Deposits | 7,101,025 | 7,112,593 | 5,766,959 | 1,345,634 |
|----------|-----------|-----------|-----------|-----------|

|                                      |           |           |  |           |
|--------------------------------------|-----------|-----------|--|-----------|
| Federal Home Loan Bank<br>borrowings | 1,015,011 | 1,014,117 |  | 1,014,117 |
|--------------------------------------|-----------|-----------|--|-----------|

|                  |         |         |         |       |
|------------------|---------|---------|---------|-------|
| Other borrowings | 165,576 | 165,579 | 163,532 | 2,047 |
|------------------|---------|---------|---------|-------|

|   |         |         |  |         |
|---|---------|---------|--|---------|
| Subordinated debt and junior<br>subordinated debt | 164,278 | 138,421 |  | 138,421 |
|---|---------|---------|--|---------|

|  |       |       |  |       |
|--|-------|-------|--|-------|
| Other liabilities - interest rate<br>derivatives | 5,443 | 5,443 |  | 5,443 |
|--|-------|-------|--|-------|

|                          |       |       |       |  |
|--------------------------|-------|-------|-------|--|
| Accrued interest payable | 3,924 | 3,924 | 3,924 |  |
|--------------------------|-------|-------|-------|--|

**Table of Contents**

| <i>(unaudited, in thousands)</i>               | <b>Fair Value Measurements at<br/>December 31, 2016</b> |                                |   |  |  |  |
|--|---|--------------------------------|---|--|--|--|
|  | <b>Carrying<br/>Amount</b>                              | <b>Fair Value<br/>Estimate</b> | <b>Quoted Prices in<br/>Active<br/>Markets<br/>for<br/>Identical<br/>Assets<br/>(level 1)</b> | <b>Significant<br/>Observable<br/>Inputs<br/>(level 2)</b> | <b>Other<br/>Significant<br/>Unobservable<br/>Inputs<br/>(level 3)</b> | <b>Investments<br/>Measured at Net<br/>Asset<br/>Value</b> |
| <b>Financial Assets</b>                        |   |                                |   |  |  |  |
| Cash and due from banks                        | \$ 128,170  | \$ 128,170                     | \$ 128,170  |  |  | \$   |
| Trading securities                             | 7,071   | 7,071                          | 5,633   |  |  | 1,438  |
| Securities available-for-sale                  | 1,241,176   | 1,241,176                      | 2,938   | 1,238,238  |  |  |
| Securities held-to-maturity                    | 1,067,967   | 1,076,790                      |   | 1,076,189  | 601  |  |
| Net loans                                      | 6,205,762   | 6,073,558                      |   |  | 6,073,558  |  |
| Loans held for sale                            | 17,315  | 17,315                         |   | 17,315   |  |  |
| Other assets - interest rate derivatives       | 5,596   | 5,596                          |   | 5,596  |  |  |
| Accrued interest receivable                    | 28,299  | 28,299                         | 28,299  |  |  |  |
| <b>Financial Liabilities</b>                   |   |                                |   |  |  |  |
| Deposits                                       | 7,040,879   | 7,052,501                      | 5,545,057   | 1,507,444  |  |  |
| Federal Home Loan Bank borrowings              | 968,946   | 974,430                        |   | 974,430  |  |  |
| Other borrowings                               | 199,376   | 199,385                        | 197,164   | 2,221  |  |  |
| Subordinated debt and junior subordinated debt | 163,598   | 134,859                        |   | 134,859  |  |  |
| Other liabilities - interest rate derivatives  | 5,199   | 5,199                          |   | 5,199  |  |  |
| Accrued interest payable                       | 2,204   | 2,204                          | 2,204   |  |  |  |

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

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

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

*Net loans:* Fair values for loans are estimated using a discounted cash flow methodology. The discount rates take into account interest rates currently being offered to customers for loans with similar terms, the credit risk associated with the loan and other market factors, including liquidity. WesBanco believes the discount rates are consistent with transactions occurring in the marketplace for both performing and distressed loan types. The carrying value is net of the allowance for loan losses and other associated premiums and discounts. Due to the significant judgment involved in evaluating credit quality, loans are classified within level 3 of the fair value hierarchy.

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

*Deposits:* The carrying amount is considered a reasonable estimate of fair value for demand, savings and other variable rate deposit accounts. The fair value of fixed maturity certificates of deposit is estimated by a discounted cash

flow method using rates currently offered for deposits of similar remaining maturities.

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

**Table of Contents**

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

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

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

*Off-balance sheet financial instruments:* Off-balance sheet financial instruments consist of commitments to extend credit, including letters of credit. Fair values for commitments to extend credit are estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present credit standing of the counterparties. The estimated fair value of the commitments to extend credit and letters of credit are insignificant and therefore are not presented in the above tables.

**NOTE 8. COMPREHENSIVE INCOME**

The activity in accumulated other comprehensive income for the nine months ended September 30, 2017 and 2016 is as follows:

|  | Accumulated Other Comprehensive Income/(Loss) <sup>(1)</sup> |   |  |             |
|--|--|---|--|-------------|
|  | Defined<br>Benefit<br>Pension<br>Plan                        | Unrealized<br>Gains (Losses)<br>on Securities<br>Available-for-Sale | Unrealized<br>Gains<br>on Securities<br>Transferred<br>from<br>Available-for-Sale<br>to Held-to-Maturity | Total       |
| <i>(unaudited, in thousands)</i>                                 |  |   |  |             |
| Balance at December 31, 2016                                     | \$ (17,758)  | \$ (9,890)  | \$ 522   | \$ (27,126) |
| Other comprehensive income before reclassifications              |  | 4,740   |  | 4,740       |
| Amounts reclassified from accumulated other comprehensive income | 1,679  | 35  | (165)  | 1,549       |
| Period change  | 1,679  | 4,775   | (165)  | 6,289       |
| Balance at September 30, 2017                                    | \$ (16,079)  | \$ (5,115)  | \$ 357   | \$ (20,837) |
| Balance at December 31, 2015                                     | \$ (17,539)  | \$ (4,162)  | \$ 747   | \$ (20,954) |
|  |  | 16,065  |  | 16,065      |



|  |             |           |        |            |
|--|-------------|-----------|--------|------------|
| Other comprehensive income before reclassifications              |             |           |        |            |
| Amounts reclassified from accumulated other comprehensive income | 1,407       | (1,428)   | (152)  | (173)      |
| Period change  | 1,407       | 14,637    | (152)  | 15,892     |
| Balance at September 30, 2016                                    | \$ (16,132) | \$ 10,475 | \$ 595 | \$ (5,062) |

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

**Table of Contents**

The following table provides details about amounts reclassified from accumulated other comprehensive income for the three and nine months ended September 30, 2017 and 2016:

| Details about Accumulated Other Comprehensive Income Components<br>(unaudited, in thousands) | Affected Line Item in the Statement of          |   |  |  |   |
|--|---|---|--|--|---|
|  | the Three Months Ended<br>September 30,<br>2017 | the Three Months Ended<br>September 30,<br>2016 | the Nine Months Ended<br>September 30,<br>2017 | the Nine Months Ended<br>September 30,<br>2016 | Net Income  |
| <b>Securities available-for-sale <sup>(1)</sup>:</b>   |   |   |  |  |   |
| Net securities gains reclassified into earnings  | \$  | \$ (579)  | \$ 55  | \$ (2,251)                                     | Net securities gains (Non-interest income)                          |
| Related income tax expense (benefit)   |   | 211   | (20)   | 823  | Provision for income taxes  |
| Net effect on accumulated other comprehensive income for the period                          |   | (368)   | 35   | (1,428)  |   |
| <b>Securities held-to-maturity <sup>(1)</sup>:</b>   |   |   |  |  |   |
| Amortization of unrealized gain transferred from available-for-sale                          | (66)  | (77)  | (256)  | (242)  | Interest and dividends on securities (Interest and dividend income) |
| Related income tax expense   | 24  | 28  | 91   | 90   | Provision for income taxes  |
| Net effect on accumulated other comprehensive income for the period                          | (42)  | (49)  | (165)  | (152)  |   |
| <b>Defined benefit pension plan <sup>(2)</sup>:</b>  |   |   |  |  |   |
| Amortization of net loss and prior service costs   | 816   | 766   | 2,429  | 2,280  | Employee benefits (Non-interest expense)                            |
| Related income tax benefit   | (303)   | (280)   | (750)  | (873)  | Provision for income taxes  |
| Net effect on accumulated other comprehensive income for the period                          | 513   | 486   | 1,679  | 1,407  |   |
| <b>Total reclassifications for the period</b>  | <b>\$ 471</b>                                   | <b>\$ 69</b>                                    | <b>\$ 1,549</b>                                | <b>\$ (173)</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.

**NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES**

**Commitments** In the normal course of business, WesBanco offers off-balance sheet credit arrangements to enable its customers to meet their financing objectives. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. WesBanco's exposure to credit losses in the event of non-performance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other lending. Commitments generally have

fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The allowance for credit losses associated with commitments was \$0.6 million as of both September 30, 2017 and December 31, 2016, 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 both September 30, 2017 and December 31, 2016.

**Table of Contents**

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

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

| <i>(unaudited, in thousands)</i>                                  | September 30,<br>2017 | December 31,<br>2016 |
|---|-----------------------|----------------------|
| Lines of credit   | \$ 1,468,470          | \$ 1,418,329         |
| Loans approved but not closed                                     | 243,723               | 185,253              |
| Overdraft limits  | 126,936               | 126,517              |
| Letters of credit   | 32,328                | 32,907               |
| Contingent obligations to purchase loans funded by other entities | 6,974                 | 13,036               |

**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.

**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 \$3.7 billion at September 30, 2017 and 2016, 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.

**Table of Contents**

Condensed financial information by business segment is presented below:

| <i>(unaudited, in thousands)</i>                      | Community<br>Banking | Trust and<br>Investment<br>Services | Consolidated |
|---|----------------------|-------------------------------------|--------------|
| <b>For the Three Months ended September 30, 2017:</b> |                      |                                     |              |
| Interest income                                       | \$ 85,489            | \$                                  | \$ 85,489    |
| Interest expense                                      | 11,235               |                                     | 11,235       |
| Net interest income                                   | 74,254               |                                     | 74,254       |
| Provision for credit losses                           | 2,516                |                                     | 2,516        |
| Net interest income after provision for credit losses | 71,738               |                                     | 71,738       |
| Non-interest income                                   | 15,541               | 5,358                               | 20,899       |
| Non-interest expense                                  | 52,355               | 3,399                               | 55,754       |
| Income before provision for income taxes              | 34,924               | 1,959                               | 36,883       |
| Provision for income taxes                            | 9,744                | 783                                 | 10,527       |
| Net income  | \$ 25,180            | \$ 1,176                            | \$ 26,356    |
| <b>For the Three Months ended September 30, 2016:</b> |                      |                                     |              |
| Interest income                                       | \$ 70,092            | \$                                  | \$ 70,092    |
| Interest expense                                      | 8,066                |                                     | 8,066        |
| Net interest income                                   | 62,026               |                                     | 62,026       |
| Provision for credit losses                           | 2,214                |                                     | 2,214        |
| Net interest income after provision for credit losses | 59,812               |                                     | 59,812       |
| Non-interest income                                   | 15,604               | 5,413                               | 21,017       |
| Non-interest expense                                  | 54,569               | 3,032                               | 57,601       |
| Income before provision for income taxes              | 20,847               | 2,381                               | 23,228       |
| Provision for income taxes                            | 4,841                | 952                                 | 5,793        |
| Net income  | \$ 16,006            | \$ 1,429                            | \$ 17,435    |
| <b>For the Nine Months ended September 30, 2017:</b>  |                      |                                     |              |
| Interest income                                       | \$ 247,573           | \$                                  | \$ 247,573   |
| Interest expense                                      | 30,461               |                                     | 30,461       |

Edgar Filing: WESBANCO INC - Form 10-Q

|   |           |          |           |
|---|-----------|----------|-----------|
| Net interest income                                   | 217,112   |          | 217,112   |
| Provision for credit losses                           | 7,610     |          | 7,610     |
| Net interest income after provision for credit losses | 209,502   |          | 209,502   |
| Non-interest income                                   | 48,833    | 17,073   | 65,906    |
| Non-interest expense                                  | 156,102   | 9,921    | 166,023   |
| Income before provision for income taxes              | 102,233   | 7,152    | 109,385   |
| Provision for income taxes                            | 27,940    | 2,861    | 30,801    |
| Net income  | \$ 74,293 | \$ 4,291 | \$ 78,584 |

**For the Nine Months ended September 30, 2016:**

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

Total non-fiduciary assets of the trust and investment services segment were \$1.7 million and \$3.1 million at September 30, 2017 and 2016, 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 WesBanco's financial condition as of September 30, 2017, as compared to December 31, 2016, and WesBanco's results of operations for the three and nine months ended September 30, 2017 and 2016. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes in this report and WesBanco's Form 10-K for the fiscal year ended December 31, 2016.

**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, 2016 and documents subsequently filed by WesBanco with the Securities and Exchange Commission ( SEC ), including WesBanco's Form 10-Q for the quarters ended March 31 and June 30, 2017, which are available at the SEC's website, [www.sec.gov](http://www.sec.gov) or at WesBanco's website, [www.wesbanco.com](http://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, 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 FDIC, the SEC, FINRA, 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 172 branches and 161 ATM machines in West Virginia, Ohio, western Pennsylvania, Kentucky, and southern Indiana, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

On September 9, 2016, WesBanco completed the acquisition of Your Community Bank ( YCB ), a bank holding company headquartered in New Albany, Indiana with approximately \$1.5 billion in assets, excluding goodwill, with

\$1.2 billion in total deposits and \$1.0 billion in total loans, and 34 branches in Kentucky and southern Indiana. WesBanco now has approximately \$9.9 billion in total assets, \$7.1 billion in total deposits, and \$6.4 billion in total loans, operating in five contiguous states. YCB's results were included in WesBanco's results from the date of merger consummation.

#### **APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

WesBanco's critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of September 30, 2017 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2016 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 September 30, 2017 increased to \$26.4 million, while diluted earnings per share increased to \$0.60, compared to \$17.4 million and \$0.44 per diluted share, respectively, for the third quarter of 2016. For the nine month period ended September 30, 2017, net income increased to \$78.6 million, or \$1.78 per diluted share, compared to \$62.4 million, or \$1.61 per diluted share, for the first nine months of 2016. Excluding after-tax merger-related expenses (non-GAAP measure), net income for the nine months ended September 30, 2017, increased 13.9% to \$78.9 million, or \$1.79 per diluted share, compared to \$69.3 million, or \$1.79 per diluted share, for 2016. Financial results for YCB were included in WesBanco's results after September 9, 2016, the date of the consummation of the merger.

|  | For the Three Months Ended |                  |                  |                  | For the Nine Months Ended |                  |                  |                  |
|--|----------------------------|------------------|------------------|------------------|---------------------------|------------------|------------------|------------------|
|  | September 30,              |                  | September 30,    |                  | September 30,             |                  | September 30,    |                  |
|  | 2017                       | 2016             | 2017             | 2016             | 2017                      | 2016             | 2017             | 2016             |
|  | Diluted                    | Diluted          | Diluted          | Diluted          | Diluted                   | Diluted          | Diluted          | Diluted          |
| <i>(unaudited, dollars in thousands, except per share amounts)</i> | Net Earnings               | Net Earnings     | Net Earnings     | Net Earnings     | Net Earnings              | Net Earnings     | Net Earnings     | Net Earnings     |
|  | Income Per Share           | Income Per Share | Income Per Share | Income Per Share | Income Per Share          | Income Per Share | Income Per Share | Income Per Share |
| Net income (Non-GAAP) <sup>(1)</sup>                               | \$ 26,356                  | \$ 0.60          | \$ 23,859        | \$ 0.60          | \$ 78,903                 | \$ 1.79          | \$ 69,292        | \$ 1.79          |
| Less: After tax merger-related expenses                            |                            |                  | (6,424)          | (0.16)           | (319)                     | (0.01)           | (6,875)          | (0.18)           |
| Net income (GAAP)  | \$ 26,356                  | \$ 0.60          | \$ 17,435        | \$ 0.44          | \$ 78,584                 | \$ 1.78          | \$ 62,417        | \$ 1.61          |

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

Net interest income increased \$12.2 million or 19.7% during the third quarter of 2017 compared to the same quarter of 2016 due to a 17.7% increase in average loan balances and a 16 basis point increase in the net interest margin. For the nine months ended September 30, 2017, net interest income increased \$35.5 million or 19.5%, as average loan balances increased 21.3% and the net interest margin increased 15 basis points to 3.45%. Reflecting the benefit from the increases in the Federal Reserve Board's target federal funds rate over the past year and the higher margin on the acquired YCB net assets, the net interest margin increased from 3.32% to 3.48% during the third quarter of 2017. Yields increased in most earning asset categories, which more than offset a 14 basis point increase in the cost of interest bearing liabilities as compared to the third quarter of 2016. The increase in the cost of interest bearing liabilities is primarily due to higher rates for interest bearing demand deposits, which includes public funds, and certain short term and Federal Home Loan Bank borrowings. Average interest bearing deposits during the third quarter of 2017 increased 9.4%, compared to the prior year, as all interest bearing deposit balances increased other than CDs. In addition, the third quarter net interest margin included approximately 12 basis points of accretion from prior acquisitions compared to 6 basis points in the third quarter of 2016, and 8 basis points in the second quarter of 2017.

The provision for credit losses increased slightly from \$2.2 million in the third quarter of 2016 to \$2.5 million in the third quarter of 2017 due primarily to loan growth. The allowance for loan losses represented 0.71% of total portfolio

loans at September 30, 2017, compared to 0.69% in the year ago period. Included in the ratio are acquired YCB and ESB loans (recorded at fair value at the date of acquisition of \$1.7 billion) and the related allowance on YCB and ESB acquired loans of \$3.1 million at September 30, 2017. Excluding these acquired loans and the related allowance required since the acquisition results in a more comparable coverage ratio to prior periods.

For the third quarter of 2017, non-interest income of \$20.9 million was down slightly from the third quarter of 2016. Reflecting a larger average customer deposit base year-over-year from the addition of YCB, electronic banking fees increased \$0.9 million or 23.8% and service charges on deposits increased \$0.6 million, or 12.4%. WesBanco continued to sell a higher percentage of residential mortgage originations in the secondary market, which increased net gains on sales of mortgage loans by \$0.3 million or 35.5% year-over-year to \$1.1 million. During the quarter, WesBanco realized a net loss of \$0.3 million on other real estate owned and other assets. Other income decreased \$1.2 million due to a decrease in commercial customer loan swap income, primarily related to a larger commercial relationship in the prior year period. For the nine month period ended September 30, 2017, non-interest income increased \$5.9 million or 9.8% reflecting similar trends as in the third quarter of 2017 noted above. In addition, year-to-date trust fees increased \$0.9 million or 5.6% and trust assets increased 5.8% during the last twelve months, reflecting improvements in equity markets during the last year and organic growth. Net securities gains decreased \$1.8 million year-over-year primarily due to higher gains on sale of securities during 2016.

**Table of Contents**

Excluding merger-related expenses in both years, non-interest expense of \$55.8 million in the third quarter of 2017 increased \$8.0 million, or 16.8%, compared to the prior year period, principally due to the YCB acquisition. Salaries and wages increased \$3.7 million or 17.6% due to higher average staff levels from the YCB acquisition, and the impact of the annual merit adjustments to compensation. Employee benefits expense increased \$1.5 million or 23.2% primarily from higher health insurance costs and payroll taxes associated with the additional employees, which more than offset lower pension expense. Increases in net occupancy and equipment were also primarily related to the additional branches from the YCB acquisition. Non-interest expense for the first nine months of 2017, excluding merger-related expenses in both years, increased \$25.8 million or 18.5% reflecting similar trends as in the third quarter as noted above. Reflecting our efforts to control discretionary costs as we continue to prepare for the \$10 billion asset threshold, we delivered positive operating leverage for both the three and nine month periods ending September 30, 2017.

The provision for income tax increased \$8.2 million or 36.5% during the first nine months of 2017, compared to the same period in 2016, due to a 28.7% increase in pre-tax income and the adoption earlier this year of a new accounting standard related to low income housing tax credit investment amortization. This new standard moved \$1.2 million from other operating expense to the provision for income taxes.

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

| <i>(unaudited, dollars in thousands)</i>              | <b>For the Three Months Ended</b> |                      | <b>For the Nine Months Ended</b> |                      |
|---|-----------------------------------|----------------------|----------------------------------|----------------------|
|   | <b>September 30,</b>              | <b>September 30,</b> | <b>September 30,</b>             | <b>September 30,</b> |
|   | <b>2017</b>                       | <b>2016</b>          | <b>2017</b>                      | <b>2016</b>          |
| Net interest income                                   | <b>\$ 74,254</b>                  | \$ 62,026            | <b>\$ 217,112</b>                | \$ 181,641           |
| Taxable equivalent adjustments to net interest income | <b>2,618</b>                      | 2,455                | <b>7,871</b>                     | 7,334                |
| <b>Net interest income, fully taxable equivalent</b>  | <b>\$ 76,872</b>                  | \$ 64,481            | <b>\$ 224,983</b>                | \$ 188,975           |
| Net interest spread, non-taxable equivalent           | <b>3.20%</b>                      | 3.07%                | <b>3.18%</b>                     | 3.06%                |
| Benefit of net non-interest bearing liabilities       | <b>0.16%</b>                      | 0.12%                | <b>0.15%</b>                     | 0.11%                |
| Net interest margin                                   | <b>3.36%</b>                      | 3.19%                | <b>3.33%</b>                     | 3.17%                |
| Taxable equivalent adjustment                         | <b>0.12%</b>                      | 0.13%                | <b>0.12%</b>                     | 0.13%                |
| <b>Net interest margin, fully taxable equivalent</b>  | <b>3.48%</b>                      | 3.32%                | <b>3.45%</b>                     | 3.30%                |

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 \$12.2 million or 19.7% in the third quarter of 2017 compared to the same quarter of 2016, due to a 17.7% increase in average loan balances and a 16 basis point increase in the net interest margin. For the first nine months of 2017, net interest income increased \$35.5 million or 19.5% from the first nine months of 2016 as average loan balances increased 21.3% and the net interest margin increased 15 basis points to 3.45%. Average loan balances increased from the third quarter of

2016, from both the YCB acquisition and organic loan growth, and included 5.5% of organic commercial loan growth over the last twelve months. Total average deposits increased in the third quarter by \$842.9 million or 13.5% compared to the third quarter of 2016, while certificates of deposit, which have the highest interest cost among deposits, decreased by \$59.0 million or 4.1%. Reflecting the benefit from the increases in the Federal Reserve Board's target federal funds rate over the past year and the higher margin on the acquired YCB net assets, the net interest margin increased to 3.48% in the third quarter of 2017 from 3.32% in the same quarter of 2016. Yields increased in most earning asset categories, more than offsetting a 14 basis point increase in the cost of interest bearing liabilities from the third quarter of 2016. The increase in the cost of interest bearing liabilities is primarily due to rate increases for larger balance customers in interest bearing demand deposits, which include public funds, and higher rates for certain short term and Federal Home Loan Bank borrowings. Approximately 12 basis points of accretion from prior acquisitions was included in the third quarter of 2017 net interest margin compared to 6 basis points in the third quarter of 2016, and 8 basis points in the second quarter.

---

**Table of Contents**

Interest income increased \$15.4 million or 22.0% in the third quarter of 2017 and \$42.3 million or 20.6% in the first nine months of 2017 compared to the same periods in 2016 due to higher average loan balances and higher yields in almost every earning asset category. Earning asset yields were influenced positively in 2017 by the 25 basis point target federal funds rate increases occurring in both the first and second quarter. Average loan balances increased by \$960.0 million in the third quarter of 2017 compared to the third quarter of 2016, primarily due to the acquisition, and loan yields increased by 28 basis points during this same period. Loan yields increased to 4.36% in the third quarter of 2017 due to higher loan yields on the acquired YCB loan portfolio and the previously mentioned federal funds rate increases. In the third quarter of 2017, average loans represented 72.9% of average earning assets, an increase from 70.2% in the same quarter of 2016. Total securities yields increased by 9 basis points in the third quarter of 2017 from the same period in 2016 due to lower amortization expense from paydowns on mortgage-backed securities, increases in market yields on new purchases and a higher percentage of average tax-exempt securities to total securities. The average balance of tax-exempt securities, which provide the highest yield within securities, increased 10.1% or \$66.0 million over the last year, and were 31.1% of total average securities in the third quarter of 2017 compared to 29.2% in the third quarter of 2016, which helped to mitigate their 13 basis point decline as new securities yields were lower than those maturing throughout the period. While increasing 13 basis points in yield, taxable securities balances remained virtually unchanged from the third quarter of 2016. The securities portfolio is currently being managed to maintain the size of the balance sheet in order to delay the financial impact of crossing \$10 billion in assets.

Portfolio loans increased \$136.2 million or 2.2% over the last twelve months. Loan growth was achieved through \$2.1 billion in loan originations, led by an increase in business loan originations in the first nine months of 2017 of 13.5% from last year. Loan growth was driven by expanded market areas and additional commercial personnel in our core markets.

Interest expense increased \$3.2 million or 39.3% in the third quarter of 2017 and \$6.8 million or 28.9% in the first nine months of 2017 compared to the same periods in 2016, due primarily to increases in the balances and rates paid on most interest bearing liability categories. The cost of interest bearing liabilities increased by 14 basis points in the third quarter of 2017 from the same period of 2016. Average interest bearing deposits increased by \$450.6 million or 9.4% from the third quarter of 2016, also due to the YCB acquisition; however, the average balance of CDs decreased \$59.0 million from the third quarter of 2016. This decrease was partially due to a \$37.0 million reduction in CDARS® balances from \$164.7 million at September 30, 2016 to \$127.7 million at September 30, 2017. In addition, non-interest bearing demand deposits increased by \$392.4 million or 27.5% from the third quarter of 2016 and are now 25.7% of total average deposits, compared to 22.9% in the third quarter of 2016, reflecting customers' preferences and marketing strategies. Average other borrowings and subordinated debt balances increased by \$115.7 million or 49.5% from the third quarter of 2016 primarily due to debt acquired in the YCB acquisition. The average rate paid on other borrowings and subordinated debt increased by 44 and 99 basis points, respectively, from the third quarter of 2016 due to the higher rate borrowings assumed in the YCB acquisition, and increases in LIBOR, the index upon which most of the subordinated debt is priced at, as most are currently variable rate. The average balance of FHLB borrowings increased only slightly from the third quarter of 2016, but the average rate paid increased by 22 basis points due to the replacement of maturing shorter-term borrowings with those of a medium-term length throughout 2017.

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

| <i>(unaudited, dollars in thousands)</i>          | For the Three Months Ended |              |                 |              | For the Nine Months Ended |              |                 |              |
|---|----------------------------|--------------|-----------------|--------------|---------------------------|--------------|-----------------|--------------|
|   | September 30,              |              |                 |              | September 30,             |              |                 |              |
|   | 2017                       |              | 2016            |              | 2017                      |              | 2016            |              |
|   | Average Balance            | Average Rate | Average Balance | Average Rate | Average Balance           | Average Rate | Average Balance | Average Rate |
| <b>ASSETS</b>                                     |                            |              |                 |              |                           |              |                 |              |
| Due from banks interest bearing                   | \$ 9,841                   | 1.26%        | \$ 17,433       | 0.80%        | \$ 12,199                 | 0.80%        | \$ 31,750       | 0.52%        |
| Loans, net of unearned income <sup>(1)</sup>      | 6,396,897                  | 4.36%        | 5,436,876       | 4.08%        | 6,347,626                 | 4.27%        | 5,231,118       | 4.11%        |
| Securities: <sup>(2)</sup>                        |                            |              |                 |              |                           |              |                 |              |
| Taxable   | 1,595,263                  | 2.43%        | 1,590,233       | 2.30%        | 1,582,875                 | 2.42%        | 1,698,558       | 2.29%        |
| Tax-exempt <sup>(3)</sup>                         | 721,343                    | 4.15%        | 655,356         | 4.28%        | 722,834                   | 4.15%        | 645,522         | 4.33%        |
| Total securities                                  | 2,316,606                  | 2.97%        | 2,245,589       | 2.88%        | 2,305,709                 | 2.96%        | 2,344,080       | 2.85%        |
| Other earning assets                              | 48,961                     | 4.44%        | 45,258          | 4.76%        | 47,511                    | 4.49%        | 45,460          | 4.54%        |
| Total earning assets <sup>(3)</sup>               | 8,772,305                  | 3.99%        | 7,745,156       | 3.73%        | 8,713,045                 | 3.92%        | 7,652,408       | 3.71%        |
| Other assets                                      | 1,125,182                  |              | 989,068         |              | 1,123,193                 |              | 951,530         |              |
| Total Assets                                      | \$ 9,897,487               |              | \$ 8,734,224    |              | \$ 9,836,238              |              | \$ 8,603,938    |              |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>        |                            |              |                 |              |                           |              |                 |              |
| Interest bearing demand deposits                  | \$ 1,635,956               | 0.44%        | \$ 1,328,403    | 0.21%        | \$ 1,602,546              | 0.37%        | \$ 1,250,157    | 0.20%        |
| Money market accounts                             | 994,772                    | 0.30%        | 927,839         | 0.19%        | 1,015,852                 | 0.26%        | 935,339         | 0.19%        |
| Savings deposits                                  | 1,257,785                  | 0.06%        | 1,122,715       | 0.06%        | 1,246,252                 | 0.06%        | 1,100,094       | 0.06%        |
| Certificates of deposit                           | 1,367,581                  | 0.76%        | 1,426,559       | 0.72%        | 1,408,231                 | 0.71%        | 1,500,591       | 0.70%        |
| Total interest bearing deposits                   | 5,256,094                  | 0.40%        | 4,805,516       | 0.32%        | 5,272,881                 | 0.37%        | 4,786,181       | 0.32%        |
| Federal Home Loan Bank borrowings                 | 1,005,106                  | 1.43%        | 989,585         | 1.21%        | 967,356                   | 1.33%        | 1,019,696       | 1.19%        |
| Other borrowings                                  | 185,051                    | 0.85%        | 114,390         | 0.41%        | 178,613                   | 0.71%        | 100,054         | 0.40%        |
| Subordinated debt and junior subordinated debt    | 164,236                    | 4.47%        | 119,246         | 3.48%        | 164,112                   | 4.44%        | 110,582         | 3.27%        |
| Total interest bearing liabilities <sup>(1)</sup> | 6,610,487                  | 0.67%        | 6,028,737       | 0.53%        | 6,582,962                 | 0.62%        | 6,016,513       | 0.52%        |
| Non-interest bearing demand deposits              | 1,817,781                  |              | 1,425,416       |              | 1,801,945                 |              | 1,356,336       |              |
| Other liabilities                                 | 75,254                     |              | 65,258          |              | 74,920                    |              | 60,290          |              |
| Shareholders equity                               | 1,393,965                  |              | 1,214,813       |              | 1,376,411                 |              | 1,170,799       |              |
| Total Liabilities and Shareholders Equity         | \$ 9,897,487               |              | \$ 8,734,224    |              | \$ 9,836,238              |              | \$ 8,603,938    |              |
|   |                            | 3.32%        |                 | 3.20%        |                           | 3.30%        |                 | 3.19%        |

Taxable equivalent net interest  
spread

Taxable equivalent net interest  
margin

**3.48%**

3.32%

**3.45%**

3.30%

- (1) Gross of allowance for loan losses and net of unearned income. Includes non-accrual and loans held for sale. Loan fees included in interest income on loans totaled \$(0.5) million and \$0.8 million for the three months ended September 30, 2017 and 2016, respectively. Loan fees included in interest income on loans totaled \$1.0 million and \$2.3 million for the nine months ended September 30, 2017 and 2016, respectively. Additionally, loan accretion included in net interest income on loans acquired from prior acquisitions was \$2.4 million and \$0.8 million for the three months ended September 30, 2017 and 2016, respectively, and \$4.9 million and \$2.3 million for the nine months ended September 30, 2017 and 2016, respectively. Accretion on interest bearing liabilities from prior acquisitions was \$0.3 million for both the three months ended September 30, 2017 and 2016, and \$1.1 million and \$1.2 million for the nine months ended September 30, 2017 and 2016, respectively.
- (2) Average yields on available-for-sale securities are calculated based on amortized cost.
- (3) Taxable equivalent basis is calculated on tax-exempt securities using a tax rate of 35% for each year presented.

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

|   | Three Months Ended September 30, 2017<br>Compared to September 30,<br>2016 |                 |                               | Three Months Ended September 30, 2017<br>Compared to September 30,<br>2016 |                 |                               |
|---|--|-----------------|-------------------------------|--|-----------------|-------------------------------|
|   | Volume   | Rate            | Net<br>Increase<br>(Decrease) | Volume   | Rate            | Net<br>Increase<br>(Decrease) |
| <i>(unaudited, in thousands)</i>                              |  |                 |                               |  |                 |                               |
| Increase (decrease) in interest income:                       |  |                 |                               |  |                 |                               |
| Due from banks interest bearing                               | \$ (17)  | \$ 19           | \$ 2                          | \$ (95)  | \$ 50           | \$ (45)                       |
| Loans, net of unearned income                                 | 10,480   | 4,040           | 14,520                        | 35,305   | 6,437           | 41,742                        |
| Taxable securities  | 29   | 545             | 574                           | (2,045)  | 1,598           | (447)                         |
| Tax-exempt securities <sup>(1)</sup>                          | 690  | (225)           | 465                           | 2,432  | (898)           | 1,534                         |
| Other earning assets  | 38   | (40)            | (2)                           | 77   | (29)            | 48                            |
| <b>Total interest income change <sup>(1)</sup></b>            | <b>11,220</b>  | <b>4,339</b>    | <b>15,559</b>                 | <b>35,674</b>  | <b>7,158</b>    | <b>42,832</b>                 |
| Increase (decrease) in interest expense:                      |  |                 |                               |  |                 |                               |
| Interest bearing demand deposits                              | 192  | 931             | 1,123                         | 629  | 1,943           | 2,572                         |
| Money market accounts   | 34   | 273             | 307                           | 124  | 496             | 620                           |
| Savings deposits  | 21   | (5)             | 16                            | 65   | (12)            | 53                            |
| Certificates of deposit                                       | (106)  | 124             | 18                            | (495)  | 172             | (323)                         |
| Federal Home Loan Bank borrowings                             | 49   | 574             | 623                           | (486)  | 990             | 504                           |
| Other borrowings  | 102  | 174             | 276                           | 327  | 328             | 655                           |
| Subordinated debt and junior subordinated debt                | 460  | 346             | 806                           | 1,576  | 1,167           | 2,743                         |
| <b>Total interest expense change</b>                          | <b>752</b>   | <b>2,417</b>    | <b>3,169</b>                  | <b>1,740</b>   | <b>5,084</b>    | <b>6,824</b>                  |
| <b>Net interest income increase (decrease) <sup>(1)</sup></b> | <b>\$ 10,468</b>   | <b>\$ 1,922</b> | <b>\$ 12,390</b>              | <b>\$ 33,934</b>   | <b>\$ 2,074</b> | <b>\$ 36,008</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. The provision for credit losses increased to \$2.5 million in the third quarter of 2017 compared to \$2.2 million in the third quarter of 2016, due primarily to loan growth. The continued strength in various credit quality ratios is reflective of the Company's strong legacy of credit and risk management processes. Compared to the prior year quarter, non-performing assets as a percentage of total assets improved to 0.48% from 0.50%. Criticized and classified loans were 1.24% of total loans, improving from 1.42% at September 30, 2016. Net charge-offs as a percentage of average portfolio loans were 0.12%



in the third quarter of 2017 compared to 0.20% in the third quarter of 2016. Non-performing loans as a percentage of total portfolio loans increased from 0.63% last year to 0.66% at September 30, 2017. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).

Table of Contents

## NON-INTEREST INCOME

TABLE 4. NON-INTEREST INCOME

| <i>(unaudited, dollars in thousands)</i>                    | For the Three Months Ended |                  |                 |               | For the Nine Months Ended |                  |                 |             |
|---|----------------------------|------------------|-----------------|---------------|---------------------------|------------------|-----------------|-------------|
|   | September 30,              |                  | \$ Change       | % Change      | September 30,             |                  | \$ Change       | % Change    |
| 2017  | 2016                       | 2017             |                 |               | 2016                      |                  |                 |             |
| Trust fees  | \$ 5,358                   | \$ 5,413         | \$ (55)         | (1.0%)        | \$ 17,073                 | \$ 16,160        | \$ 913          | 5.6%        |
| Service charges on deposits                                 | 5,320                      | 4,733            | 587             | 12.4%         | 15,254                    | 12,861           | 2,393           | 18.6%       |
| Electronic banking fees                                     | 4,883                      | 3,945            | 938             | 23.8%         | 14,395                    | 11,290           | 3,105           | 27.5%       |
| Net securities brokerage revenue                            | 1,721                      | 1,473            | 248             | 16.8%         | 5,164                     | 5,119            | 45              | 0.9%        |
| Bank-owned life insurance                                   | 1,164                      | 995              | 169             | 17.0%         | 3,671                     | 2,910            | 761             | 26.2%       |
| Net gains on sales of mortgage loans                        | 1,103                      | 814              | 289             | 35.5%         | 3,511                     | 2,045            | 1,466           | 71.7%       |
| Net securities gains  | 6                          | 598              | (592)           | (99.0%)       | 511                       | 2,293            | (1,782)         | (77.7%)     |
| Net (loss)/gain on other real estate owned and other assets | (298)                      | 184              | (482)           | (262.0%)      | 9                         | 380              | (371)           | (97.6%)     |
| Net insurance services revenue                              | 661                        | 636              | 25              | 3.9%          | 2,313                     | 2,326            | (13)            | (0.6%)      |
| Swap fee and valuation income                               | 60                         | 1,239            | (1,179)         | (95.2%)       | 882                       | 2,168            | (1,286)         | (59.3%)     |
| Other   | 921                        | 987              | (66)            | (6.7%)        | 3,123                     | 2,449            | 674             | 27.5%       |
| <b>Total non-interest income</b>                            | <b>\$ 20,899</b>           | <b>\$ 21,017</b> | <b>\$ (118)</b> | <b>(0.6%)</b> | <b>\$ 65,906</b>          | <b>\$ 60,001</b> | <b>\$ 5,905</b> | <b>9.8%</b> |

Non-interest income, a significant source of revenue and an important part of WesBanco's results of operations, was 22% and 23% of net revenues for the three and nine months ended September 30, 2017, respectively. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. For the third quarter of 2017, non-interest income was down slightly by \$0.1 million or 0.6% compared to the third quarter of 2016. The decrease is a combination of a \$1.2 million decrease in swap fee and valuation income partially offset by a \$0.9 million increase in electronic banking fees compared to the third quarter of 2016. For the nine months ended September 30, 2017, non-interest income increased \$5.9 million or 9.8% primarily driven by the acquisition and a \$3.1 million increase in electronic banking fees and \$2.4 million increase in service charges in deposits compared to the nine months ended September 30, 2016.

Trust fees increased \$0.9 million for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016 due to market improvements, customer development initiatives, and increased trust assets. Total trust assets have increased \$0.2 billion from \$3.7 billion at September 30, 2016 to \$3.9 billion at September 30, 2017. Trust fees decreased \$0.1 million compared to the third quarter of 2016 primarily due to a one-time \$0.2 million accrual adjustment in the third quarter of 2017. At September 30, 2017, trust assets include managed assets of \$3.3 billion and non-managed (custodial) assets of \$0.6 billion. Assets managed for the WesMark Funds, a proprietary group of mutual funds that is advised by WesBanco Trust and Investment Services, were \$948.3 million as of September 30, 2017 and \$898.2 million at September 30, 2016, which are included in trust managed assets.

Service charges on deposits increased \$0.6 million or 12.4% compared to the third quarter of 2016 due to growth in demand and saving deposits. For the nine months ended September 30, 2017, service charges on deposits increased \$2.4 million or 18.6% as compared to the nine months ended September 30, 2016. Deposits, excluding certificates of deposit, increased \$206.2 million or 3.7% as compared to September 30, 2016.

Electronic banking fees, which include debit card interchange fees, continued to grow, increasing \$0.9 million or 23.8% compared to the third quarter of 2016, due to a higher volume of debit card transactions from WesBanco customers. For the nine months ended September 30, 2017, electronic banking fees increased \$3.1 million or 27.5% as compared to the nine months ended September 30, 2016. The volume increase is due to marketing and process initiatives as well as a higher percentage of customers using these products.

**Table of Contents**

Net securities gains decreased \$0.6 million or 99.0% compared to the third quarter of 2016 due to select sales in the prior year. For the nine months ended September 30, 2017, net securities gains decreased \$1.8 million or 77.7% compared to the nine months ended September 30, 2016 primarily due to one agency call in 2016 resulting in a \$0.9 million securities gain. Total securities decreased \$19.0 million to \$2.3 billion as of September 30, 2017 as compared to September 30, 2016.

Net gains on sales of mortgage loans increased \$0.3 million or 35.5% compared to the third quarter of 2016 due to increased production volumes combined with higher sales percentages. For the nine months ended September 30, 2017, net gains on sales of mortgage loans increased \$1.5 million or 71.7% as compared to September 30, 2016. Total mortgage production was \$294.1 million in 2017, up 4.3% from 2016. Mortgages sold into the secondary market represented \$154.7 million or 52.6% of overall mortgage loan production in 2017 compared to \$116.0 million or 41.1% for the first nine months of 2016.

Swap fee and valuation income decreased \$1.2 million or 95.2% compared to the third quarter of 2016 due to the prior year quarter including higher commercial customer loan swap-related income, primarily from one larger commercial loan relationship. For the nine months ended September 30, 2017, swap fee and valuation income decreased \$1.3 million or 59.3% as compared to September 30, 2016.

**NON-INTEREST EXPENSE****TABLE 5. NON-INTEREST EXPENSE**

| <i>(unaudited, dollars in thousands)</i>             | <b>For the Three Months Ended</b> |             |                  |                 | <b>For the Nine Months Ended</b> |              |                  |                 |
|--|-----------------------------------|-------------|------------------|-----------------|----------------------------------|--------------|------------------|-----------------|
|  | <b>September 30,</b>              |             | <b>\$ Change</b> | <b>% Change</b> | <b>September 30,</b>             |              | <b>\$ Change</b> | <b>% Change</b> |
| <b>2017</b>  | <b>2016</b>                       | <b>2017</b> |                  |                 | <b>2016</b>                      |              |                  |                 |
| Salaries and wages                                   | \$ 24,957                         | \$ 21,225   | \$ 3,732         | 17.6%           | \$ 71,575                        | \$ 60,136    | \$ 11,439        | 19.0%           |
| Employee benefits                                    | 7,728                             | 6,275       | 1,453            | 23.2%           | 23,670                           | 20,684       | 2,986            | 14.4%           |
| Net occupancy  | 4,132                             | 3,647       | 485              | 13.3%           | 12,969                           | 10,459       | 2,510            | 24.0%           |
| Equipment  | 3,905                             | 3,557       | 348              | 9.8%            | 12,043                           | 10,387       | 1,656            | 15.9%           |
| Marketing  | 1,599                             | 1,295       | 304              | 23.5%           | 4,482                            | 3,876        | 606              | 15.6%           |
| FDIC insurance                                       | 945                               | 961         | (16)             | (1.7%)          | 2,677                            | 3,225        | (548)            | (17.0%)         |
| Amortization of intangible assets                    | 1,223                             | 837         | 386              | 46.1%           | 3,736                            | 2,263        | 1,473            | 65.1%           |
| Restructuring and merger-related expenses            |                                   | 9,883       | (9,883)          | (100.0%)        | 491                              | 10,577       | (10,086)         | (95.4%)         |
| Franchise and other miscellaneous taxes              | 2,095                             | 1,893       | 202              | 10.7%           | 6,223                            | 5,131        | 1,092            | 21.3%           |
| Postage and courier expenses                         | 935                               | 814         | 121              | 14.9%           | 2,925                            | 2,355        | 570              | 24.2%           |
| Consulting, regulatory, accounting and advisory fees | 1,755                             | 1,450       | 305              | 21.0%           | 5,082                            | 4,030        | 1,052            | 26.1%           |
| Other real estate owned and foreclosure expenses     | 251                               | 548         | (297)            | (54.2%)         | 906                              | 1,156        | (250)            | (21.6%)         |
| Legal fees   | 675                               | 559         | 116              | 20.8%           | 2,086                            | 1,835        | 251              | 13.7%           |
| Communications                                       | 602                               | 388         | 214              | 55.2%           | 1,982                            | 1,109        | 873              | 78.7%           |
|  | <b>1,202</b>                      | <b>953</b>  | <b>249</b>       | <b>26.1%</b>    | <b>3,493</b>                     | <b>3,143</b> | <b>350</b>       | <b>11.1%</b>    |

|   |                  |           |            |        |                   |            |           |       |
|---|------------------|-----------|------------|--------|-------------------|------------|-----------|-------|
| ATM and electronic banking interchange expenses |                  |           |            |        |                   |            |           |       |
| Supplies  | <b>631</b>       | 601       | 30         | 5.0%   | <b>2,360</b>      | 1,965      | 395       | 20.1% |
| Other   | <b>3,119</b>     | 2,715     | 404        | 14.9%  | <b>9,323</b>      | 7,972      | 1,351     | 16.9% |
| Total non-interest expense                      | <b>\$ 55,754</b> | \$ 57,601 | \$ (1,847) | (3.2%) | <b>\$ 166,023</b> | \$ 150,303 | \$ 15,720 | 10.5% |

Non-interest expense in the third quarter of 2017 decreased \$1.8 million or 3.2% compared to the same quarter in 2016, principally from the \$9.9 million of restructuring and merger-related expenses incurred in the third quarter of 2016 from the YCB acquisition. Non-interest expense for the nine months ended September 30, 2017 increased \$15.7 million or 10.5% compared to the same period in 2016. For the third quarter, salaries and wages increased \$3.7 million or 17.6% due to higher average staff levels from the YCB acquisition, which also was the primary driver for the \$1.5 million or 23.2% increase in employee benefits as compared to the third quarter of 2016. For the nine months ended September 30, 2017, nearly all other expenses increased with the exception of restructuring and merger-related expenses compared to the same period in 2016.

---

**Table of Contents**

Salaries and wages increased \$3.7 million or 17.6% from the third quarter of 2016 and \$11.4 million or 19.0% over the first nine months of 2016 due to increased compensation expense from the acquisition, select sales personnel additions, and staff additions in preparation for the anticipated crossing of \$10 billion in total assets, as well as increased short-term incentives and stock compensation. Employee benefits expense increased \$1.5 million or 23.2% compared to the third quarter of 2016, and \$3.0 million or 14.4% over the first nine months of 2016 primarily from the additional acquisition-related employees, which was partially offset by a decrease in pension costs.

Net occupancy costs increased \$0.5 million or 13.3% from the third quarter of 2016 and \$2.5 million or 24.0% over the first nine months of 2016 primarily due to increased building-related costs, including utilities, lease expense, depreciation, repairs and other seasonal maintenance costs, primarily due to the 34 YCB branch locations acquired and normal building maintenance and repair costs of the legacy branch network and other infrastructure needs.

Equipment costs increased \$0.3 million or 9.8% from the third quarter of 2016 and \$1.7 million or 15.9% over the first nine months of 2016 due to the acquisition and continuous improvements in technology and communication infrastructure, software costs and origination and customer support centers.

Amortization of intangible assets increased \$1.5 million for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The YCB acquisition added approximately \$12.0 million in core deposit intangibles and \$0.8 million in non-compete agreements with former YCB executives covering a three-year term.

Merger-related expenses were \$9.9 million for the three months ended September 30, 2016 and \$10.6 million for the nine months ended September 30, 2016 as compared to the current quarter of no merger related expenses and \$0.5 million for the nine months ended September 30, 2017. The merger-related expenses were from WesBanco's acquisition of YCB on September 9, 2016.

Franchise and other miscellaneous taxes increased \$0.2 million compared to the third quarter of 2016 and \$1.1 million for the nine months ended September 30, 2017 as compared to September 30, 2016 due to increases in Pennsylvania bank shares tax expense, Kentucky capital stock tax and real estate taxes in various jurisdictions.

Professional fees have increased \$0.3 million from the third quarter of 2016 and \$1.1 million for the nine months ended September 30, 2017 as compared to September 30, 2016 primarily due to certain third-party fees associated with the increased volume in loan originations, as well as consulting fees related to preparations for certain regulatory requirements, such as stress testing, for institutions that exceed \$10 billion in total assets.

**INCOME TAXES**

The provision for income taxes increased \$8.2 million or 36.5%, for the nine months ended September 30, 2017 compared to the nine months ended September 30, 2016. The increase was due in part to a 28.7% increase in pre-tax income for the nine months ended September 30, 2017 as compared to the same period of 2016. In addition, earlier this year the Company adopted a new accounting standard related to low income housing tax credit investment amortization, which, for the first nine months of 2017, resulted in \$1.2 million that would have been accounted for in other operating expense in prior periods moving to the provision for income taxes. Additionally, the adoption of another new accounting standard resulted in the reclassification of excess tax benefits related to stock-based compensation from additional paid in capital in shareholders' equity to income tax expense, which reduced income tax expense by \$0.3 million for the nine months ended September 30, 2017. For the quarter, the provision increased \$4.7 million or 81.7% from last year due to higher pre-tax income and the above-noted additional factors. The effective tax rate was 28.5% for the third quarter and 28.2% for the nine months ended September 30, 2017.



---

**Table of Contents****FINANCIAL CONDITION**

Total assets increased 1.3% during the nine months ended September 30, 2017, while deposits and shareholders' equity increased 0.9% and 4.0%, respectively, compared to December 31, 2016. Total portfolio loans increased \$123.6 million or 2.0%. Deposits increased \$60.1 million from year-end, due to a 5.4% increase in demand deposits and a 3.8% increase in savings deposits, which more than offset a 0.5% decrease in money market and a 10.8% decrease in certificates of deposit. The decrease in certificates of deposit is a result of lower rate offerings for maturing deposits and customer preferences for other deposit types, or non-deposit products, coupled with a \$7.5 million decrease in CDARS® balances and decreases in certificates of deposit balances acquired in the ESB and YCB transactions totaling \$88.2 million. The increases in demand deposits and savings accounts 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. Also benefiting these balances were the deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. Total borrowings increased 1.0% during the first nine months of 2017, primarily as a result of a \$46.1 million increase in FHLB borrowings, which was partially offset by a \$33.8 million decrease in other short-term borrowings. Total shareholders' equity increased by \$53.2 million or 4.0%, compared to December 31, 2016, primarily due to net income exceeding dividends for the period by \$44.3 million, coupled with a \$6.3 million decrease in other comprehensive losses.



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

| <i>(unaudited, dollars in thousands)</i>   | September 30,<br>2017 | December 31,<br>2016 | \$<br>Change | % Change |
|--|-----------------------|----------------------|--------------|----------|
| Trading securities (at fair value)   | \$ 7,929              | \$ 7,071             | \$ 858       | 12.1     |
| Available-for-sale (at fair value)   |                       |                      |              |          |
| U.S. Government sponsored entities and agencies  | 72,319                | 54,043               | 18,276       | 33.8     |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 963,474               | 938,289              | 25,185       | 2.7      |
| Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies  | 121,834               | 96,810               | 25,024       | 25.8     |
| Obligations of states and political subdivisions   | 106,847               | 111,663              | (4,816)      | (4.3)    |
| Corporate debt securities  | 35,503                | 35,301               | 202          | 0.6      |
| Total debt securities  | 1,299,977             | 1,236,106            | 63,871       | 5.2      |
| Equity securities  | 5,555                 | 5,070                | 485          | 9.6      |
| Total available-for-sale securities  | \$ 1,305,532          | \$ 1,241,176         | \$ 64,356    | 5.2      |
| Held-to-maturity (at amortized cost)   |                       |                      |              |          |
| U.S. Government sponsored entities and agencies  | \$ 12,128             | \$ 13,394            | \$ (1,266)   | (9.5)    |
| Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies | 178,429               | 215,141              | (36,712)     | (17.1)   |
| Obligations of states and political subdivisions   | 801,760               | 805,019              | (3,259)      | (0.4)    |
| Corporate debt securities  | 33,371                | 34,413               | (1,042)      | (3.0)    |
| Total held-to-maturity securities  | 1,025,688             | 1,067,967            | (42,279)     | (4.0)    |
| Total securities   | \$ 2,339,149          | \$ 2,316,214         | \$ 22,935    | 1.0      |
| Available-for-sale and trading securities:   |                       |                      |              |          |
| Weighted average yield at the respective period end <sup>(2)</sup>   | 2.33%                 | 2.22%                |              |          |
| As a % of total securities   | 56.2%                 | 53.9%                |              |          |
| Weighted average life (in years)   | 4.1                   | 4.3                  |              |          |
| Held-to-maturity securities:   |                       |                      |              |          |
| Weighted average yield at the respective period end <sup>(2)</sup>   | 3.83%                 | 3.76%                |              |          |
| As a % of total securities   | 43.8%                 | 46.1%                |              |          |
| Weighted average life (in years)   | 4.2                   | 5.0                  |              |          |
| Total securities:  |                       |                      |              |          |
| Weighted average yield at the respective period end <sup>(2)</sup>   | 2.99%                 | 2.93%                |              |          |
| As a % of total securities   | 100.0%                | 100.0%               |              |          |

|                                  |     |     |
|----------------------------------|-----|-----|
| Weighted average life (in years) | 4.1 | 4.6 |
|----------------------------------|-----|-----|

- (1) At September 30, 2017 and December 31, 2016, there were no holdings of any one issuer, other than U.S. government sponsored entities and its 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 \$22.9 million or 1.0% from December 31, 2016 to September 30, 2017. Through the first nine months of 2017, the available-for-sale portfolio increased by \$64.4 million or 5.2%, while the held-to-maturity portfolio decreased by \$42.3 million or 4.0%. The increase in the overall portfolio from December 31, 2016 was due to purchases of commercial and residential mortgage-backed securities, mostly in the third quarter, which were slightly offset by mortgage-backed security paydowns and sales as well as calls of municipal bonds. In the second quarter, \$9.4 million of securities were sold, which resulted in \$0.4 million in realized gains. The weighted average yield of the portfolio increased by 6 basis points from December 31, 2016 to September 30, 2017, which was due in part to the increase in the target federal funds rate during 2017, as well as lower amortization expense on mortgage-backed securities from decreases in principal paydowns. The securities portfolio continues to be managed to help maintain the size of the balance sheet under \$10 billion in order to delay the financial impact of crossing such total asset level.

**Table of Contents**

Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of September 30, 2017 and December 31, 2016 were \$5.1 million and \$9.9 million, respectively. Since approximately 44% of the investment portfolio is in the held-to-maturity category, increases in interest rates do not have as much impact on other comprehensive income as if the entire portfolio were included in the available-for-sale category.

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

WesBanco's municipal portfolio comprises 38.8% of the overall securities portfolio as of September 30, 2017 as compared to 39.6% as of December 31, 2016, and it carries different risks that are not as prevalent in other security types contained in the portfolio. The following table presents the allocation of the municipal bond portfolio based on the combined S&P and Moody's ratings of the individual bonds (at fair value):

**TABLE 7. MUNICIPAL BOND RATINGS**

| <i>(unaudited, dollars in thousands)</i>                 | September 30,<br>2017 |              | December 31,<br>2016 |              |
|--|-----------------------|--------------|----------------------|--------------|
|  | Amount                | % of Total   | Amount               | % of Total   |
| Municipal bonds (at fair value) (1):                     |                       |              |                      |              |
| Moody's: Aaa / S&P: AAA                                  | \$ 93,759             | 10.1         | \$ 93,676            | 10.1         |
| Moody's: Aa1 ; Aa2 ; Aa3 / S&P: AA+ ; AA ; AA-           | 689,234               | 74.3         | 700,506              | 75.5         |
| Moody's: A1 ; A2 ; A3 / S&P: A+ ; A ; A-                 | 136,214               | 14.7         | 121,903              | 13.2         |
| Moody's: Baa1 ; Baa2 ; Baa3 / S&P: BBB+ ; BBB ; BBB- (2) | 745                   | 0.1          | 729                  | 0.1          |
| Not rated by either agency                               | 7,608                 | 0.8          | 9,991                | 1.1          |
| <b>Total municipal bond portfolio</b>                    | <b>\$ 927,560</b>     | <b>100.0</b> | <b>\$ 926,805</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 September 30, 2017 and December 31, 2016, there are no securities in the municipal portfolio rated below investment grade.

WesBanco's municipal bond portfolio consists primarily of tax-exempt general obligation and revenue bonds from various municipalities, school districts and local revenue bond issues. Certain taxable Build America Bonds are also included in the portfolio. The following table presents additional information regarding the municipal bond type and issuer (at fair value):

**TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES**

| <i>(unaudited, dollars in thousands)</i> | September 30, 2017 |            | December 31, 2016 |            |
|--|--------------------|------------|-------------------|------------|
|  | Amount             | % of Total | Amount            | % of Total |

| <b>Municipal bond type:</b>    |            |       |            |       |
|--------------------------------|------------|-------|------------|-------|
| General Obligation             | \$ 641,013 | 69.1  | \$ 638,868 | 68.9  |
| Revenue                        | 286,547    | 30.9  | 287,937    | 31.1  |
| Total municipal bond portfolio | \$ 927,560 | 100.0 | \$ 926,805 | 100.0 |
| <b>Municipal bond issuer:</b>  |            |       |            |       |
| State Issued                   | \$ 93,544  | 10.1  | \$ 92,241  | 10.0  |
| Local Issued                   | 834,016    | 89.9  | 834,564    | 90.0  |
| Total municipal bond portfolio | \$ 927,560 | 100.0 | \$ 926,805 | 100.0 |

**Table of Contents**

WesBanco's municipal bond portfolio is broadly spread across the United States. The following table presents the top five states of municipal bond concentration within those states based on total fair value at September 30, 2017:

**TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES**

| <i>(unaudited, dollars in thousands)</i> | <b>September 30, 2017</b> |                   |
|--|---------------------------|-------------------|
|  | <b>Fair Value</b>         | <b>% of Total</b> |
| Pennsylvania                             | <b>\$ 199,881</b>         | <b>21.5</b>       |
| Ohio                                     | <b>105,305</b>            | <b>11.4</b>       |
| Texas                                    | <b>104,887</b>            | <b>11.3</b>       |
| Illinois                                 | <b>50,111</b>             | <b>5.4</b>        |
| West Virginia                            | <b>35,097</b>             | <b>3.8</b>        |
| All other states                         | <b>432,279</b>            | <b>46.6</b>       |
| <b>Total municipal bond portfolio</b>    | <b>\$ 927,560</b>         | <b>100.0</b>      |

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

**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.

**Table of Contents**

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

**TABLE 10. COMPOSITION OF LOANS (1)**

| <i>(unaudited, dollars in thousands)</i> | September 30, 2017 |            | December 31, 2016 |            |
|--|--------------------|------------|-------------------|------------|
|  | Amount             | % of Loans | Amount            | % of Loans |
| Commercial real estate:                  |                    |            |                   |            |
| Land and construction                    | \$ 606,593         | 9.5        | \$ 496,539        | 7.9        |
| Improved property                        | 2,407,819          | 37.6       | 2,376,972         | 37.9       |
| Total commercial real estate             | 3,014,412          | 47.1       | 2,873,511         | 45.8       |
| Commercial and industrial                | 1,125,693          | 17.6       | 1,088,118         | 17.4       |
| Residential real estate                  | 1,356,580          | 21.2       | 1,383,390         | 22.1       |
| Home equity                              | 527,216            | 8.2        | 508,359           | 8.1        |
| Consumer                                 | 349,148            | 5.5        | 396,058           | 6.3        |
| Total portfolio loans                    | 6,373,049          | 99.6       | 6,249,436         | 99.7       |
| Loans held for sale                      | 26,888             | 0.4        | 17,315            | 0.3        |
| Total loans                              | \$ 6,399,937       | 100.0      | \$ 6,266,751      | 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.

Portfolio loans, which include \$1.0 billion from the YCB acquisition, increased \$123.6 million or 2.0% from December 31, 2016 and \$136.2 million or 2.2% over the last twelve months. Total loan growth over the last twelve months was driven by strategic focus categories with 5.5% growth in total commercial loans and 4.3% growth in home equity loans, from expanded market areas and additional commercial personnel in our core markets. Secondary market loan sales of residential mortgages continued to increase resulting in an increase in the gain on sale of mortgages and a reduction in residential mortgages retained in the portfolio. In addition, the consumer portfolio declined due to a reduced focus and pricing adjustments for indirect installment loans.

Total loan commitments of \$1.9 billion, including loans approved but not closed, increased \$102.4 million or 5.8% from December 31, 2016 due primarily to the larger overall portfolio size from the YCB acquisition as well as new loan demand, particularly in land and construction development. The line utilization percentage for the commercial portfolio was 47.4% at September 30, 2017 and 45.5% at December 31, 2016.

The commercial portfolio is monitored for potential concentrations of credit risk by market, type of lending, CRE property type, C&I and owner-occupied CRE by industry, investment CRE dependence on common tenants and

industries or property types that are similarly impacted by external factors.

At September 30, 2017 total exposure to core energy industries such as drilling, extraction, pipeline construction, mining equipment, investment real estate with energy-related tenants and other related support activities approximated \$57.3 million or 0.71% of the total loan portfolio as compared to \$51.1 million or 0.65% of the total loan portfolio at December 31, 2016. Exposure to ancillary industries such as utility distribution and transportation, engineering services, manufacturers and retailers of other heavy equipment used in core energy industries, approximates an additional \$67.0 million in exposure or 0.83% of the total loan portfolio as compared to \$77.5 million or 0.98% of the total loan portfolio at December 31, 2016. The largest exposure to any one borrower in either core energy or ancillary industries was \$24.4 million to a company that operates as a natural gas distribution utility.



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>   | September 30,<br>2017 | December 31,<br>2016 |
|--|-----------------------|----------------------|
| Non-accrual loans:   |                       |                      |
| Commercial real estate - land and construction   | \$ 474                | \$ 766               |
| Commercial real estate - improved property   | 14,263                | 9,535                |
| Commercial and industrial  | 2,950                 | 4,299                |
| Residential real estate  | 12,641                | 12,994               |
| Home equity  | 4,426                 | 3,538                |
| Consumer   | 704                   | 652                  |
| <br>Total non-accrual loans (1)  | <br>35,458            | <br>31,784           |
| TDRs accruing interest:  |                       |                      |
| Commercial real estate - land and construction   |                       |                      |
| Commercial real estate - improved property   | 1,563                 | 1,618                |
| Commercial and industrial  | 133                   | 152                  |
| Residential real estate  | 4,453                 | 5,311                |
| Home equity  | 419                   | 473                  |
| Consumer   | 70                    | 92                   |
| <br>Total TDRs accruing interest (1)   | <br>6,638             | <br>7,646            |
| <br>Total non-performing loans   | <br>\$ 42,096         | <br>\$ 39,430        |
| <br>Other real estate owned and repossessed assets                                       | <br>5,782             | <br>8,346            |
| <br>Total non-performing assets  | <br>\$ 47,878         | <br>\$ 47,776        |
| <br>Non-performing loans/total portfolio loans   | <br>0.66%             | <br>0.63%            |
| Non-performing assets/total assets   | 0.48%                 | 0.49%                |
| Non-performing assets/total portfolio loans, other<br>real estate and repossessed assets | 0.75%                 | 0.76%                |

(1) TDRs on non-accrual of \$3.0 million and \$3.5 million at September 30, 2017 and December 31, 2016, respectively, are included in total non-accrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, increased \$2.7 million or 6.8%, from December 31, 2016, primarily due to a purchased credit impaired loan from ESB placed on non-accrual in the first

quarter. TDRs decreased \$1.0 million due to successful exit strategies combined with normal repayments and fewer additions to the category due to overall improvement in economic conditions in our markets. (Please see the Notes to the Consolidated Financial Statements for additional discussion.)

Other real estate owned and repossessed assets decreased \$2.6 million from December 31, 2016, primarily due to continued efforts to liquidate properties acquired from YCB, which totaled \$3.0 million on the acquisition date.

**Table of Contents**

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

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

| <i>(unaudited, dollars in thousands)</i>                                 | September 30,<br>2017 | December 31,<br>2016 |
|--|-----------------------|----------------------|
| Loans past due 90 days or more:  |                       |                      |
| Commercial real estate - land and construction                           | \$                    | \$                   |
| Commercial real estate - improved property                               | 542                   | 318                  |
| Commercial and industrial  | 20                    | 229                  |
| Residential real estate  | 2,418                 | 1,922                |
| Home equity  | 1,289                 | 626                  |
| Consumer   | 587                   | 644                  |
| <br>Total loans past due 90 days or more                                 | <br>4,856             | <br>3,739            |
| Loans past due 30 to 89 days:  |                       |                      |
| Commercial real estate - land and construction                           |                       |                      |
| Commercial real estate - improved property                               | 2,808                 | 747                  |
| Commercial and industrial  | 1,836                 | 1,522                |
| Residential real estate  | 4,730                 | 6,080                |
| Home equity  | 3,940                 | 2,949                |
| Consumer   | 3,978                 | 4,731                |
| <br>Total loans past due 30 to 89 days                                   | <br>17,292            | <br>16,029           |
| <br>Total 30 days or more  | <br>\$ 22,148         | <br>\$ 19,768        |
| <br>Loans past due 90 days or more and accruing to total portfolio loans | <br>0.08%             | <br>0.06%            |
| Loans past due 30-89 days and accruing to total portfolio loans          | 0.27%                 | 0.26%                |

Loans past due 30 days or more and accruing interest excluding TDRs increased \$2.4 million or 12.0% from December 31, 2016. These loans continue to accrue interest because they are both well-secured and in the process of collection. The increase in 30 to 89 days past due status was primarily due to a \$2.1 million increase in the commercial real estate category and represented 0.27% of total loans at September 30, 2017 and 0.26% at December 31, 2016. Loans past due 90 days or more increased \$1.1 million from December 31, 2016 and represented 0.08% of total loans at September 30, 2017 compared to 0.06% at December 31, 2016. The continued low levels of delinquency are the result of management's continued focus on sound initial underwriting, timely collection of loans at their earliest stage of delinquency, relatively stable unemployment throughout our markets and generally improved economic conditions.

**ALLOWANCE FOR CREDIT LOSSES**

The allowance for loan losses of \$45.5 million represented 0.71% of total portfolio loans at September 30, 2017 compared to 0.70% as of December 31, 2016 and 0.69% as of September 30, 2016. Included in the ratio are acquired YCB and ESB loans (recorded at fair value at the date of acquisition of \$1.7 billion) and the related allowance on YCB and ESB acquired loans of \$3.1 million at September 30, 2017. Excluding these acquired loans and the related allowance results in a more comparable coverage ratio to prior periods.

The allowance for loans individually-evaluated for impairment decreased \$0.3 million from December 31, 2016 to \$0.6 million.

The allowance for loan commitments of \$0.6 million at September 30, 2017 was unchanged compared to December 31, 2016 and is included in other liabilities on the Consolidated Balance Sheets.

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.

**Table of Contents**

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 1.24% of total loans, improving from 1.42% at September 30, 2016. Criticized and classified loans as a percent of total loans improved as overall credit quality continued to improve, enabling certain loans to be upgraded while others have paid down.

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The increase in the allocation of the allowance for CRE land and construction and C&I loans is primarily driven by growth in these respective categories. The allowance for CRE improved property was relatively flat as historical charge-offs and loan downgrades continue to decline at a faster pace than growth in the category. The allocation of allowance to residential real estate and consumer loans decreased due to lower loan volumes, while the allocation of allowance to the home equity category represented the most significant increase due to higher loan balances year over year resulting from management's efforts to increase this category of lending.

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

| <i>(unaudited, dollars in thousands)</i>       | September 30,<br>2017 | Percent of<br>Total | December 31,<br>2016 | Percent of<br>Total |
|--|-----------------------|---------------------|----------------------|---------------------|
| Allowance for loan losses:                     |                       |                     |                      |                     |
| Commercial real estate - land and construction | \$ 4,852              | 10.5                | \$ 4,348             | 9.8                 |
| Commercial real estate - improved property     | 18,987                | 41.2                | 18,628               | 42.1                |
| Commercial and industrial                      | 9,648                 | 20.9                | 8,412                | 19.0                |
| Residential real estate                        | 3,372                 | 7.3                 | 4,106                | 9.3                 |
| Home equity                                    | 4,489                 | 9.7                 | 3,422                | 7.7                 |
| Consumer                                       | 3,379                 | 7.3                 | 3,998                | 9.0                 |
| Deposit account overdrafts                     | 760                   | 1.7                 | 760                  | 1.8                 |
| <b>Total allowance for loan losses</b>         | <b>\$ 45,487</b>      | <b>98.6</b>         | <b>\$ 43,674</b>     | <b>98.7</b>         |
| Allowance for loan commitments:                |                       |                     |                      |                     |
| Commercial real estate - land and construction | \$ 133                | 0.3                 | \$ 151               | 0.4                 |
| Commercial real estate - improved property     | 21                    | 0.0                 | 17                   | 0.0                 |
| Commercial and industrial                      | 233                   | 0.5                 | 188                  | 0.4                 |
| Residential real estate                        | 9                     | 0.0                 | 9                    | 0.0                 |
| Home equity                                    | 211                   | 0.5                 | 162                  | 0.4                 |
| Consumer                                       | 40                    | 0.1                 | 44                   | 0.1                 |
| <b>Total allowance for loan commitments</b>    | <b>647</b>            | <b>1.4</b>          | <b>571</b>           | <b>1.3</b>          |
| <b>Total allowance for credit losses</b>       | <b>\$ 46,134</b>      | <b>100.0</b>        | <b>\$ 44,245</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 September 30, 2017.

Table of Contents

## DEPOSITS

TABLE 14. DEPOSITS

| <i>(unaudited, dollars in thousands)</i> | September 30,<br>2017 | December 31,<br>2016 | \$ Change        | % Change   |
|--|-----------------------|----------------------|------------------|------------|
| <b>Deposits</b>                          |                       |                      |                  |            |
| Non-interest bearing demand              | \$ 1,851,167          | \$ 1,789,522         | \$ 61,645        | 3.4        |
| Interest bearing demand                  | 1,666,117             | 1,546,890            | 119,227          | 7.7        |
| Money market                             | 990,788               | 995,477              | (4,689)          | (0.5)      |
| Savings deposits                         | 1,258,887             | 1,213,168            | 45,719           | 3.8        |
| Certificates of deposit                  | 1,334,066             | 1,495,822            | (161,756)        | (10.8)     |
| <b>Total deposits</b>                    | <b>\$ 7,101,025</b>   | <b>\$ 7,040,879</b>  | <b>\$ 60,146</b> | <b>0.9</b> |

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 172 financial centers, down from 174 offices at December 31, 2016. The FDIC insures deposits up to \$250,000 per account.

Total deposits increased by \$60.1 million or 0.9% during the first nine months of 2017. Interest bearing demand, savings deposits, and non-interest bearing demand deposits increased 7.7%, 3.8%, and 3.4%, respectively, while money market deposits decreased 0.5%. This net growth is primarily attributable to marketing, customer incentives, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities, coupled with 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. In addition, money market deposits were influenced primarily through WesBanco's participation in the Insured Cash Sweep (ICS®) money market deposit program. ICS® reciprocal balances totaled \$54.0 million at September 30, 2017 compared to \$5.7 million at December 31, 2016.

Certificates of deposit decreased \$161.8 million or 10.8% due primarily to the effects of an overall strategy designed to increase and remix retail deposit relationships with a focus on overall products that can be offered at a lower cost to WesBanco. The decline was also impacted by lower offered rates on maturing certificates of deposit earlier in the period and customer preferences for other non-maturity deposit types. WesBanco does not generally solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Services (CDARS®) program and the ICS® money market deposit program. CDARS® balances totaled \$127.7 million in outstanding balances at September 30, 2017, of which \$95.1 million represented one-way buys, compared to \$135.2 million in total outstanding balances at December 31, 2016, of which \$100.1 million represented one-way buys. Certificates of deposit greater than \$250,000 were approximately \$214.2 million at September 30, 2017 compared to \$219.3 million at December 31, 2016. Certificates of deposit of \$100,000 or more were approximately \$611.6 million at September 30, 2017 compared to \$681.5 million at December 31, 2016. Certificates of deposit totaling approximately \$762.9 million at September 30, 2017 with a cost of 0.62% are scheduled to mature within the next 12 months. WesBanco intends to continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits, while reducing single service certificate of deposit relationships. From time-to-time, the Company may offer special promotions or rates on certain maturities of CDs and other savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs.





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

| <i>(unaudited, dollars in thousands)</i>       | September 30,<br>2017 | December 31,<br>2016 | \$<br>Change | %<br>Change |
|--|-----------------------|----------------------|--------------|-------------|
| Federal Home Loan Bank Borrowings              | \$ 1,015,010          | \$ 968,946           | \$ 46,064    | 4.8         |
| Other short-term borrowings                    | 165,576               | 199,376              | (33,800)     | (17.0)      |
| Subordinated debt and junior subordinated debt | 164,278               | 163,598              | 680          | 0.4         |
| Total  | \$ 1,344,864          | \$ 1,331,920         | \$ 12,944    | 1.0         |

Borrowings are a significant source of alternative funding for WesBanco as compared to deposits, and totaled 13.6% of total assets at both September 30, 2017 and December 31, 2016. During the first nine months of 2017, WesBanco reduced other short-term borrowings and borrowed approximately \$75.0 million of FHLB borrowings with longer-term maturities. In addition, WesBanco extended the maturities of approximately \$465.0 million of FHLB borrowings at an average cost of 1.57% versus current short-term FHLB rates approximating 1.30% to 1.35%.

Other short-term borrowings, which consist primarily of securities sold under agreements to repurchase and federal funds purchased at September 30, 2017, and may also include notes payable, were \$165.6 million at September 30, 2017 compared to \$199.4 million at December 31, 2016. The decrease is primarily due to a \$54.0 million decrease in federal funds purchased, which was partially offset by a \$20.2 million increase in repurchase agreements. WesBanco also renewed a revolving line of credit in August 2017, 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 was no outstanding balance at September 30, 2017 or December 31, 2016.

Subordinated debt and junior subordinated debt consisted of \$25.8 million in subordinated debentures and \$138.4 million in junior subordinated debt at September 30, 2017. The subordinated debt was issued by YCB and has a fixed rate of 6.25% through the call date of December 15, 2020, at which time the interest rate converts to a variable rate equal to three-month LIBOR plus 459 basis points. The subordinated debt matures on December 15, 2025 and is considered Tier 2 regulatory capital for both WesBanco Bank and WesBanco, Inc. until it begins to phase out in 2020. The junior subordinated debt has either been issued by trusts formed by WesBanco (trust preferred securities) or assumed in various acquisitions. At September 30, 2017, junior subordinated debt totaling \$130.0 million had variable interest rates based on three-month LIBOR ranging from 2.90% to 4.45%, and junior subordinated debt totaling \$8.4 million had a fixed rate of 8.00%. The junior subordinated debt matures at various dates from June 2033 through June 2038, and the related trust preferred securities are considered Tier 1 regulatory capital for WesBanco, Inc. under current regulatory guidelines.

**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 \$1.4 billion at September 30, 2017 compared to \$1.3 billion at December 31, 2016. The increase resulted primarily from net income during the current nine-month period of \$78.6 million and a \$6.3 million decrease in other comprehensive loss, which were partially offset by the declaration of common shareholder dividends totaling \$34.3 million for the nine months ended September 30, 2017. WesBanco also increased its quarterly dividend rate to \$0.26 per share in February, representing an 8.3% increase over the prior quarterly rate and a cumulative 86% increase over the last twenty-six quarters.

**Table of Contents**

Under the current share repurchase plan, WesBanco purchased 12,987 shares during the nine month period ended September 30, 2017 from employees for the payment of withholding taxes to facilitate the vesting of restricted stock. At September 30, 2017, the remaining shares authorized to be purchased under current authorized repurchase plans totaled 1,107,320 shares.

On February 17, 2017, WesBanco granted 12,000 Total Shareholder Return Plan shares for the performance period beginning January 1, 2017 and ending December 31, 2019 to certain executives. The award is determined at the end of the three-year period if the total shareholder return (TSR) of WesBanco common stock is equal to or greater than the 50<sup>th</sup> percentile of the TSR of the peer group. The number of shares to be earned by the participant shall be 200% of the grant-date award if the TSR of WesBanco common stock is equal to or greater than the 75<sup>th</sup> percentile of the TSR of the peer group. Upon achieving the market-based metric, shares determined to be earned by the participant become service-based and vest in three equal annual installments.

On May 16, 2017, WesBanco granted 117,550 stock options to selected officers at an exercise price of \$38.88. These options are service-based and vest 50% at December 31, 2017 and 50% at December 31, 2018. On the same date, WesBanco also issued 70,321 shares of time-based restricted stock and 9,003 shares of performance-based restricted stock to selected officers. The time-based restricted shares are service-based and cliff-vest 36 months from the date of grant. The performance-based restricted shares have a three-year performance period, beginning January 1, 2018, based on WesBanco's return on average assets and return on average tangible common equity measured for each year, compared to a national peer group of financial institutions with total assets between approximately \$9 billion and \$15 billion. Earned performance-based restricted shares are also subject to additional service-based vesting with 50% vesting on May 16, 2021 after the completion of the three-year performance period and the final 50% vesting on May 16, 2022.

Regulatory guidelines require bank holding companies and commercial banks to maintain certain minimum capital ratios and define companies as "well capitalized" that sufficiently exceed the minimum ratios. At September 30, 2017, regulatory capital levels for both the Bank and WesBanco were substantially greater than the minimum amounts needed to be considered "well capitalized" under the regulations. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to WesBanco. As of September 30, 2017, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of approximately \$60.5 million from the Bank. WesBanco intends to continue to improve its consolidated and Bank capital ratios over time primarily from retaining a majority of its earnings, net of general corporate uses for stock repurchases, acquisitions, and other purposes.

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 |                      | September 30, 2017 |        | December 31, 2016 |            | Minimum Amount |            |
|--|---------------|----------------------|--------------------|--------|-------------------|------------|----------------|------------|
|  | (1)           | Well Capitalized (2) | Amount             | Ratio  | (1)               | Amount     | Ratio          | (1)        |
| <b>WesBanco, Inc.</b>                    |               |                      |                    |        |                   |            |                |            |
| Tier 1 leverage                          | 4.00%         | 5.00%                | \$ 950,758         | 10.21% | \$ 372,546        | \$ 901,873 | 9.81%          | \$ 367,843 |
| Common equity Tier 1                     | 4.50%         | 6.50%                | 816,721            | 11.70% | 314,152           | 773,306    | 11.28%         | 308,462    |
| Tier 1 capital to risk-weighted assets   | 6.00%         | 8.00%                | 950,758            | 13.62% | 418,869           | 901,873    | 13.16%         | 411,283    |
| Total capital to risk-weighted assets    | 8.00%         | 10.00%               | 1,022,695          | 14.65% | 558,492           | 971,762    | 14.18%         | 548,378    |

**WesBanco Bank, Inc.**

|  |       |        |            |        |            |            |        |            |
|--|-------|--------|------------|--------|------------|------------|--------|------------|
| Tier 1 leverage                        | 4.00% | 5.00%  | \$ 856,750 | 9.22%  | \$ 371,816 | \$ 827,173 | 9.02%  | \$ 366,903 |
| Common equity Tier 1                   | 4.50% | 6.50%  | 856,750    | 12.29% | 313,673    | 827,173    | 12.10% | 307,728    |
| Tier 1 capital to risk-weighted assets | 6.00% | 8.00%  | 856,750    | 12.29% | 418,231    | 827,173    | 12.10% | 410,305    |
| Total capital to risk-weighted assets  | 8.00% | 10.00% | 928,099    | 13.31% | 557,641    | 896,598    | 13.11% | 547,073    |

- (1) Minimum requirements to remain adequately capitalized.  
(2) Well-capitalized under prompt corrective action regulations.

**Table of Contents****LIQUIDITY RISK**

Liquidity is defined as a financial institution's capacity to meet its cash and collateral obligations at a reasonable cost. Liquidity risk is the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its obligations. An institution's obligations, and the funding sources to meet them, depend significantly on its business mix, balance sheet structure, and the cash flows of its on- and off-balance sheet obligations. Institutions confront various internal and external situations that can give rise to increased liquidity risk including funding mismatches, market constraints on funding sources, contingent liquidity events, changes in economic conditions, and exposure to credit, market, operation, legal and reputation risk. WesBanco actively manages liquidity risk through its ability to provide adequate funds to meet changes in loan demand, unexpected outflows in deposits and other borrowings as well as to take advantage of market opportunities and meet operating cash needs. This is accomplished by maintaining liquid assets in the form of securities, sufficient borrowing capacity and a stable core deposit base. Liquidity is centrally monitored by WesBanco's Asset/Liability Committee (ALCO).

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. WesBanco believes its cash flow from the loan portfolio, the investment portfolio, and other sources, adequately meet its liquidity requirements. WesBanco's net loans to assets ratio was 64.1% at September 30, 2017 and deposit balances funded 71.6% of assets.

The following table lists the sources of liquidity from assets at September 30, 2017 expected within the next year:

|  |                     |
|--|---------------------|
| <i>(unaudited, in thousands)</i>   |                     |
| Cash and cash equivalents  | <b>\$ 110,871</b>   |
| Securities with a maturity date within the next year and callable securities                                 | <b>153,564</b>      |
| Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1) | <b>201,614</b>      |
| Loans held for sale  | <b>26,888</b>       |
| Accruing loans scheduled to mature   | <b>945,407</b>      |
| Normal loan repayments   | <b>1,444,601</b>    |
| <b>Total sources of liquidity expected within the next year</b>  | <b>\$ 2,882,945</b> |

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$7.1 billion at September 30, 2017. 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 \$762.9 million at September 30, 2017, which includes jumbo regular certificates of deposit totaling \$292.2 million with a weighted-average cost of 0.81%, and jumbo CDARS® deposits of \$90.6 million with a weighted-average cost of 0.91%.

WesBanco maintains a line of credit with the FHLB as an additional funding source. Available credit with the FHLB at September 30, 2017 and December 31, 2016 approximated \$1.6 billion and \$1.7 billion, respectively. 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. At September 30, 2017, the Bank had unpledged available-for-sale securities with an amortized cost of \$330.6 million. A portion of these securities could be sold for additional liquidity, or such securities could be pledged to secure additional FHLB or other borrowings. Available liquidity through the sale of investment securities is limited to unpledged securities totaling 26.1% of the available-for-sale portfolio. Public deposit balances for which securities are pledged have increased significantly through the ESB and YCB acquisitions of the past two years. WesBanco's held-to-maturity portfolio currently contains \$590.9 million of unpledged securities. Most of the balance of unpledged securities represents municipal bonds, which can only be pledged in limited circumstances. Unless in compliance with certain criteria, these securities cannot be sold without the remainder of the held-to-maturity portfolio being required to be classified as available-for-sale.

---

**Table of Contents**

WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program ( BIC ) whereby WesBanco pledges certain consumer loans as collateral for borrowings. At September 30, 2017, WesBanco had a BIC line of credit totaling \$202.5 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$285.0 million, of which \$4.0 million was outstanding at September 30, 2017, along with seeking other lines of credit, borrowings under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing brokered deposits, or selling securities available-for-sale or certain types of loans.

Other short-term borrowings of \$165.6 million at September 30, 2017 consisted of callable repurchase agreements and overnight sweep checking accounts for large commercial customers, and federal funds purchased. There has not been a significant fluctuation in the average deposit balances of the overnight sweep checking accounts during 2017. The overnight sweep checking accounts require U.S. Government 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, \$70.7 million in cash and investments on hand, and a \$25.0 million revolving line of credit with another bank, which did not have an outstanding balance at September 30, 2017. WesBanco is in compliance with all loan covenants. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of September 30, 2017, under FDIC and State of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$60.5 million from the Bank. Management believes these are appropriate levels of cash for WesBanco 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 \$1.9 billion at September 30, 2017 and December 31, 2016. On a historical basis, only a 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 Loan Commitments section of this MD&A for additional information.

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 September 30, 2017, 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 is a Board-level committee with both Board and senior management representation, including the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Management Officer and the Senior Treasury Officer. It 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 and an economic value-at-risk model to measure the fair value of net equity. These models are 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 and reviewed quarterly by the ALCO, while appropriate documentation is maintained in meeting minutes and treasury department files.

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, security call dates, adjustments to various non-maturity deposit product rates, or "betas", and non-maturity deposit decay 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 both historical experience and current market rates, and are periodically back-tested and reviewed by third-party consultants. Security portfolio maturities and prepayments are assumed to be reinvested in similar instruments and callable/prepayable security 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 security forecasts and non-maturity deposit product behavior assumptions will approximate actual future results. Moreover, the net interest income sensitivity chart presented in Table 1, "Net Interest Income Sensitivity", assumes that the balance sheet 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.

**Table of Contents**

Interest rate risk policy limits are determined by measuring the anticipated change in net interest income over a twelve-month period, assuming an immediate and sustained 100, 200, 300 and 400 basis point increase or decrease in market interest rates across the entire yield curve, compared to a stable rate environment or base model. WesBanco's current policy limits this exposure to a reduction of 10%, 12.5%, 15% and 20% or less, respectively, of net interest income from the base model over a twelve-month period. The table below shows WesBanco's interest rate sensitivity at September 30, 2017 and December 31, 2016, assuming the above-noted interest rate increases as compared to a base model. Due to the current lower interest rate environment, particularly for short-term rates, the 200 and 300 basis point decreasing change are not shown due to the unrealistic nature of results associated with short-term negative interest rates.

**TABLE 1. NET INTEREST INCOME SENSITIVITY**

| Immediate Change in<br>Interest Rates<br>(basis points) | Percentage Change in<br>Net Interest Income from Base over<br>One Year |                      | ALCO<br>Guidelines |
|---|--|----------------------|--------------------|
|   | September 30,<br>2017  | December 31,<br>2016 |                    |
| +400  | 10.1%  | 4.5%                 | (20.0%)            |
| +300  | 7.4%   | 4.7%                 | (15.0%)            |
| +200  | 5.0%   | 4.6%                 | (12.5%)            |
| +100  | 3.0%   | 3.1%                 | (10.0%)            |
| -100  | (3.0%)   | (2.3%)               | (10.0%)            |

As per the table above, the earnings simulation model at September 30, 2017 currently projects that net interest income for the next twelve-month period would decrease by 3.0% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 2.3% for the same scenario as of December 31, 2016.

For rising rate scenarios, net interest income would increase by 3.0%, 5.0%, 7.4% and 10.1% if rates were to increase by 100, 200, 300 and 400 basis points, respectively, as of September 30, 2017, compared to increases of 3.1%, 4.6%, 4.7% and 4.5% in a 100, 200, 300 and 400 basis point increasing rate environment as of December 31, 2016.

The balance sheet shows generally greater asset sensitivity as of September 30, 2017, as compared to December 31, 2016, with differences resulting from changes in the mix of, and growth in various earning assets and costing liabilities, as well as adjustments earlier in the year for various modeling assumptions such as deposit beta rates, decay rates for non-maturity deposits and loan prepayment speeds based upon a third-party study of the Company's own data for such assumptions. Generally, deposit betas are higher than those used in prior years, but loan prepayment speeds have also increased to reflect various loan classifications' propensity to prepay over time. The net impact of these assumption changes was higher asset sensitivity in combination with balance sheet changes experienced from year-end. Management believes that overall asset sensitivity in non-parallel rising rate scenarios may be somewhat neutralized due to slower prepayment speeds, slower than forecasted increases to loan yields, extension risk associated with residential mortgages and mortgage-backed securities, and other earning asset and costing liability differences versus currently modeled assumptions. Another factor to be considered in any earnings simulation are rate floors on variable rate commercial loans from prior years' lower interest rate environments, with such floors currently averaging 4.10% on approximately \$1.2 billion of commercial loans at September 30, 2017, or 30% of commercial loans, as compared to \$1.3 billion or 32% of commercial loans at year-end. Approximately 47% or \$578.5 million of these loans are currently priced at their floor, as compared to 53% or \$671.9 million at December 31, 2016. In a less than 100 basis point rising rate environment, these loans may not adjust as rapidly from their current floor level as

compared to loans without floors. As a result of three federal funds rate increases over the past year, affecting short-term market rates used in loan pricing, more commercial loans with floors should experience a rate increase in a rising rate environment of 100 basis points or more.

---

**Table of Contents**

The net interest margin has grown by 16 and 15 basis points, respectively, for the three and nine month periods ended September 30, 2017 compared to last year due to higher yielding earning assets from YCB, low deposit betas for the prior three federal funds rate increases, loan growth and purchase accounting accretion. Further margin expansion would be dependent on additional federal funds and other market rate/yield curve increases, in addition to continued execution of our business strategy to remix investment securities maturities into loans and higher cost borrowings and CDs into lower costing transaction accounts while controlling the beta of transaction accounts in relation to changes in short-term market interest rates. In addition, net purchase accounting accretion is expected to decrease throughout 2017, which requires loan growth and/or rate increases to offset such impact. Management currently anticipates that one additional short-term federal funds rate increase may occur by the end of the fourth quarter, and potentially two more in 2018 towards the middle and end of the year, relatively consistent with general market and consensus economist expectations. Delays in implementing further rate increases or increases to deposit betas beyond our current modeling assumptions for existing accounts typically would have a negative impact on management's estimates of the future direction and level of the net interest margin.

Customers over the past few years have moved maturing CD balances to lower-costing transaction accounts as well as into non-deposit products provided by the Company or other competitors. A portion of these lower-cost transaction account balances may migrate to higher-costing CDs or money market accounts as short-term rates continue to increase. Runoff of CDs from prior acquisitions, many of which customers had single service relationships as well as our own retail focus on increasing the number of relationships with our customers has been replaced with FHLB and other short-term borrowings. Certificates of deposit totaling approximately \$762.9 million mature within the next year at an average cost of 0.62%. Approximately \$465 million of short-term maturing FHLB borrowings in the first nine months of 2017 were replaced with higher cost, medium-term borrowings, which strategy was intended to improve asset sensitivity and liquidity measures. Additional maturing borrowings over the remainder of the year may also be lengthened at a higher cost to the maturing borrowings' average rate. In addition, management is currently controlling the total size of the balance sheet, without limiting prudent loan growth opportunities, in order to remain under \$10 billion in total assets through the remainder of 2017 and into 2018.

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

Current balance sheet strategies to manage the net interest margin in the expected rate environment include:

increasing total loans, particularly commercial and home equity loans that have variable or adjustable rates through various marketing and incentive strategies;

selling additional residential mortgage loan production into the secondary market;

marketing demand deposit account types to continue to increase the portion of these account types to total deposits;

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

re-mixing a portion of investment securities cash flows into loans;

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

using the CDARS<sup>®</sup> and ICS<sup>®</sup> deposit programs as necessary to manage overall liability mix, and

managing the overall size of the balance sheet to remain under \$10 billion in total assets into 2018 to delay the implementation of certain costs and regulations associated with the Dodd-Frank Act.

---

**Table of Contents**

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve-month period. WesBanco's current policy limits this exposure to a change of minus 10% in net interest income from the base model for a twelve-month period and for an extended two-year rate ramp of 400 basis points. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at September 30, 2017 using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 2.3% over the next twelve months, compared to a 3.2% increase at December 31, 2016. For the first twelve months of a 400 basis point rate ramp over two years, the increase in net interest income would be 3.1% in year one as compared to the base, and 13.0% in year two when compared to year two's base. In addition, management utilizes a most likely forecast scenario to forecast net interest income over a rolling two-year time frame. This forecast is updated and reviewed quarterly, incorporating budget or current forecast assumptions into the model such as estimated loan and deposit growth, asset and liability re-mixing, changes in base forecasted rates for various maturities, competitive market spreads for various products, marketing promotions and other assumptions. Such modeling helps to predict changes in forecasted outcomes and necessary adjustments to the plan to achieve management's earnings goals.

WesBanco also periodically measures the economic value of equity, which is defined as the market value of tangible equity in various rate scenarios. At September 30, 2017, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates a decrease of 1.6%, compared to an increase of 6.7% at December 31, 2016. In a 100 basis point falling rate environment, the model indicates a decrease of 2.9%, compared to a decrease of 9.8% as of December 31, 2016. WesBanco's policy is to limit such change to minus 10% for a 100 basis point change in interest rates, minus 20% for a 200 basis point change in interest rates, minus 30% for a 300 basis point rate change in interest rates, and minus 40% for a 400 basis point rate change in interest rates. Changes to various assets and liabilities, as well as certain changes to loan prepayment speeds and decay rates associated with non-maturity deposits, caused the change in market value of tangible equity as compared to year-end.

**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 to ensure that information required to be disclosed by WesBanco in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to WesBanco's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

**LIMITATIONS ON THE EFFECTIVENESS OF CONTROLS** WesBanco's management, including the CEO and CFO, does not expect that WesBanco's disclosure controls and internal controls will prevent all errors and all fraud. While WesBanco's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objective, no control system, no matter how well conceived and operated, can provide absolute assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

**CHANGES IN INTERNAL CONTROLS** There were no changes in WesBanco's internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2017 as required to be reported by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, that materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

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

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

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

As of September 30, 2017, WesBanco had two active one million share stock repurchase plans. The first plan was originally approved by the Board of Directors on March 21, 2007 and the second, which is incremental to the first, was approved October 22, 2015. Each provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time, although the plan has no expiration date.

The following table presents the monthly share purchase activity during the quarter ended September 30, 2017:

| <b>Period</b>                                  | <b>Total Number of Shares Purchased</b> | <b>Average Price Paid per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under the Plans</b> |
|--|---|-------------------------------------|---|---|
| Balance at June 30, 2017                       |   |                                     |   | 1,107,320   |
| <b>July 1, 2017 to July 31, 2017</b>           |   |                                     |   |   |
| Open market repurchases                        |   | \$                                  |   | 1,107,320   |
| Other transactions (1)                         | 15,887                                  | 42.75                               | N/A   | N/A   |
| <b>August 1, 2017 to August 31, 2017</b>       |   |                                     |   |   |
| Open market repurchases                        |   | \$                                  |   | 1,107,320   |
| Other transactions (1)                         | 1,955                                   | 37.54                               | N/A   | N/A   |
| <b>September 1, 2017 to September 30, 2017</b> |   |                                     |   |   |
| Open market repurchases                        |   | \$                                  |   | 1,107,320   |
| Other transactions (1)                         | 1,143                                   | 38.98                               | N/A   | N/A   |
| <b>Third Quarter 2017</b>                      |   |                                     |   |   |
| Open market repurchases                        |   | \$                                  |   | 1,107,320   |
| Other transactions (1)                         | 18,985                                  | 41.99                               | N/A   | N/A   |



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

**Table of Contents**

**ITEM 6. EXHIBITS**

- 31.1 Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
- 31.2 Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following materials from WesBanco's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at September 30, 2017 and December 31, 2016, (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2017 and 2016, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, and (v) the Notes to Consolidated Financial Statements.

Table of Contents

**SIGNATURES**

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

**WESBANCO, INC.**

Date: October 30, 2017

/s/ Todd F. Clossin

Todd F. Clossin  
President and Chief Executive Officer

(Principal Executive Officer)

Date: October 30, 2017

/s/ Robert H. Young

Robert H. Young  
Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)