

WESBANCO INC
Form 10-Q
October 30, 2014
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, 2014

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

For the transition period from _____ to _____

Commission File Number 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

WEST VIRGINIA
(State of incorporation)

55-0571723
(IRS Employer

Identification No.)

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

26003
(Zip Code)

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

NOT APPLICABLE

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of October 27, 2014, there were 29,283,675 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

Table of Contents

WESBANCO, INC.

TABLE OF CONTENTS

Item No.	ITEM	Page No.
	<u>PART I - FINANCIAL INFORMATION</u>	
1	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets at September 30, 2014 (unaudited) and December 31, 2013</u>	3
	<u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013 (unaudited)</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013 (unaudited)</u>	6
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
4	<u>Controls and Procedures</u>	49
	<u>PART II - OTHER INFORMATION</u>	
1	<u>Legal Proceedings</u>	50
2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	50
6	<u>Exhibits</u>	51
	<u>Signatures</u>	52

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

<i>(unaudited, in thousands, except shares)</i>	September 30, 2014	December 31, 2013
ASSETS		
Cash and due from banks, including interest bearing amounts of \$2,704 and \$15,550, respectively	\$ 76,419	\$ 95,551
Securities:		
Available-for-sale, at fair value	959,553	934,386
Held-to-maturity (fair values of \$617,332 and \$596,308, respectively)	594,860	598,520
Total securities	1,554,413	1,532,906
Loans held for sale	6,260	5,855
Portfolio loans, net of unearned income	4,031,704	3,894,917
Allowance for loan losses	(45,029)	(47,368)
Net portfolio loans	3,986,675	3,847,549
Premises and equipment, net	92,090	93,157
Accrued interest receivable	20,032	18,960
Goodwill and other intangible assets, net	319,973	321,426
Bank-owned life insurance	122,678	121,390
Other assets	99,954	107,979
Total Assets	\$ 6,278,494	\$ 6,144,773
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 1,027,636	\$ 960,814
Interest bearing demand	897,827	857,761
Money market	993,211	942,768
Savings deposits	824,703	789,709
Certificates of deposit	1,358,308	1,511,478
Total deposits	5,101,685	5,062,530
Federal Home Loan Bank borrowings	123,374	39,508
Other short-term borrowings	117,637	150,536
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,166	106,137
Total borrowings	347,177	296,181
Accrued interest payable	2,103	2,354
Other liabilities	38,745	37,113

Edgar Filing: WESBANCO INC - Form 10-Q

Total Liabilities	5,489,710	5,398,178
SHAREHOLDERS EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, \$2.0833 par value; 50,000,000 shares authorized; 29,367,511 issued in 2014 and 2013, respectively; outstanding: 29,283,675 and 29,175,236 shares in 2014 and 2013, respectively	61,182	61,182
Capital surplus	244,358	244,974
Retained earnings	494,511	460,351
Treasury stock (83,836 and 192,275 shares in 2014 and 2013, respectively, at cost)	(2,601)	(5,969)
Accumulated other comprehensive loss	(7,423)	(12,734)
Deferred benefits for directors	(1,243)	(1,209)
Total Shareholders Equity	788,784	746,595
Total Liabilities and Shareholders Equity	\$ 6,278,494	\$ 6,144,773

See Notes to Consolidated Financial Statements.

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

<i>(unaudited, in thousands, except shares and per share amounts)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
INTEREST AND DIVIDEND INCOME				
Loans, including fees	\$ 43,399	\$ 43,678	\$ 128,691	\$ 131,706
Interest and dividends on securities:				
Taxable	7,375	7,226	22,051	22,015
Tax-exempt	3,413	3,355	10,234	9,748
Total interest and dividends on securities	10,788	10,581	32,285	31,763
Other interest income	116	58	829	165
Total interest and dividend income	54,303	54,317	161,805	163,634
INTEREST EXPENSE				
Interest bearing demand deposits	399	369	1,168	1,035
Money market deposits	487	345	1,394	1,023
Savings deposits	135	128	398	395
Certificates of deposit	3,254	5,597	10,305	17,626
Total interest expense on deposits	4,275	6,439	13,265	20,079
Federal Home Loan Bank borrowings	264	291	650	900
Other short-term borrowings	348	651	1,255	1,900
Junior subordinated debt owed to unconsolidated subsidiary trusts	805	805	2,392	2,506
Total interest expense	5,692	8,186	17,562	25,385
NET INTEREST INCOME	48,611	46,131	144,243	138,249
Provision for credit losses	1,478	2,819	4,526	5,942
Net interest income after provision for credit losses	47,133	43,312	139,717	132,307
NON-INTEREST INCOME				
Trust fees	5,096	4,854	15,954	14,694
Service charges on deposits	4,170	4,650	12,107	13,309
Electronic banking fees	3,268	3,124	9,549	9,186
Net securities brokerage revenue	1,701	1,506	5,533	4,644
Bank-owned life insurance	882	911	3,577	3,739
Net gains on sales of mortgage loans	550	745	1,178	2,157
Net securities gains / (losses)	581	(15)	756	687
Net (loss) / gain on other real estate owned and other assets/liabilities	(1,167)	8	(1,218)	63
Other income	1,573	1,333	4,508	3,857
Total non-interest income	16,654	17,116	51,944	52,336
NON-INTEREST EXPENSE				
Salaries and wages	17,331	16,480	50,700	48,079

Edgar Filing: WESBANCO INC - Form 10-Q

Employee benefits	5,051	5,323	16,289	17,481
Net occupancy	2,916	2,921	9,265	8,943
Equipment	2,837	2,692	8,534	7,901
Marketing	1,276	1,585	3,992	4,015
FDIC insurance	786	916	2,543	2,806
Amortization of intangible assets	477	556	1,454	1,742
Restructuring and merger-related expense		36		1,265
Other operating expenses	8,589	9,500	26,884	28,024
Total non-interest expense	39,263	40,009	119,661	120,256
Income before provision for income taxes	24,524	20,419	72,000	64,387
Provision for income taxes	6,358	4,884	18,538	15,815
NET INCOME	\$ 18,166	\$ 15,535	\$ 53,462	\$ 48,572
EARNINGS PER COMMON SHARE				
Basic	\$ 0.62	\$ 0.53	\$ 1.83	\$ 1.66
Diluted	\$ 0.62	\$ 0.53	\$ 1.82	\$ 1.66
AVERAGE COMMON SHARES OUTSTANDING				
Basic	29,280,648	29,325,128	29,235,364	29,260,967
Diluted	29,360,880	29,412,458	29,316,914	29,328,305
DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.22	\$ 0.20	\$ 0.66	\$ 0.58
COMPREHENSIVE INCOME	\$ 16,136	\$ 14,422	\$ 58,773	\$ 36,495

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, 2014 and 2013

<i>(unaudited, in thousands, except shares and per share amounts)</i>	Common Stock		Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other	Deferred	Total
	Shares Outstanding	Amount				Comprehensive Income (Loss)	Benefits for Directors	
December 31, 2013	29,175,236	\$ 61,182	\$ 244,974	\$ 460,351	\$ (5,969)	\$ (12,734)	\$ (1,209)	\$ 746,595
Net income				53,462				53,462
Other comprehensive income						5,311		5,311
Comprehensive income								58,773
Common dividends declared (\$0.66 per share)				(19,302)				(19,302)
Treasury shares acquired	(2,258)		49		(69)			(20)
Stock options exercised	68,143		(342)		2,116			1,774
Restricted stock granted	42,554		(1,321)		1,321			
Stock compensation expense			964					964
Deferred benefits for directors- net			34				(34)	
September 30, 2014	29,283,675	\$ 61,182	\$ 244,358	\$ 494,511	\$ (2,601)	\$ (7,423)	\$ (1,243)	\$ 788,784
December 31, 2012	29,214,660	\$ 60,863	\$ 241,672	\$ 419,246	\$	\$ (6,365)	\$ (1,232)	\$ 714,184
Net income				48,572				48,572
Other comprehensive loss						(12,077)		(12,077)
Comprehensive income								36,495
Common dividends declared (\$0.58 per share)				(16,985)				(16,985)
Treasury shares acquired	(11,851)				(296)			(296)
Stock options exercised	113,674	233	2,411		27			2,671
Restricted stock granted	38,250	57	(326)		269			
Adjustment to shares issued in acquisition	(4,672)	(9)	(95)					(104)
Stock compensation expense			723					723
Deferred benefits for directors- net			(33)				33	
September 30, 2013	29,350,061	\$ 61,144	\$ 244,352	\$ 450,833	\$	\$ (18,442)	\$ (1,199)	\$ 736,688

See Notes to Consolidated Financial Statements.

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

<i>(unaudited, in thousands)</i>	For the Nine Months Ended September 30,	
	2014	2013
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 70,215	\$ 88,613
INVESTING ACTIVITIES		
Net increase in loans	(142,693)	(159,087)
Securities available-for-sale:		
Proceeds from sales	4,819	9,265
Proceeds from maturities, prepayments and calls	169,094	192,714
Purchases of securities	(192,340)	(137,156)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	34,572	74,590
Purchases of securities	(33,153)	(77,179)
Purchases of premises and equipment - net	(4,409)	(6,571)
Proceeds from bank-owned life insurance	2,284	2,954
Sale of portfolio loans - net		5,886
Net cash used in investing activities	(161,826)	(94,584)
FINANCING ACTIVITIES		
Increase in deposits	39,688	117,049
Proceeds from Federal Home Loan Bank borrowings	100,532	
Repayment of Federal Home Loan Bank borrowings	(16,559)	(50,627)
Decrease in other short-term borrowings	(64,074)	(18,421)
Increase in federal funds purchased	30,000	
Repayment of junior subordinated debt		(7,732)
Dividends paid to common shareholders	(18,695)	(16,373)
Treasury shares sold (purchased) - net	1,587	(274)
Issuance of common stock		2,383
Net cash provided by financing activities	72,479	26,005
Net (decrease) increase in cash and cash equivalents	(19,132)	20,034
Cash and cash equivalents at beginning of the period	95,551	125,605
Cash and cash equivalents at end of the period	\$ 76,419	\$ 145,639
SUPPLEMENTAL DISCLOSURES		
Interest paid on deposits and other borrowings	\$ 18,672	\$ 25,802
Income taxes paid	12,300	15,725
Transfers of loans to other real estate owned	1,832	1,800
Transfers of loans to held for sale		9,434

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, 2013.

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 2013 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 2014, the Financial Accounting Standards Board (the FASB) issued an Accounting Standards Update (ASU) (ASU 2014-14) related to the classification of certain government-guaranteed mortgage loans upon foreclosure. The amendments in this update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) The loan has a government guarantee that is not separable from the loan before foreclosure, (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim, (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based upon the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 and may be adopted under either a modified retrospective transition method or a prospective transition method. However, the same method of transition as elected under ASU 2014-04 must be applied. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

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

In May 2014, the FASB issued an accounting pronouncement (ASU 2014-09) related to the recognition of revenue from contracts with customers. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. Early adoption is not permitted. WesBanco is currently evaluating the impact of the adoption of this pronouncement on its Consolidated Financial Statements.

In January 2014, the FASB issued an accounting pronouncement (ASU 2014-04) related to in-substance repossessions and foreclosures. The pronouncement clarifies when an in-substance repossession or foreclosure occurs. A creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 and may be adopted under either a modified retrospective transition method or a prospective transition

Edgar Filing: WESBANCO INC - Form 10-Q

method. Early adoption is permitted. The adoption of this pronouncement did not have a material impact on WesBanco's Consolidated Financial Statements.

In January 2014, the FASB issued an accounting pronouncement (ASU 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. Under the proportional amortization method, an entity amortizes the initial cost of the investment 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 should be applied retrospectively for all periods presented, effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's Consolidated Financial Statements.

Table of Contents**NOTE 2. EARNINGS PER COMMON SHARE**

Earnings per common share are calculated as follows:

<i>(unaudited, in thousands, except shares and per share amounts)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Numerator for both basic and diluted earnings per common share:				
Net income	\$ 18,166	\$ 15,535	\$ 53,462	\$ 48,572
Denominator:				
Total average basic common shares outstanding	29,280,648	29,325,128	29,235,364	29,260,967
Effect of dilutive stock options and warrant	80,232	87,330	81,550	67,338
Total diluted average common shares outstanding	29,360,880	29,412,458	29,316,914	29,328,305
Earnings per common share - basic	\$ 0.62	\$ 0.53	\$ 1.83	\$ 1.66
Earnings per common share - diluted	\$ 0.62	\$ 0.53	\$ 1.82	\$ 1.66

Stock options representing shares of 45,701 for the three months ended September 30, 2013, and shares of 73,536 for the nine months ended September 30, 2013, were not included in the computation of diluted earnings per share, because to do so would have been anti-dilutive. For the three and nine months ended September 30, 2014, all outstanding options were dilutive.

Table of Contents**NOTE 3. 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, 2014				December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale								
Obligations of government agencies	\$ 80,769	\$ 430	\$ (677)	\$ 80,522	\$ 75,164	\$ 6	\$ (1,938)	\$ 73,232
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	736,497	3,069	(11,150)	728,416	707,000	3,191	(15,924)	694,267
Obligations of states and political subdivisions	97,137	5,573	(15)	102,695	112,536	4,165	(355)	116,346
Corporate debt securities	36,723	248	(179)	36,792	38,777	174	(470)	38,481
Total debt securities	\$ 951,126	\$ 9,320	\$ (12,021)	\$ 948,425	\$ 933,477	\$ 7,536	\$ (18,687)	\$ 922,326
Equity securities	10,492	644	(8)	11,128	10,597	1,463		12,060
Total available-for-sale securities	\$ 961,618	\$ 9,964	\$ (12,029)	\$ 959,553	\$ 944,074	\$ 8,999	\$ (18,687)	\$ 934,386
Held-to-maturity								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 83,632	\$ 3,221	\$ (507)	\$ 86,346	\$ 99,409	\$ 2,804	\$ (1,023)	\$ 101,190
Obligations of states and political subdivisions	505,486	21,589	(1,786)	525,289	496,396	10,158	(13,906)	492,648
Corporate debt securities	5,742	39	(84)	5,697	2,715		(245)	2,470
Total held-to-maturity securities	\$ 594,860	\$ 24,849	\$ (2,377)	\$ 617,332	\$ 598,520	\$ 12,962	\$ (15,174)	\$ 596,308
Total securities	\$ 1,556,478	\$ 34,813	\$ (14,406)	\$ 1,576,885	\$ 1,542,594	\$ 21,961	\$ (33,861)	\$ 1,530,694

At September 30, 2014, and December 31, 2013, there were no holdings of any one issuer, other than the U.S. government and certain government or government-related agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at September 30, 2014. 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, 2014					Mortgage-backed and Equity	Total
	One Year or less	One to Five Years	Five to Ten Years	After Ten Years			
Available-for-sale							
Obligations of government agencies	\$	\$ 17,056	\$ 44,812	\$ 18,654	\$		\$ 80,522
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies ⁽¹⁾						728,416	728,416
Obligations of states and political subdivisions	6,799	39,840	20,649	35,407			102,695
Corporate debt securities	14,034	5,865	12,069	4,824			36,792
Equity securities ⁽²⁾						11,128	11,128

Edgar Filing: WESBANCO INC - Form 10-Q

Total available-for-sale securities	\$ 20,833	\$ 62,761	\$ 77,530	\$ 58,885	\$ 739,544	\$ 959,553
Held-to-maturity ⁽³⁾						
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies ⁽¹⁾	\$	\$	\$	\$	\$ 86,346	\$ 86,346
Obligations of states and political subdivisions	2,725	10,650	200,258	311,656		525,289
Corporate debt securities			5,697			5,697
Total held-to-maturity securities	\$ 2,725	\$ 10,650	\$ 205,955	\$ 311,656	\$ 86,346	\$ 617,332
Total securities	\$ 23,558	\$ 73,411	\$ 283,485	\$ 370,541	\$ 825,890	\$ 1,576,885

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

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

(3) The held-to-maturity portfolio is carried at an amortized cost of \$594.9 million.

Table of Contents

Securities with aggregate fair values of \$721.8 million and \$701.7 million at September 30, 2014 and December 31, 2013, 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 \$4.8 million and \$9.3 million for the nine months ended September 30, 2014 and 2013, respectively. Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income net of tax, as of September 30, 2014 and December 31, 2013 were (\$1.3) million and (\$6.1) million, respectively.

The following table presents the gross realized gains and losses on sales and calls of securities for the three and nine months ended September 30, 2014.

<i>(unaudited, in thousands)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Gross realized gains	\$ 602	\$ 5	\$ 967	\$ 881
Gross realized losses	(21)	(20)	(211)	(194)
Net realized gains (losses)	\$ 581	\$ (15)	\$ 756	\$ 687

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, 2014 and December 31, 2013:

<i>(unaudited, dollars in thousands)</i>	Less than 12 months			September 30, 2014 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Obligations of government agencies	\$ 22,192	\$ (139)	7	\$ 19,457	\$ (538)	4	\$ 41,649	\$ (677)	11
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	306,257	(2,585)	55	237,876	(9,072)	43	544,133	(11,657)	98
Obligations of states and political subdivisions	13,160	(90)	16	79,954	(1,711)	130	93,114	(1,801)	146
Corporate debt securities	5,955	(45)	2	4,490	(218)	2	10,445	(263)	4
Equity securities	281	(8)	1				281	(8)	1
Total temporarily impaired securities	\$ 347,845	\$ (2,867)	81	\$ 341,777	\$ (11,539)	179	\$ 689,622	\$ (14,406)	260

<i>(unaudited, dollars in thousands)</i>	Less than 12 months			December 31, 2013 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Obligations of government agencies	\$ 54,356	\$ (1,911)	15	\$ 5,083	\$ (27)	2	\$ 59,439	\$ (1,938)	17
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	513,495	(14,639)	89	37,002	(2,308)	11	550,497	(16,947)	100
Obligations of states and political subdivisions	181,667	(10,830)	277	47,793	(3,431)	76	229,460	(14,261)	353
Corporate debt securities	19,837	(560)	7	2,845	(155)	1	22,682	(715)	8

Edgar Filing: WESBANCO INC - Form 10-Q

Total temporarily impaired securities	\$ 769,355	\$ (27,940)	388	\$ 92,723	\$ (5,921)	90	\$ 862,078	\$ (33,861)	478
---------------------------------------	------------	-------------	-----	-----------	------------	----	------------	-------------	-----

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 to other comprehensive income in shareholders equity.

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

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of Federal Home Loan Bank (FHLB) Pittsburgh and FHLB Cincinnati stock totaling \$15.0 million and \$11.6 million at September 30, 2014 and December 31, 2013, respectively, and are included in other assets in the Consolidated Balance Sheets. Cost method investments are evaluated for impairment whenever events or circumstances suggest that their carrying value may not be recoverable.

Table of Contents**NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES**

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs of \$2.6 million and \$2.7 million at September 30, 2014 and December 31, 2013, respectively.

<i>(unaudited, in thousands)</i>	September 30, 2014	December 31, 2013
Commercial real estate:		
Land and construction	\$ 235,249	\$ 263,117
Improved property	1,738,087	1,649,802
 Total commercial real estate	 1,973,336	 1,912,919
Commercial and industrial	603,245	556,249
Residential real estate	909,531	890,804
Home equity	313,711	284,687
Consumer	231,881	250,258
 Total portfolio loans	 4,031,704	 3,894,917
 Loans held for sale	 6,260	 5,855
 Total loans	 \$ 4,037,964	 \$ 3,900,772

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

Allowance for Credit Losses By Category For the Nine Months Ended September 30, 2014 and 2013								
<i>(unaudited, in thousands)</i>	Commercial Real Estate - Commercial Land and Construction	Commercial Real Estate - Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total
Balance at December 31, 2013:								
Allowance for loan losses	\$ 6,056	\$ 18,157	\$ 9,925	\$ 5,673	\$ 2,017	\$ 5,020	\$ 520	\$ 47,368
Allowance for loan commitments	301	62	130	5	85	19		602
Total beginning allowance for credit losses	6,357	18,219	10,055	5,678	2,102	5,039	520	47,970
Provision for credit losses:								
Provision for loan losses	(812)	(403)	1,357	1,867	860	1,066	660	4,595
Provision for loan commitments	(35)	(42)	(6)	1	12	1		(69)
Total provision for credit losses	(847)	(445)	1,351	1,868	872	1,067	660	4,526
Charge-offs		(1,696)	(2,632)	(2,025)	(591)	(2,326)	(577)	(9,847)
Recoveries		457	1,058	339	94	782	183	2,913
Net charge-offs		(1,239)	(1,574)	(1,686)	(497)	(1,544)	(394)	(6,934)

Balance at September 30, 2014:

Edgar Filing: WESBANCO INC - Form 10-Q

Allowance for loan losses	5,244	16,515	9,708	5,854	2,380	4,542	786	45,029
Allowance for loan commitments	266	20	124	6	97	20		533
Total ending allowance for credit losses	\$ 5,510	\$ 16,535	\$ 9,832	\$ 5,860	\$ 2,477	\$ 4,562	\$ 786	\$ 45,562

Balance at December 31, 2012:

Allowance for loan losses	\$ 3,741	\$ 23,614	\$ 9,326	\$ 7,182	\$ 2,458	\$ 5,557	\$ 821	\$ 52,699
Allowance for loan commitments	27	25	215	6	49	19		341
Total beginning allowance for credit losses	3,768	23,639	9,541	7,188	2,507	5,576	821	53,040

Provision for credit losses:

Provision for loan losses	1,179	3,066	(561)	459	(61)	1,457	373	5,912
Provision for loan commitments	57	(1)	(64)		37	1		30

Total provision for credit losses	1,236	3,065	(625)	459	(24)	1,458	373	5,942
--	--------------	--------------	--------------	------------	-------------	--------------	------------	--------------

Charge-offs	(526)	(5,651)	(1,264)	(2,092)	(508)	(3,018)	(666)	(13,725)
Recoveries	125	482	407	250	108	887	197	2,456

Net charge-offs	(401)	(5,169)	(857)	(1,842)	(400)	(2,131)	(469)	(11,269)
------------------------	--------------	----------------	--------------	----------------	--------------	----------------	--------------	-----------------

Balance at September 30, 2013:

Allowance for loan losses	4,519	21,511	7,908	5,799	1,997	4,883	725	47,342
Allowance for loan commitments	84	24	151	6	86	20		371

Total ending allowance for credit losses	\$ 4,603	\$ 21,535	\$ 8,059	\$ 5,805	\$ 2,083	\$ 4,903	\$ 725	\$ 47,713
---	-----------------	------------------	-----------------	-----------------	-----------------	-----------------	---------------	------------------

Table of Contents

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

<i>(unaudited, in thousands)</i>	Allowance for Credit Losses and Recorded Investment in Loans							
	Commercial Real Estate-Land and Construction	Commercial Real Estate-Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer	Over-draft	Total
September 30, 2014								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	\$	\$ 57	\$ 1,026	\$	\$	\$	\$	\$ 1,083
Allowance for loans collectively evaluated for impairment	5,244	16,458	8,682	5,854	2,380	4,542	786	43,946
Allowance for loan commitments	266	20	124	6	97	20		533
Total allowance for credit losses	\$ 5,510	\$ 16,535	\$ 9,832	\$ 5,860	\$ 2,477	\$ 4,562	\$ 786	\$ 45,562
Portfolio loans:								
Individually evaluated for impairment ⁽¹⁾	\$	\$ 8,592	\$ 3,015	\$	\$	\$	\$	\$ 11,607
Collectively evaluated for impairment	235,249	1,729,495	600,230	909,531	313,711	231,881		4,020,097
Total portfolio loans	\$ 235,249	\$ 1,738,087	\$ 603,245	\$ 909,531	\$ 313,711	\$ 231,881	\$	\$ 4,031,704
December 31, 2013								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	\$	\$ 51	\$ 681	\$	\$	\$	\$	\$ 732
Allowance for loans collectively evaluated for impairment	6,056	18,106	9,244	5,673	2,017	5,020	520	46,636
Allowance for loan commitments	301	62	130	5	85	19		602
Total allowance for credit losses	\$ 6,357	\$ 18,219	\$ 10,055	\$ 5,678	\$ 2,102	\$ 5,039	\$ 520	\$ 47,970
Portfolio loans:								
Individually evaluated for impairment ⁽¹⁾	\$	\$ 4,321	\$ 1,754	\$	\$	\$	\$	\$ 6,075
Collectively evaluated for impairment	263,117	1,645,481	554,495	890,804	284,687	250,258		3,888,842
Total portfolio loans	\$ 263,117	\$ 1,649,802	\$ 556,249	\$ 890,804	\$ 284,687	\$ 250,258	\$	\$ 3,894,917

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

WesBanco maintains an internal loan grading system to reflect the credit quality of commercial loans. Commercial loan risk grades are determined based on an evaluation of the relevant characteristics of each loan, assigned at the inception of each loan and adjusted thereafter at any time to reflect changes in the risk profile throughout the life of each loan. The primary factors used to determine the risk grade are the reliability and sustainability of the primary source of repayment and overall financial strength of the borrower. This includes an analysis of cash flow available to repay debt, profitability, liquidity, leverage, and overall financial trends. Other factors include management, industry or

Edgar Filing: WESBANCO INC - Form 10-Q

property type risks, an assessment of secondary sources of repayment such as collateral or guarantees, other terms and conditions of the loan that may increase or reduce its risk, and economic conditions and other external factors that may influence repayment capacity and financial condition.

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

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

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

Table of Contents

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

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

	Commercial Loans by Internally Assigned Risk Grade			
	Commercial Real Estate- Land and Construction	Commercial Real Estate- Improved Property	Commercial & Industrial	Total Commercial Loans
<i>(unaudited, in thousands)</i>				
As of September 30, 2014				
Pass	\$ 227,987	\$ 1,680,289	\$ 580,748	\$ 2,489,024
Criticized - compromised	5,499	19,783	14,271	39,553
Classified - substandard	1,763	38,015	8,192	47,970
Classified - doubtful			34	34
Total	\$ 235,249	\$ 1,738,087	\$ 603,245	\$ 2,576,581
As of December 31, 2013				
Pass	\$ 253,231	\$ 1,548,780	\$ 531,573	\$ 2,333,584
Criticized - compromised	6,498	57,983	10,768	75,249
Classified - substandard	3,388	43,039	13,908	60,335
Classified - doubtful				
Total	\$ 263,117	\$ 1,649,802	\$ 556,249	\$ 2,469,168

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines were \$14.6 million at September 30, 2014 and \$14.4 million at December 31, 2013, of which \$3.1 and \$2.0 million were accruing, for each period, respectively. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard are not included in the tables above.

Table of Contents

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

	Age Analysis of Loans					Total Loans	90 Days or More Past Due and Accruing (1)
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due		
<i>(unaudited, in thousands)</i>							
As of September 30, 2014							
Commercial real estate:							
Land and construction	\$ 233,591	\$ 140	\$ 233	\$ 1,285	\$ 1,658	\$ 235,249	\$
Improved property	1,720,260	2,531	4,911	10,385	17,827	1,738,087	
Total commercial real estate	1,953,851	2,671	5,144	11,670	19,485	1,973,336	
Commercial and industrial	598,791	334	1,320	2,800	4,454	603,245	86
Residential real estate	897,554	1,121	2,347	8,509	11,977	909,531	1,826
Home equity	309,672	1,727	479	1,833	4,039	313,711	852
Consumer	228,342	2,464	527	548	3,539	231,881	383
Total portfolio loans	3,988,210	8,317	9,817	25,360	43,494	4,031,704	3,147
Loans held for sale	6,260					6,260	
Total loans	\$ 3,994,470	\$ 8,317	\$ 9,817	\$ 25,360	\$ 43,494	\$ 4,037,964	\$ 3,147
Impaired loans included above are as follows:							
Non-accrual loans	\$ 7,723	\$ 893	\$ 6,113	\$ 22,042	\$ 29,048	\$ 36,771	
TDRs accruing interest ⁽¹⁾	11,668	174	209	171	554	12,222	
Total impaired	\$ 19,391	\$ 1,067	\$ 6,322	\$ 22,213	\$ 29,602	\$ 48,993	
As of December 31, 2013							
Commercial real estate:							
Land and construction	\$ 261,165	\$ 2	\$	\$ 1,950	\$ 1,952	\$ 263,117	\$ 248
Improved property	1,632,973	2,482	2,346	12,001	16,829	1,649,802	318
Total commercial real estate	1,894,138	2,484	2,346	13,951	18,781	1,912,919	566
Commercial and industrial	552,414	1,112	977	1,746	3,835	556,249	
Residential real estate	875,192	1,641	4,710	9,261	15,612	890,804	1,289
Home equity	281,004	1,581	470	1,632	3,683	284,687	411
Consumer	245,876	3,223	649	510	4,382	250,258	325
Total portfolio loans	3,848,624	10,041	9,152	27,100	46,293	3,894,917	2,591
Loans held for sale	5,855					5,855	
Total loans	\$ 3,854,479	\$ 10,041	\$ 9,152	\$ 27,100	\$ 46,293	\$ 3,900,772	\$ 2,591
Impaired loans included above are as follows:							
Non-accrual loans	\$ 9,028	\$ 588	\$ 2,722	\$ 24,295	\$ 27,605	\$ 36,633	
TDRs accruing interest ⁽¹⁾	13,595	171	881	214	1,266	14,861	

Edgar Filing: WESBANCO INC - Form 10-Q

Total impaired	\$	22,623	\$	759	\$	3,603	\$	24,509	\$	28,871	\$	51,494
----------------	----	--------	----	-----	----	-------	----	--------	----	--------	----	--------

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

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

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

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

Table of Contents

The following tables summarize impaired loans:

	Impaired Loans					
	September 30, 2014			December 31, 2013		
	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance
<i>(unaudited, in thousands)</i>						
With no related specific allowance recorded:						
Commercial real estate:						
Land and construction	\$ 1,647	\$ 1,547	\$	\$ 2,663	\$ 2,564	\$
Improved property	18,361	16,888		21,421	19,628	
Commercial and industrial	4,192	3,714		3,773	3,249	
Residential real estate	19,438	17,782		22,006	20,090	
Home equity	2,551	2,264		2,675	2,506	
Consumer	1,264	1,071		1,402	1,182	
Total impaired loans without a specific allowance	47,453	43,266		53,940	49,219	
With a specific allowance recorded:						
Commercial real estate:						
Improved property	3,812	3,812	57	729	729	51
Commercial and industrial	1,915	1,915	1,026	1,546	1,546	681
Total impaired loans with a specific allowance	5,727	5,727	1,083	2,275	2,275	732
Total impaired loans	\$ 53,180	\$ 48,993	\$ 1,083	\$ 56,215	\$ 51,494	\$ 732

(1) The difference between the unpaid principal balance and the recorded investment generally reflects amounts that have been previously charged-off.

	Impaired Loans							
	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized	Average Recorded Investment	Interest Recognized
<i>(unaudited, in thousands)</i>								
With no related specific allowance recorded:								
Commercial real estate:								
Land and construction	\$ 1,749	\$ 11	\$ 4,181	\$	\$ 2,099	\$ 26	\$ 5,049	\$ 89
Improved Property	17,672	169	22,777	92	18,415	322	23,471	408
Commercial and industrial	4,071	(2)	3,643	26	3,802	87	3,884	87
Residential real estate	18,337	219	19,487	217	18,900	610	19,872	582
Home equity	2,191	13	2,278	20	2,279	48	2,201	50
Consumer	1,087	26	1,361	28	1,131	72	1,425	77
Total impaired loans without a specific allowance	45,107	436	53,727	383	46,626	1,165	55,902	1,293
With a specific allowance recorded:								
Commercial real estate:								
Land and construction			1,500	6			1,543	28
Improved Property	2,269	109	2,765		1,499	113	3,251	

Edgar Filing: WESBANCO INC - Form 10-Q

Commercial and industrial	1,938	27			2,134	68		
Total impaired loans with a specific allowance	4,207	136	4,265	6	3,633	181	4,794	28
Total impaired loans	\$ 49,314	\$ 572	\$ 57,992	\$ 389	\$ 50,259	\$ 1,346	\$ 60,696	\$ 1,321

Table of Contents

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

<i>(unaudited, in thousands)</i>	Non-accrual Loans ⁽¹⁾	
	September 30, 2014	December 31, 2013
Commercial real estate:		
Land and construction	\$ 1,547	\$ 2,564
Improved property	18,206	17,305
Total commercial real estate	19,753	19,869
Commercial and industrial	5,432	4,380
Residential real estate	9,404	10,240
Home equity	1,499	1,604
Consumer	683	540
Total	\$ 36,771	\$ 36,633

⁽¹⁾ 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, 2014			December 31, 2013		
	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Commercial real estate:						
Land and construction	\$	\$ 466	\$ 466	\$	\$ 1,601	\$ 1,601
Improved property	2,494	1,572	4,066	3,052	3,658	6,710
Total commercial real estate	2,494	2,038	4,532	3,052	5,259	8,311
Commercial and industrial	197	686	883	415	579	994
Residential real estate	8,378	2,208	10,586	9,850	2,991	12,841
Home equity	765	264	1,029	902	289	1,191
Consumer	388	300	688	642	206	848
Total	\$ 12,222	\$ 5,496	\$ 17,718	\$ 14,861	\$ 9,324	\$ 24,185

As of September 30, 2014, 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.

The following tables present details related to loans identified as TDRs during the three and nine months ended September 30, 2014 and September 30, 2013, respectively:

New TDRs ⁽¹⁾	
For the Three Months Ended	
September 30, 2014	September 30, 2013

Edgar Filing: WESBANCO INC - Form 10-Q

		Pre- Modification Number of Modifications	Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Number of Modifications	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
<i>(unaudited, dollars in thousands)</i>							
Commercial real estate:							
Land and construction Improved Property		2	\$ 475	\$ 465	1	\$ 66	\$ 65
					1	49	49
Total commercial real estate		2	475	465	2	115	114
Commercial and industrial							
Residential real estate		1	112	112	8	307	280
Home equity		1	58	57	2	75	52
Consumer		2	52	50	9	98	92
Total		6	\$ 697	\$ 684	22	\$ 609	\$ 552

⁽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

	New TDRs ⁽¹⁾					
	September 30, 2014			September 30, 2013		
	Pre- Modification Number of Modifications	Post- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Pre- Modification Number of Modifications	Post- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
<i>(unaudited, dollars in thousands)</i>						
Commercial real estate:						
Land and construction		\$	\$	2	\$ 366	\$ 359
Improved Property	4	692	664	6	568	395
Total commercial real estate	4	692	664	8	934	754
Commercial and industrial						
Residential real estate	5	286	278	24	2,180	2,094
Home equity	1	59	57	3	91	64
Consumer	12	191	163	13	143	120
Total	22	\$ 1,228	\$ 1,162	55	\$ 3,512	\$ 3,193

⁽¹⁾ Excludes loans that were either paid off or charged-off by period end. The pre-modification balance represents the balance outstanding at the beginning of the period. The post-modification balance represents the outstanding balance at period end. The following tables summarize TDRs which defaulted (defined as past due 90 days or more) during the three and nine months ended September 30, 2014 and 2013 that were restructured within the last twelve months prior to September 30, 2014 and 2013:

	Defaulted TDRs ⁽¹⁾			
	September 30, 2014		September 30, 2013	
	Number of Defaults	Recorded Investment	Number of Defaults	Recorded Investment
<i>(unaudited, dollars in thousands)</i>				
Commercial real estate:				
Land and construction		\$		\$
Improved property				
Total commercial real estate				
Commercial and industrial				
Residential real estate			8	451
Home equity			1	20
Consumer			3	37
Total		\$	12	\$ 508

⁽¹⁾ Excludes loans that were either charged-off or cured by period end. The recorded investment is as of September 30, 2014 and 2013.

Defaulted TDRs ⁽¹⁾
For the Nine Months Ended

Edgar Filing: WESBANCO INC - Form 10-Q

<i>(unaudited, dollars in thousands)</i>	September 30, 2014		September 30, 2013	
	Number of Defaults	Recorded Investment	Number of Defaults	Recorded Investment
Commercial real estate:				
Land and construction		\$		\$
Improved property			1	45
Total commercial real estate			1	45
Commercial and industrial			2	293
Residential real estate	1	45	24	1,624
Home equity			5	107
Consumer			3	37
Total	1	\$ 45	35	\$ 2,106

⁽¹⁾ Excludes loans that were either charged-off or cured by period end. The recorded investment is as of September 30, 2014 and 2013. TDRs that defaulted during the nine month period that were restructured within the last twelve months represented 0.3% of the total TDR balance at September 30, 2014. These loans are placed on non-accrual status unless they are both well-secured and in the process of collection. At September 30, 2014, the loan in the table above was not accruing interest.

Table of Contents

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

<i>(unaudited, in thousands)</i>	September 30, 2014	December 31, 2013
Other real estate owned	\$ 4,505	\$ 4,689
Repossessed assets	190	171
Total other real estate owned and repossessed assets	\$ 4,695	\$ 4,860

Residential real estate included in other real estate owned at September 30, 2014 and December 31, 2013 was \$0.5 million and \$0.3 million, respectively. At September 30, 2014, formal foreclosure proceedings were in process on residential real estate loans totaling \$5.1 million.

NOTE 5. 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 September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Service cost - benefits earned during year	\$ 734	\$ 742	\$ 2,176	\$ 2,398
Interest cost on projected benefit obligation	1,196	1,015	3,549	3,092
Expected return on plan assets	(1,822)	(1,485)	(5,407)	(4,525)
Amortization of prior service cost	11	11	33	34
Amortization of net loss	370	906	1,100	2,626
Net periodic pension cost	\$ 489	\$ 1,189	\$ 1,451	\$ 3,625

The Plan covers all employees of WesBanco 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 \$4.0 million is due for 2014 which could be all or partially funded by the Plan's \$29.2 million available credit balance. A contribution of \$2.5 million was made in June 2014 and an additional \$2.5 million is expected to be funded in December.

Table of Contents

NOTE 6. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

Table of Contents

The following tables set forth WesBanco's financial assets and liabilities that were accounted for at fair value on a recurring and nonrecurring basis by level within the fair value hierarchy as of September 30, 2014 and December 31, 2013:

<i>(unaudited, in thousands)</i>	September 30, 2014 Fair Value Measurements Using:			
	September 30, 2014	Quoted Prices in Active Markets	Significant Observable Inputs	Significant Unobservable Inputs
		for Identical Assets (level 1)	(level 2)	(level 3)
Recurring fair value measurements				
Securities - available-for-sale				
Obligations of government agencies	\$ 80,522	\$	\$ 80,522	\$
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	728,416		728,416	
Obligations of state and political subdivisions	102,695		102,695	
Corporate debt securities	36,792		36,792	
Equity securities	11,128	9,197	1,931	
Total securities - available-for-sale	\$ 959,553	\$ 9,197	\$ 950,356	\$
Total recurring fair value measurements	\$ 959,553	\$ 9,197	\$ 950,356	\$
Nonrecurring fair value measurements				
Impaired loans	\$ 4,644	\$	\$	\$ 4,644
Other real estate owned and repossessed assets	4,695			4,695
Loans held for sale	6,260		6,260	
Total nonrecurring fair value measurements	\$ 15,599	\$	\$ 6,260	\$ 9,339
<i>(unaudited, in thousands)</i>	December 31, 2013 Fair Value Measurements Using:			
	December 31, 2013	Quoted Prices in Active Markets	Significant Other Observable Inputs	Significant Unobservable Inputs
		for Identical Assets (level 1)	(level 2)	(level 3)
Recurring fair value measurements				
Securities - available-for-sale				
Obligations of government agencies	\$ 73,232	\$	\$ 73,232	\$
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	694,267		694,267	
Obligations of state and political subdivisions	116,346		116,346	
Corporate debt securities	38,481		38,481	
Equity securities	12,060	9,962	2,098	
Total securities - available-for-sale	\$ 934,386	\$ 9,962	\$ 924,424	\$
Total recurring fair value measurements	\$ 934,386	\$ 9,962	\$ 924,424	\$
Nonrecurring fair value measurements				
Impaired loans	\$ 1,543	\$	\$	\$ 1,543

Edgar Filing: WESBANCO INC - Form 10-Q

Other real estate owned and repossessed assets	4,860			4,860
Loans held for sale	5,855		5,855	
Total nonrecurring fair value measurements	\$ 12,258	\$	\$ 5,855	\$ 6,403

WesBanco's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 or 3 for the nine months ended September 30, 2014 or 2013.

Table of Contents

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

<i>(unaudited, in thousands)</i>	Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range / Weighted Average
September 30, 2014:				
Impaired loans	\$ 4,644	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾	0% to (36.9%) / (11.6%)
			Liquidation expenses ⁽²⁾	(1.0%) to (8.0%) / (7.2%)
Other real estate owned and repossessed assets	4,695	Appraisal of collateral ^{(1), (3)}		
December 31, 2013:				
Impaired loans	\$ 1,543	Appraisal of collateral ⁽¹⁾	Appraisal adjustments ⁽²⁾	0% to (29.1%) / (15.6%)
			Liquidation expenses ⁽²⁾	(3.5%) to (8.0%) / (4.7%)
Other real estate owned and repossessed assets	4,860	Appraisal of collateral ^{(1), (3)}		

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

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

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

Table of Contents

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

	Carrying Amount	Fair Value Estimate	Fair Value Measurements Significant		
			Quoted Prices in Active Markets for Identical Assets (level 1)	Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<i>(unaudited in thousands)</i>					
September 30, 2014					
Financial Assets					
Cash and due from banks	\$ 76,419	\$ 76,419	\$ 76,419	\$	\$
Securities available-for-sale	959,553	959,553	9,197	950,356	
Securities held-to-maturity	594,860	617,332		616,589	743
Net loans	3,986,675	3,945,722			3,945,722
Loans held for sale	6,260	6,260		6,260	
Accrued interest receivable	20,032	20,032	20,032		
Bank-owned life insurance	122,678	122,678	122,678		
Financial Liabilities					
Deposits	5,101,685	5,110,555	3,743,378	1,367,177	
Federal Home Loan Bank borrowings	123,374	125,749		125,749	
Other borrowings	117,637	117,640	114,222	3,418	
Junior subordinated debt	106,166	80,080		80,080	
Accrued interest payable	2,103	2,103	2,103		
December 31, 2013:					
Financial Assets					
Cash and due from banks	\$ 95,551	\$ 95,551	\$ 95,551	\$	\$
Securities available-for-sale	934,386	934,386	9,962	924,424	
Securities held-to-maturity	598,520	596,308		595,581	727
Net loans	3,847,549	3,754,465			3,754,465
Loans held for sale	5,855	5,855		5,855	
Accrued interest receivable	18,960	18,960	18,960		
Bank-owned life insurance	121,390	121,390	121,390		
Financial Liabilities					
Deposits	5,062,530	5,076,207	3,551,052	1,525,155	
Federal Home Loan Bank borrowings	39,508	42,314		42,314	
Other borrowings	150,536	153,015	104,196	48,819	
Junior subordinated debt	106,137	74,038		74,038	
Accrued interest payable	2,354	2,354	2,354		

The following methods and assumptions were used to measure the fair value of financial instruments recorded at cost on WesBanco's Consolidated Balance Sheets:

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

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

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

Deposits: The carrying amount is considered a reasonable estimate of fair value for demand, savings and other variable rate deposit accounts. The fair value of fixed maturity certificates of deposit is estimated by a discounted cash flow method using rates currently offered for deposits of similar remaining maturities.

Table of Contents

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

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

Junior subordinated debt owed to unconsolidated subsidiary trusts: Due to the pooled nature of these instruments, which are not actively traded, estimated fair value is based on recent similar transactions of single-issuer trust preferred securities.

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

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

Table of Contents**NOTE 7. COMPREHENSIVE INCOME**

The activity in accumulated other comprehensive income for the nine months ended September 30, 2014 and 2013 is as follows:

	Accumulated Other Comprehensive Income ⁽¹⁾			
	Defined Benefit Pension Plan	Unrealized Gains (Losses) on Securities Available-for-Sale	Unrealized Gains on Securities Transferred from Available- for-Sale to Held-to-Maturity	Total
<i>(unaudited, in thousands)</i>				
Balance at December 31, 2013	\$ (7,966)	\$ (6,126)	\$ 1,358	\$ (12,734)
Other comprehensive income before reclassifications		5,344		5,344
Amounts reclassified from accumulated other comprehensive income	716	(525)	(224)	(33)
Period change	716	4,819	(224)	5,311
Balance at September 30, 2014	\$ (7,250)	\$ (1,307)	\$ 1,134	\$ (7,423)
Balance at December 31, 2012	\$ (21,401)	\$ 13,032	\$ 2,004	\$ (6,365)
Other comprehensive income before reclassifications		(13,095)		(13,095)
Amounts reclassified from accumulated other comprehensive income	1,630	(75)	(537)	1,018
Period change	1,630	(13,170)	(537)	(12,077)
Balance at September 30, 2013	\$ (19,771)	\$ (138)	\$ 1,467	\$ (18,442)

⁽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 36.5%.

The following table provides details about amounts reclassified from accumulated other comprehensive income for the three and nine months ended September 30, 2014 and 2013:

Details about Accumulated Other Comprehensive Income Components <i>(unaudited, in thousands)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		Affected Line Item in the Statement of Net Income
	2014	2013	2014	2013	
Securities available-for-sale ⁽¹⁾ :					
Net securities (gains)/losses reclassified into earnings	\$ (583)	\$ 10	\$ (831)	\$ (119)	Net securities gains (Non-interest income)
Related income tax expense/(benefit)	214	(4)	306	44	Provision for income taxes

Edgar Filing: WESBANCO INC - Form 10-Q

Net effect on accumulated other comprehensive income for the period	(369)	6	(525)	(75)	
Securities held-to-maturity ⁽¹⁾:					
Amortization of unrealized gain transferred from available-for-sale	(84)	(207)	(354)	(857)	Interest and dividends on securities (Interest and dividend income)
Related income tax expense	31	76	130	320	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	(53)	(131)	(224)	(537)	
Defined benefit pension plan ⁽²⁾:					
Amortization of net loss and prior service costs	382	918	1,134	2,661	Employee benefits (Non-interest expense)
Related income tax benefit	(140)	(338)	(418)	(1,031)	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	242	580	716	1,630	
Total reclassifications for the period	\$ (180)	\$ 455	\$ (33)	\$ 1,018	

(1) For additional detail related to unrealized gains on securities and related amounts reclassified from accumulated other comprehensive income see Note 3, Securities.

(2) Included in the computation of net periodic pension cost. See Note 5, Pension Plan for additional detail.

Table of Contents**NOTE 8. COMMITMENTS AND CONTINGENT LIABILITIES**

Commitments In the normal course of business, WesBanco offers off-balance sheet credit arrangements to enable its customers to meet their financing objectives. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. WesBanco's exposure to credit losses in the event of non-performance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other lending. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The allowance for credit losses associated with commitments was \$0.5 million and \$0.6 million as of September 30, 2014 and December 31, 2013, respectively, and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Letters of credit are considered guarantees. The liability associated with letters of credit was immaterial as of September 30, 2014 and December 31, 2013.

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

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

<i>(unaudited, in thousands)</i>	September 30, 2014	December 31, 2013
Lines of credit	\$ 952,000	\$ 964,777
Loans approved but not closed	132,024	73,937
Overdraft limits	88,787	96,291
Letters of credit	25,630	18,686
Contingent obligations to purchase loans funded by other entities	6,774	6,327

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

Table of Contents**NOTE 9. BUSINESS SEGMENTS**

WesBanco operates two reportable segments: community banking as well as 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 mutual funds. The market value of assets managed or held in custody by the trust and investment services segment was approximately \$3.8 billion and \$3.5 billion at September 30, 2014 and 2013, respectively. These assets are held by WesBanco in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

<i>(unaudited, in thousands)</i>	Community Banking	Trust and Investment Services	Consolidated
For the Three Months ended September 30, 2014:			
Interest income	\$ 54,303	\$	\$ 54,303
Interest expense	5,692		5,692
Net interest income	48,611		48,611
Provision for credit losses	1,478		1,478
Net interest income after provision for credit losses	47,133		47,133
Non-interest income	11,558	5,096	16,654
Non-interest expense	36,292	2,971	39,263
Income before provision for income taxes	22,399	2,125	24,524
Provision for income taxes	5,508	850	6,358
Net income	\$ 16,891	\$ 1,275	\$ 18,166
For the Three Months ended September 30, 2013:			
Interest income	\$ 54,317	\$	\$ 54,317
Interest expense	8,186		8,186
Net interest income	46,131		46,131
Provision for credit losses	2,819		2,819
Net interest income after provision for credit losses	43,312		43,312
Non-interest income	12,262	4,854	17,116
Non-interest expense	37,011	2,998	40,009
Income before provision for income taxes	18,563	1,856	20,419
Provision for income taxes	4,141	743	4,884
Net income	\$ 14,422	\$ 1,113	\$ 15,535
For the Nine Months ended September 30, 2014:			
Interest income	\$ 161,805	\$	\$ 161,805
Interest expense	17,562		17,562
Net interest income	144,243		144,243

Edgar Filing: WESBANCO INC - Form 10-Q

Provision for credit losses	4,526		4,526
Net interest income after provision for credit losses	139,717		139,717
Non-interest income	35,990	15,954	51,944
Non-interest expense	110,485	9,176	119,661
Income before provision for income taxes	65,222	6,778	72,000
Provision for income taxes	15,827	2,711	18,538
Net income	\$ 49,395	\$ 4,067	\$ 53,462

For the Nine Months ended September 30, 2013:

Interest income	\$ 163,634	\$	\$ 163,634
Interest expense	25,385		25,385
Net interest income	138,249		138,249
Provision for credit losses	5,942		5,942
Net interest income after provision for credit losses	132,307		132,307
Non-interest income	37,642	14,694	52,336
Non-interest expense	111,384	8,872	120,256
Income before provision for income taxes	58,565	5,822	64,387
Provision for income taxes	13,486	2,329	15,815
Net income	\$ 45,079	\$ 3,493	\$ 48,572

Total non-fiduciary assets of the trust and investment services segment were \$4.0 million and \$3.3 million at September 30, 2014 and 2013, respectively. All goodwill and other intangible assets were allocated to the community banking segment.

Table of Contents

NOTE 10. SUBSEQUENT EVENTS

On October 29, 2014, WesBanco and ESB Financial Corporation (ESB), a Pennsylvania thrift holding company based in Ellwood City, Pennsylvania with \$1.9 billion in assets and 23 branches, jointly announced that a definitive Agreement and Plan of Merger was executed providing for the merger of ESB with and into WesBanco. Under the terms of the Agreement and Plan of Merger, which has been unanimously approved by the board of directors of both companies, WesBanco will exchange a combination of its common stock and cash for ESB common stock. ESB shareholders will be entitled to receive 0.502 shares of WesBanco common stock and cash in the amount of \$1.76 per share for each share of ESB common stock for a total value of approximately \$17.65 per share. The receipt by ESB shareholders of shares of WesBanco common stock in exchange for their shares of ESB common stock is anticipated to qualify as a tax-free exchange. The transaction currently is valued at approximately \$324.4 million, based on WesBanco's 15 day average closing common stock price prior to announcement and ESB's shares outstanding. The acquisition is subject to the approvals of the appropriate banking regulatory authorities and the shareholders of WesBanco and ESB. It is expected that the transaction will be completed in the first or second quarter of 2015.

Table of Contents

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

Management's Discussion and Analysis (MD&A) represents an overview of the results of operations and financial condition of WesBanco for the three and nine months ended September 30, 2014. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this report relating to WesBanco's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The information contained in this report should be read in conjunction with WesBanco's Form 10-K for the year ended December 31, 2013 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, 2014 and June 30, 2014, respectively, which are available at the SEC's website, www.sec.gov or at WesBanco's website, www.wesbanco.com. Investors are cautioned that forward-looking statements, which are not historical fact, involve risks and uncertainties, including those detailed in WesBanco's most recent Annual Report on Form 10-K filed with the SEC under Risk Factors in Part I, Item 1A. Such statements are subject to important factors that could cause actual results to differ materially from those contemplated by such statements, including, without limitation, that the businesses of WesBanco and ESB may not be integrated successfully or such integration may take longer to accomplish than expected; the expected cost savings and any revenue synergies from the merger of WesBanco and ESB may not be fully realized within the expected timeframes; disruption from the merger of WesBanco and ESB may make it more difficult to maintain relationships with clients, associates, or suppliers; the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the SEC, the Financial Institution Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; internet hacking; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco's operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

OVERVIEW

WesBanco is a multi-state bank holding company operating through 120 branches, including our new Southpointe office opening November 3, 2014 in western Pennsylvania, one loan production office and 105 ATM machines in West Virginia, Ohio and western Pennsylvania, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

On October 29, 2014, WesBanco and ESB, a Pennsylvania thrift holding company based in Ellwood City, Pennsylvania with \$1.9 billion in assets and 23 branches, jointly announced that a definitive Agreement and Plan of Merger was executed providing for the merger of ESB with and into WesBanco. The transaction, approved by the directors of both companies, currently is valued at approximately \$324.4 million. The acquisition is subject to the approvals of the appropriate banking regulatory authorities and the shareholders of WesBanco and ESB. It is expected that the transaction will be completed in the first or second quarter of 2015. Please see Note 10, "Subsequent Events" in the notes to the consolidated financial statements for additional discussion.

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, 2014 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2013 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, 2014 was \$18.2 million, compared to \$15.5 million for the third quarter of 2013, representing an increase of 17%, while diluted earnings per share were \$0.62, compared to \$0.53 per share for the 2013 quarter, representing an increase of 17%. The third quarter results included a pre-tax charge of \$1.4 million relating to the prepayment of a repurchase agreement. Please refer to the Non-Interest Income section of this MD&A for additional information. For the nine month period ended September 30, 2014, net income totaled \$53.5 million, compared to \$48.6 million for the same period of last year, representing an increase of 10%, while diluted earnings per share totaled \$1.82 as compared to \$1.66 for 2013, representing an increase of 10%. The increase in net income improved the return on average assets to 1.15% from 1.07% in the year-to-date period of last year. Return on assets for WesBanco remains well above second quarter 2014 peer group averages, the most recent available.

Net interest income increased \$2.5 million or 5.4% in the third quarter of 2014 compared to the third quarter of 2013 due to a 3.6% increase in average earning assets, primarily through a 4.4% increase in average loan balances, and improvement in the net interest margin. Year-to-date net interest income increased \$6.0 million or 4.3% from last year. The net interest margin improved by 6 basis points to 3.58% in the third quarter of 2014 compared to 3.52% in the same quarter of 2013, while for the first nine months the margin was 3.62% compared to 3.58% in 2013. Accretion of various purchase accounting adjustments from a 2012 acquisition benefited the net interest margin throughout 2013 and the first nine months of 2014, but at a decreasing rate. Excluding this benefit from both years, the net interest margin increased by 7 basis points from the third quarter of 2013, and 10 basis points from the first nine months of 2013. The improved net interest margin in the current low interest rate environment resulted partially from the aforementioned loan growth as the average rate on loans is higher than the average rate on securities. In addition, funding costs continued to decrease in the first nine months of 2014 as a result of a 28.4% reduction in higher-rate average other borrowings, primarily through maturities, and a 10.2% increase in lower-cost demand, money market and savings account deposits, while higher-cost CDs decreased by 11.0%. Overall average deposits increased by 3.3% year-to-date in 2014 compared to the same period in 2013.

Lower charge-offs and continued improvement in delinquent, non-performing and classified and criticized loans resulted in the provision for credit losses decreasing to \$1.5 million for the third quarter of 2014 compared to \$2.8 million in the third quarter of 2013. For the nine months ended September 30, 2014 the provision was \$4.5 million compared to \$5.9 million in the same period of 2013. The allowance for loan losses represented 1.12% of total portfolio loans at September 30, 2014, compared to 1.23% at the end of the 2013 third quarter.

Non-interest income decreased \$0.5 million or 2.7% for the third quarter of 2014 compared to the third quarter of 2013. The third quarter of 2014 included a \$1.4 million charge related to the pre-payment of a higher rate \$22.0 million repurchase agreement with another bank. Non-interest income, excluding this charge, increased \$1.0 million or 5.6% for the three month period. Trust fees increased 5.0% in the third quarter as assets under management continued to increase from customer development initiatives and overall market improvements. Total trust assets were \$3.8 billion at September 30, 2014, representing an increase of 8.1% from \$3.5 billion at September 30, 2013. Net securities brokerage revenues increased \$0.2 million or 12.9%, due to significant production increases from the addition of support and producing staff in several regions, as well as an increase in referrals and production from a licensed retail banker program. Net security gains increased by \$0.6 million. Service charges on deposits decreased 10.3% compared to the third quarter of 2013 due to lower overdraft fees that are affected by consistent increases in deposit levels and higher average deposits per account. Mortgage loan sale gains decreased 26.2% as increasing interest rates reduced refinancings resulting in lower mortgage activity, which was also impacted by the recently-adopted Qualified Mortgage and Ability-to-Repay rules, which have somewhat limited the Bank's product offerings. For the first nine months of 2014, non-interest income decreased 0.7% for similar reasons. However, excluding the \$1.4 million charge relating to the prepayment, non-interest income increased by 2.0% for the nine month period.

Non-interest expense decreased \$0.7 million or 1.9% for the third quarter compared to the third quarter of 2013. Salaries and wages increased 5.2%, due to routine annual adjustments to compensation, increased commissions on higher brokerage revenue and incentive and stock-related compensation granted in 2014. Employee benefits expense decreased 5.1%, primarily from decreased pension and other benefits expense, partially offset by higher health insurance cost. Marketing expense decreased 19.5% primarily due to differences year-to-year in the timing of campaigns. Other expense decreased 9.6% primarily due to reduced communications and other real estate owned expense. For the year-to-date period of 2014, non-interest expense decreased \$0.6 million or 0.5% compared to the same period in 2013. Excluding 2013 merger-related expenses of \$1.3 million incurred primarily in the first quarter of 2013, total non-interest expense would have increased \$0.7 million or 0.6% for the first nine months. Salaries and wages increased 5.5% and employee benefits decreased 6.8% in the year-to-date period. In addition, net occupancy and equipment expense increased due to higher weather-related expenses, the opening of two branches near the end of 2013, and investment in internal infrastructure in the second half of last year. Other expense decreased 4.1%, also primarily due to lower communication and other real estate owned expenses. However, despite the overall increase in year-to-date non-interest expense, the efficiency ratio improved to 59.3% for the year-to-date period from 60.8% in 2013. The third quarter 2014 ratio dropped to 58.5% compared to 61.5% in the third quarter of last year.

Edgar Filing: WESBANCO INC - Form 10-Q

The provision for federal and state income taxes increased to \$18.5 million in 2014 compared to \$15.8 million in the first nine months of 2013. The increase in income tax expense was due to an increase in pre-tax income which also caused a higher effective tax rate of 25.8% compared to 24.6% for 2013.

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

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
Net interest income	\$ 48,611	\$ 46,131	\$ 144,243	\$ 138,249
Taxable equivalent adjustments to net interest income	1,838	1,807	5,511	5,249
Net interest income, fully taxable equivalent	\$ 50,449	\$ 47,938	\$ 149,754	\$ 143,498
Net interest spread, non-taxable equivalent	3.34%	3.27%	3.38%	3.30%
Benefit of net non-interest bearing liabilities	0.11%	0.12%	0.11%	0.14%
Net interest margin	3.45%	3.39%	3.49%	3.44%
Taxable equivalent adjustment	0.13%	0.13%	0.13%	0.14%
Net interest margin, fully taxable equivalent	3.58%	3.52%	3.62%	3.58%

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 \$2.5 million or 5.4% in the third quarter and \$6.0 million or 4.3% year-to-date compared to the same periods in 2013 due to an increase in average earning assets through increased average loan balances and improvement in the net interest margin. Average loan balance increases of \$176.2 million or 4.7% year-to-date were funded primarily by increases in deposits as total average deposits increased by \$162.9 million or 3.3%. Deposit increases occurred in all major categories except for certificates of deposit, and were the result of marketing campaigns, customer incentives, wealth management and business initiatives as well as deposits from Marcellus and Utica shale gas bonus and royalty payments. In addition, the net interest margin increased 6 basis points in the third quarter to 3.58% and 4 basis points in the first nine months to 3.62% compared to the same periods in 2013. The cost of funds improved significantly, declining 22 basis points in the third quarter and 24 basis points year-to-date compared to the same periods in 2013 due to lower offered rates, declining average balances on certificates of deposit, an increase in balances of lower-cost products and lower balances of other borrowings. Accretion of various purchase accounting adjustments from a 2012 acquisition benefited the net interest margin throughout 2013 and the first nine months of 2014, but at a decreasing rate. Excluding this benefit from both years, the net interest margin increased by 7 basis points compared to the third quarter of 2013, and 10 basis points from the first nine months of 2013.

Interest income was substantially unchanged in the third quarter and decreased \$1.8 million or 1.1% in the first nine months of 2014 compared to the same periods in 2013 due mostly to lower yields on loans, partially offset by increases in average balances of loans and higher yields on securities. Rates decreased 22 basis points in the third quarter on average loan balances from reduced rates on new and repriced assets due to the competitive necessity of offering lower rates on quality credits in an increasingly competitive and low interest rate environment. However, the increase in average loans helped to mitigate the effect of the lower rates, as rates earned on loans are higher than those on securities. In the third quarter of 2014, average loans represented 71.1% of average earning assets, compared to 70.5% in the same quarter of 2013. Total securities yields increased by 1 basis point in the third quarter and 6 basis points year-to-date due to a greater reinvestment of funds from investment maturities, calls and prepayments into tax-exempt securities, which provide the highest yield within securities. The average year-to-date balance of tax-exempts increased 6.7% or \$25.3 million over the last year, and was 25.7% of total average securities in the third quarter of 2014 compared to 24.2% in the third quarter of 2013. Taxable securities yields increased 5 basis points year-to-date compared to 2013, while tax-exempt securities yields declined 8 basis points, due to the aforementioned purchases of municipals at current lower rates. A decrease in amortization expense from lower prepayment speeds in mortgage-backed and collateralized mortgage obligations has contributed to the increase in taxable securities yields. Average taxable securities balances decreased over the last year from the prepayments in mortgage-backed and collateralized mortgage securities and calls of taxable municipal securities. These decreases were partially offset by continued purchases of lower-premium collateralized mortgage securities and 10-15 year residential mortgage pools. Purchases of collateralized mortgage securities and shorter-term mortgage pools reduce the average life of the portfolio, particularly for the portion accounted for as available-for-sale, positioning the Bank for possible future increases in interest rates, while maintaining required levels of pledgeable securities.

Edgar Filing: WESBANCO INC - Form 10-Q

Portfolio loans increased \$195.2 million in the twelve months ended September 30, 2014 as originations continued to outpace paydowns. WesBanco grew outstanding loans 5.1% as a result of \$1.4 billion in loan originations over the last year. Although somewhat depressed in the first quarter of 2014 due to the challenging weather and economy, loan originations increased 49.6% in the third quarter compared to the first quarter and 16.5% compared to the second quarter of 2014. Loan growth was driven by increased business activity in markets impacted by Marcellus and Utica shale gas drilling, expansion into the Pittsburgh market, additional lending personnel, focused marketing efforts, an expanded presence in our larger urban markets and continued improvement in loan origination processes.

Interest expense decreased \$2.5 million or 30.5% in the third quarter of 2014 and \$7.8 million or 30.8% in the first nine months compared to the same periods in 2013 due to decreases in average rates paid, and a continued shift in the liability mix towards less expensive sources of funding. Total average interest bearing liabilities increased \$16.7 million or 0.4% in the third quarter due to higher balances of short-term low rate FHLB borrowings but remained relatively unchanged in the first nine months of 2014 from the same periods in 2013. The average rate paid on interest bearing liabilities decreased 22 basis points in the third quarter and 24 basis points in the first nine months of 2014 compared to the same periods in 2013. Rates paid on interest bearing deposits declined by 21 basis points to 0.41% in the third quarter due to a significant decline in rates on certificates of deposit, as a result of management reducing offered rates. The average rate paid on certificates of deposit declined by 43 basis points from the third quarter of 2013, while the rates paid on other deposit types remained nearly unchanged. Improvements in the deposit funding mix also

Table of Contents

lowered the cost of funds, with average certificates of deposit decreasing to 27.1% of total average deposits from 32.5% in the third quarter of last year. Average interest bearing deposits were unchanged while average non-interest bearing demand deposits increased by \$129.5 million from the 2013 third quarter. Average certificates of deposit decreased by 14.5% from the 2013 third quarter and were the only deposit category to decrease, as WesBanco continues to focus on reducing rate offerings and growing customers with multiple banking relationships, as opposed to single service certificates of deposit customers. Average total FHLB and other borrowings increased \$16.6 million or 7.6% in the third quarter, but decreased \$40.5 million or 19.1% year-to-date. The third quarter increase was due to the utilization of new short-term low rate FHLB borrowings to manage normal liquidity needs, reducing the average rate on FHLB borrowings by 116 basis points.

TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2014		2013		2014		2013	
(unaudited, dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
ASSETS								
Due from banks - interest bearing	\$ 20,064	0.24%	\$ 19,132	0.21%	\$ 31,668	0.23%	\$ 35,918	0.22%
Loans, net of unearned income ⁽¹⁾	3,983,285	4.32	3,814,710	4.54	3,919,006	4.39	3,742,840	4.70
Securities: ⁽²⁾								
Taxable	1,175,750	2.51	1,165,023	2.48	1,164,693	2.52	1,188,633	2.47
Tax-exempt ⁽³⁾	405,338	5.18	395,705	5.22	403,970	5.20	378,684	5.28
Total securities	1,581,088	3.19	1,560,728	3.18	1,568,663	3.21	1,567,317	3.15
Other earning assets ⁽⁴⁾	15,337	2.73	12,838	1.50	12,600	8.20	16,164	0.88
Total earning assets ⁽³⁾	5,599,774	3.98%	5,407,408	4.13%	5,531,937	4.04%	5,362,239	4.21%
Other assets	709,003		710,760		706,815		723,014	
Total Assets	\$ 6,308,777		\$ 6,118,168		\$ 6,238,752		\$ 6,085,253	
LIABILITIES AND SHAREHOLDERS EQUITY								
Interest bearing demand deposits	\$ 894,386	0.18%	\$ 856,745	0.17%	\$ 895,687	0.17%	\$ 855,009	0.16%
Money market accounts	989,935	0.20	843,520	0.16	970,189	0.19	845,960	0.16
Savings deposits	826,048	0.06	773,432	0.07	819,863	0.06	766,574	0.07
Certificates of deposit	1,391,740	0.93	1,628,335	1.36	1,446,443	0.95	1,625,312	1.45
Total interest bearing deposits	4,102,109	0.41	4,102,032	0.62	4,132,182	0.43	4,092,855	0.66
Federal Home Loan Bank borrowings	138,175	0.76	60,135	1.92	66,421	1.31	65,321	1.84
Other borrowings	95,915	1.44	157,328	1.64	105,046	1.60	146,632	1.73
Junior subordinated debt	106,161	3.01	106,123	3.01	106,151	3.01	108,181	3.10
Total interest bearing liabilities ⁽¹⁾	4,442,360	0.51%	4,425,618	0.73%	4,409,800	0.53%	4,412,989	0.77%
Non-interest bearing demand deposits	1,036,173		906,638		1,014,061		890,456	
Other liabilities	42,572		52,450		41,597		52,564	
Shareholders Equity	787,672		733,462		773,294		729,244	
Total Liabilities and Shareholders Equity	\$ 6,308,777		\$ 6,118,168		\$ 6,238,752		\$ 6,085,253	
Taxable equivalent net interest spread		3.47%		3.40%		3.51%		3.44%

Edgar Filing: WESBANCO INC - Form 10-Q

Taxable equivalent net interest margin	3.58%	3.52%	3.62%	3.58%
--	--------------	-------	--------------	-------

- (1) Gross of allowance for loan losses and net of unearned income. Includes non-accrual and loans held for sale. Loan fees included in interest income on loans totaled \$0.8 million and \$1.0 million for the three months ended September 30, 2014 and 2013, respectively, and \$2.5 million and \$3.0 million for the nine months ended September 30, 2014 and 2013, respectively. Additionally, accretion on earning assets included in net interest income from a 2012 acquisition was \$0.4 million and \$0.4 million for the three months ended September 30, 2014 and 2013, respectively, and \$1.1 million and \$2.3 million for the nine months ended September 30, 2014 and 2013, respectively, while accretion on interest bearing liabilities acquired from a 2012 acquisition was \$0.2 million and \$0.4 million for the three months ended September 30, 2014 and 2013, respectively, and \$0.6 million and \$1.4 million for the nine months ended September 30, 2014 and 2013, 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.
- (4) Interest income on other earning assets includes \$0.5 million of interest on a federal income tax refund for the nine months ended September 30, 2014.

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

	Three Months Ended September 30, 2014 Compared to September 30, 2013			Nine Months Ended September 30, 2014 Compared to September 30, 2013		
	Volume	Rate	Net Increase (Decrease)	Volume	Rate	Net Increase (Decrease)
<i>(unaudited, in thousands)</i>						
Increase (decrease) in interest income:						
Due from banks - interest bearing	\$ 1	\$ 1	\$ 2	\$ (5)	\$ 1	\$ (4)
Loans, net of unearned income	1,886	(2,165)	(279)	6,028	(9,043)	(3,015)
Taxable securities	67	82	149	(448)	484	36
Tax-exempt securities ⁽¹⁾	125	(36)	89	988	(241)	747
Other earning assets	11	46	57	(29)	697	668
Total interest income change ⁽¹⁾	2,090	(2,072)	18	6,534	(8,102)	(1,568)
Increase (decrease) in interest expense:						
Interest bearing demand deposits	16	14	30	51	82	133
Money market accounts	65	77	142	163	208	371
Savings deposits	9	(2)	7	27	(24)	3
Certificates of deposit	(732)	(1,611)	(2,343)	(1,779)	(5,542)	(7,321)
Federal Home Loan Bank borrowings	222	(249)	(27)	15	(265)	(250)
Other borrowings	(230)	(73)	(303)	(506)	(139)	(645)
Junior subordinated debt				(46)	(68)	(114)
Total interest expense change	(650)	(1,844)	(2,494)	(2,075)	(5,748)	(7,823)
Net interest income increase (decrease) ⁽¹⁾	\$ 2,740	\$ (228)	\$ 2,512	\$ 8,609	\$ (2,354)	\$ 6,255

(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 loan 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 decreased to \$1.5 million for the third quarter of 2014 compared to \$2.8 million in the third quarter of 2013. For the year-to-date period of 2014 the provision was \$4.5 million compared to \$5.9 million in the same period of 2013. Decreases in the provision for credit losses resulted from lower net charge-offs and continued improvement in delinquent, non-performing, and classified and criticized loans. Since September 30, 2013, non-performing loans decreased 8.7%, classified and criticized loans decreased 38.1% and past due loans accruing interest decreased 25.5%, while net charge-offs in the first nine months of 2014 decreased 38.5% from the same period in 2013. (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 September 30,				For the Nine Months Ended September 30,			
	2014	2013	\$ Change	% Change	2014	2013	\$ Change	% Change
Trust fees	\$ 5,096	\$ 4,854	\$ 242	5.0	\$ 15,954	\$ 14,694	\$ 1,260	8.6
Service charges on deposits	4,170	4,650	(480)	(10.3)	12,107	13,309	(1,202)	(9.0)
Electronic banking fees	3,268	3,124	144	4.6	9,549	9,186	363	4.0
Net securities brokerage revenue	1,701	1,506	195	12.9	5,533	4,644	889	19.1
Bank-owned life insurance	882	911	(29)	(3.2)	3,577	3,739	(162)	(4.3)
Net gains on sales of mortgage loans	550	745	(195)	(26.2)	1,178	2,157	(979)	(45.4)
Net securities gains / (losses)	581	(15)	596	3,973.3	756	687	69	10.0
Net (loss) / gain on other real estate owned and other assets/liabilities	(1,167)	8	(1,175)	(14,687.5)	(1,218)	63	(1,281)	(2,033.3)
Net insurance services revenue	665	673	(8)	(1.2)	2,069	2,112	(43)	(2.0)
Other	908	660	248	37.6	2,439	1,745	694	39.8
Total non-interest income	\$ 16,654	\$ 17,116	\$ (462)	(2.7)	\$ 51,944	\$ 52,336	\$ (392)	(0.7)

Non-interest income is a significant source of revenue and an important part of WesBanco's results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. For the third quarter of 2014, non-interest income decreased \$0.5 million or 2.7% compared to the third quarter of 2013. The third quarter of 2014 included a \$1.4 million charge related to the pre-payment of a higher rate \$22.0 million repurchase agreement with another bank. Excluding the pre-payment charge, non-interest income increased \$1.0 million or 5.6% primarily from increased trust fees, securities brokerage revenue and net security gains, while service charges on deposits and gains on sales of loans decreased. For the first nine months of 2014, non-interest income decreased 0.7% for similar reasons. However, excluding the \$1.4 million charge relating to the prepayment, non-interest income increased 2.0%.

Trust fees increased \$0.2 million or 5.0% compared to the third quarter of 2013, and \$1.3 million or 8.6% compared to the first nine months of 2013 as assets under management continued to increase from customer development initiatives and overall market improvements. Total trust assets were \$3.8 billion at September 30, 2014, representing an increase of 8.1% from \$3.5 billion at September 30, 2013. At September 30, 2014, trust assets include managed assets of \$3.0 billion and non-managed (custodial) assets of \$0.8 billion. Assets managed for the WesMark Funds, a proprietary group of mutual funds that is advised by WesBanco's trust and investment services group, were \$933.4 million as of September 30, 2014 and \$856.9 million at September 30, 2013 and are included in trust managed assets.

Service charges on deposits decreased 9.0% in the first nine months of the year compared to the same period in 2013 due to lower overdraft fees that are affected by lower seasonal usage patterns, consistent increases in deposit levels and higher average deposits per account.

Electronic banking fees, which include debit card interchange fees, continued to grow, increasing 4.0% compared to the first nine months of 2013, due to a higher volume of debit card transactions, which have continued to grow due to marketing initiatives and as customers move more towards electronic transactions.

Net securities brokerage revenue increased \$0.9 million or 19.1% from the first nine months of 2013 due to improved production from existing markets, additional market coverage in the Pittsburgh market, the addition of support and producing staff in several regions, as well as an increase in referrals and production from a licensed retail banker program.

Net gains on sales of mortgage loans decreased 45.4% compared to the first nine months of 2013 as increasing interest rates reduced refinancings resulting in lower mortgage activity. Total mortgage production was \$199.6 million in the first nine months of 2014, down 39.9% from the comparable 2013 period. Mortgages sold into the secondary market represented \$77.1 million or 38.6% of overall mortgage loan production in the first nine months of 2014 compared to \$108.2 million or 32.5% in the comparable 2013 period. Mortgage activity was also impacted by the recently-adopted Qualified Mortgage and Ability-to-Repay rules, which have somewhat limited the Bank's product offerings and

the Bank's capabilities to service mortgage customers.

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

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2014	2013	\$ Change	% Change	2014	2013	\$ Change	% Change
Salaries and wages	\$ 17,331	\$ 16,480	\$ 851	5.2	\$ 50,700	\$ 48,079	\$ 2,621	5.5
Employee benefits	5,051	5,323	(272)	(5.1)	16,289	17,481	(1,192)	(6.8)
Net occupancy	2,916	2,921	(5)	(0.2)	9,265	8,943	322	3.6
Equipment	2,837	2,692	145	5.4	8,534	7,901	633	8.0
Marketing	1,276	1,585	(309)	(19.5)	3,992	4,015	(23)	(0.6)
FDIC insurance	786	916	(130)	(14.2)	2,543	2,806	(263)	(9.4)
Amortization of intangible assets	477	556	(79)	(14.2)	1,454	1,742	(288)	(16.5)
Restructuring and merger-related expenses		36	(36)	(100.0)		1,265	(1,265)	(100.0)
Miscellaneous, franchise, and other taxes	1,612	1,523	89	5.8	4,849	4,538	311	6.9
Postage	792	791	1	0.1	2,484	2,464	20	0.8
Consulting, regulatory, accounting and advisory fees	856	1,185	(329)	(27.8)	2,874	3,233	(359)	(11.1)
Other real estate owned and foreclosure expenses	248	563	(315)	(56.0)	687	1,522	(835)	(54.9)
Legal fees	654	665	(11)	(1.7)	2,023	2,026	(3)	(0.1)
Communications	343	711	(368)	(51.8)	1,217	2,093	(876)	(41.9)
ATM and interchange expenses	1,012	1,096	(84)	(7.7)	3,185	3,214	(29)	(0.9)
Supplies	591	617	(26)	(4.2)	1,818	1,971	(153)	(7.8)
Other	2,481	2,349	132	5.6	7,747	6,963	784	11.3
Total non-interest expense	\$ 39,263	\$ 40,009	\$ (746)	(1.9)	\$ 119,661	\$ 120,256	\$ (595)	(0.5)

Non-interest expense decreased \$0.7 million or 1.9% in the third quarter and \$0.6 million or 0.5% year-to-date compared to the same periods in 2013. Excluding 2013 merger-related expenses of \$1.3 million incurred primarily in the first quarter of 2013, total non-interest expense would have increased \$0.7 million or 0.6% for the first nine months.

Salaries and wages increased \$0.9 million from the third quarter of 2013 and \$2.6 million year-to-date compared to 2013 due to routine annual adjustments to compensation, increased brokerage revenue commissions and higher incentive and stock-based compensation granted in 2014. Employee benefit expenses decreased 6.8% year-to-date primarily from decreased pension expense and other benefits expense, partially offset by higher healthcare costs.

Net occupancy and equipment expense increased \$1.0 million or 5.7% over the first nine months of 2013 due to increased depreciation and other maintenance costs resulting from the opening of two branches near the end of 2013, significant upgrades to our data processing and communications infrastructure, including a new mainframe computer, new disaster recovery site, new mobile banking capabilities, and other internal infrastructure placed into service during the second half of 2013. In addition, new teller cash recycling machines continued to be introduced into our branches, which have improved the speed of customer service, improved cash controls and reduced full-time equivalent employees. Weather-related expenses incurred in the first quarter also contributed to the increase in year-to-date net occupancy.

Marketing expenses remained flat compared to the first nine months of 2013 but decreased \$0.3 million over the 2013 third quarter primarily due to differences year-to-year in the timing of campaigns.

FDIC insurance decreased \$0.3 million or 9.4% compared to the first nine months of 2013 due to a lower assessment rate from improved financial ratios which are used to calculate the assessment rate.

Other real estate owned and foreclosure expenses decreased \$0.8 million in 2014 compared to 2013 due to lower foreclosure and liquidation activity.

Edgar Filing: WESBANCO INC - Form 10-Q

Communications expense decreased 51.8% from the third quarter of 2013 and 41.9% from the first nine months of 2013 due to the implementation of a company-wide modernization of the internal communication and personal computer infrastructure.

Other non-interest expense increased \$0.8 million in 2014 compared to 2013 due to higher banking call center expenses and other miscellaneous operating expenses.

INCOME TAXES

The provision for federal and state income taxes increased to \$18.5 million in 2014 compared to \$15.8 million in the first nine months of 2013. The increase in income tax expense was due to an increase in pre-tax income which also caused a higher effective tax rate of 25.8% compared to 24.6% for 2013.

Table of Contents

FINANCIAL CONDITION

Total assets increased 2.2% while deposits, borrowings, and stockholders' equity increased 0.8%, 17.2%, and 5.7%, respectively, compared to December 31, 2013. The increase in total assets was primarily the result of a \$136.8 million increase in total portfolio loans, coupled with a \$21.5 million increase in the investment securities portfolio. Loan growth was driven by increased business activity in markets impacted by Marcellus and Utica shale gas drilling, expansion into the Pittsburgh market, additional lending personnel, focused marketing efforts, an expanded presence in our larger urban markets, and continued improvement in loan origination processes. Deposits increased primarily due to a 5.9% increase in demand deposits, a 5.4% increase in money markets, and a 4.4% increase in savings deposits, which more than offset the 10.1% decrease in certificates of deposit due to lower rate offerings on maturities. These increases were due to marketing, incentives paid to customers, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities. Deposit growth was also achieved through initial deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. FHLB borrowings increased \$83.9 million as \$16.4 million in scheduled maturities were offset by new short-term low-rate borrowings which were utilized to manage WesBanco's normal liquidity needs. The balance of these borrowings totaled \$100.5 million at September 30, 2014. Other short-term borrowings decreased 21.9% from December 31, 2013 as higher cost structured repurchase agreements were paid down using funding provided by the increase in lower cost deposits and other available cash flows. Total shareholders' equity increased \$42.2 million, or 5.7%, compared to December 31, 2013, due to net income exceeding dividends for the period by \$34.2 million, coupled with \$5.3 million of unrealized gains in accumulated other comprehensive income.

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

<i>(unaudited, dollars in thousands)</i>	September 30, 2014	December 31, 2013	\$ Change	% Change
Available-for-sale (at fair value)				
Obligations of government agencies	\$ 80,522	\$ 73,232	\$ 7,290	10.0
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	728,416	694,267	34,149	4.9
Obligations of states and political subdivisions	102,695	116,346	(13,651)	(11.7)
Corporate debt securities	36,792	38,481	(1,689)	(4.4)
Total debt securities	948,425	922,326	26,099	2.8
Equity securities	11,128	12,060	(932)	(7.7)
Total available-for-sale securities	\$ 959,553	\$ 934,386	\$ 25,167	2.7
Held-to-maturity (at amortized cost)				
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 83,632	\$ 99,409	\$ (15,777)	(15.9)
Obligations of states and political subdivisions	505,486	496,396	9,090	1.8
Corporate debt securities	5,742	2,715	3,027	111.5
Total held-to-maturity securities	594,860	598,520	(3,660)	(0.6)
Total securities	\$ 1,554,413	\$ 1,532,906	\$ 21,507	1.4
Available-for-sale securities:				
Weighted average yield at the respective period end ⁽²⁾	2.36%	2.36%		
As a % of total securities	61.7%	61.0%		
Weighted average life (in years)	4.1	4.2		
Held-to-maturity securities:				
Weighted average yield at the respective period end ⁽²⁾	4.68%	4.65%		
As a % of total securities	38.3%	39.0%		
Weighted average life (in years)	5.5	6.7		
Total securities:				
Weighted average yield at the respective period end ⁽²⁾	3.26%	3.26%		
As a % of total securities	100.0%	100.0%		
Weighted average life (in years)	4.7	5.2		

(1) At September 30, 2014 and December 31, 2013, there were no holdings of any one issuer, other than the U.S. government and certain federal or federally-related agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

(2) Weighted average yields have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%.

Total investment securities, which are a source of liquidity for WesBanco as well as a contributor to interest income, increased by \$21.5 million or 1.4% from December 31, 2013 to September 30, 2014, but decreased \$59.4 million or 3.7% since June 30, 2014 due to an increase in loan balances for the quarter. Through the first nine months of the year, the available-for-sale portfolio increased by \$25.2 million or 2.7%, from purchases of residential mortgage-backed securities exceeding paydowns, while the held-to-maturity portfolio decreased \$3.7 million or 0.6%. For the nine months ended September 30, 2014, security purchases totaled \$225.5 million, while security sales were \$4.8 million and maturities, paydowns, and calls totaled \$203.7 million.

Edgar Filing: WESBANCO INC - Form 10-Q

Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of September 30, 2014 and December 31, 2013 were \$1.3 million and \$6.1 million, respectively. The decrease in unrealized losses from December 31, 2013 on available-for-sale securities were due to a decrease in market rates during that time period. With approximately 38% of the investment portfolio in the held-to-maturity category, the recent volatility in interest rates does not have as much impact on other comprehensive income as it would if the entire portfolio were included in the category available-for-sale.

Table of Contents

WesBanco's municipal portfolio comprises 39.1% of the overall securities portfolio as of September 30, 2014 as compared to 40.0% as of December 31, 2013, 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, 2014		December 31, 2013	
	Amount	% of Total	Amount	% of Total
Municipal bonds (at fair value) (1):				
Moody's: Aaa / S&P: AAA	\$ 49,108	7.8	\$ 45,898	7.5
Moody's: Aa1 ; Aa2 ; Aa3 / S&P: AA+ ; AA ; AA-	448,541	71.4	429,250	70.5
Moody's: A1 ; A2 ; A3 / S&P: A+ ; A ; A-	120,930	19.3	118,126	19.4
Moody's: Baa1 ; Baa2 ; Baa3 / S&P: BBB+ ; BBB ; BBB- (2)	4,021	0.6	9,013	1.5
Not rated by either agency	5,384	0.9	6,707	1.1
Total municipal bond portfolio	\$ 627,984	100.0	\$ 608,994	100.0

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

(2) As of September 30, 2014 and December 31, 2013, there are no securities in the municipal portfolio rated below investment grade. WesBanco's municipal bond portfolio consists of both taxable (primarily Build America Bonds) and tax-exempt general obligation and revenue bonds. The following table presents additional information regarding the municipal bond type and issuer (at fair value):

TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES

<i>(unaudited, dollars in thousands)</i>	September 30, 2014		December 31, 2013	
	Amount	% of Total	Amount	% of Total
Municipal bond type:				
General Obligation	\$ 439,008	69.9	\$ 428,705	70.4
Revenue	188,976	30.1	180,289	29.6
Total municipal bond portfolio	\$ 627,984	100.0	\$ 608,994	100.0
Municipal bond issuer:				
State Issued	\$ 51,851	8.3	\$ 51,389	8.4
Local Issued	576,133	91.7	557,605	91.6
Total municipal bond portfolio	\$ 627,984	100.0	\$ 608,994	100.0

The amortized cost of the municipal bond portfolio at September 30, 2014 and December 31, 2013 was \$602.6 million and \$608.9 million, respectively.

WesBanco's municipal bond portfolio is broadly spread across the United States. The following table presents the top five states of municipal bond concentration based on total fair value at September 30, 2014:

TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES

Edgar Filing: WESBANCO INC - Form 10-Q

<i>(unaudited, dollars in thousands)</i>	September 30, 2014	
	Fair Value	% of Total
Pennsylvania	\$ 172,320	27.4
Ohio	84,115	13.4
Texas	75,251	12.0
Illinois	35,652	5.7
Michigan	24,863	4.0
All other states (1)	235,783	37.5
Total municipal bond portfolio	\$ 627,984	100.0

(1) WesBanco's municipal bond portfolio contains obligations in the state of West Virginia totaling \$15.3 million or 2.4% of the total municipal portfolio.

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

Table of Contents

measure the fair value of WesBanco's securities. For additional disclosure relating to fair value measurements, refer to Note 6, "Fair Value Measurement" in the Consolidated Financial Statements.

LOANS AND CREDIT RISK

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

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

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

TABLE 10. COMPOSITION OF LOANS (1)

<i>(unaudited, dollars in thousands)</i>	September 30, 2014		December 31, 2013	
	Amount	% of Loans	Amount	% of Loans
Commercial real estate:				
Land and construction	\$ 235,249	5.8	\$ 263,117	6.7
Improved property	1,738,087	43.1	1,649,802	42.3
Total commercial real estate	1,973,336	48.9	1,912,919	49.0
Commercial and industrial	603,245	14.9	556,249	14.3
Residential real estate:				
Land and construction	21,733	0.5	27,559	0.7
Other	887,798	22.0	863,245	22.1
Home equity	313,711	7.8	284,687	7.3
Consumer	231,881	5.7	250,258	6.4
Total portfolio loans	4,031,704	99.8	3,894,917	99.8
Loans held for sale	6,260	0.2	5,855	0.2
Total loans	\$ 4,037,964	100.0	\$ 3,900,772	100.0

Edgar Filing: WESBANCO INC - Form 10-Q

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

Total loans increased \$137.2 million or 3.5% from December 31, 2013 as loan growth was achieved through \$1.03 billion in loan originations over the last nine months. Although somewhat depressed in the first quarter due to the challenging weather and economy, loan originations increased 49.6% in the third quarter compared to the first quarter and 16.5% compared to the second quarter of 2014 and are now at levels similar to 2013 loan production. Loan growth was driven by increased business activity in markets impacted by Marcellus and Utica shale gas drilling, expansion into the Pittsburgh market, additional lending personnel, focused marketing efforts, an expanded presence in our larger urban markets, and continued improvement in loan origination processes. CRE land and construction loans decreased \$27.9 million or 10.6% as several completed projects were transferred to CRE improved property loans. CRE improved property loans increased \$88.3 million or 5.4% due to the migration of CRE land and construction loans into the category and new loan originations. C&I loans increased \$47.0 million or 8.5% due to focused business development efforts and an increase in the usage of lines of credit as usage increased from 42.8% at December 31, 2014 to 43.8% at September 30, 2014. Residential real estate loans increased \$18.7 million or 2.1% as the bank retained 61.4% of mortgage originations in the first nine months of 2014. For the first nine months of 2014 approximately 70% of mortgage production was purchase money and 30% was refinance-related, while last year refinances comprised about 49% of our first nine months production. Home equity lines of credit increased \$29.0 million or 10.2% due to new loan campaigns and increased usage, while consumer loans decreased \$18.4 million or 7.3% as paydowns outpaced new loan originations. Loans held for sale were relatively unchanged. All loan categories were also impacted by a continued focus on improving the overall profitability and quality of the

Table of Contents

loan portfolio while also maintaining WesBanco's disciplined underwriting and pricing practices in a highly competitive lending market for high quality borrowers. Total loan commitments, including loans approved but not closed, increased 3.9% from December 31, 2013 due primarily to increases in CRE land and construction and home equity lines of credit originations.

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, 2014	December 31, 2013
Non-accrual loans:		
Commercial real estate - land and construction	\$ 1,547	\$ 2,564
Commercial real estate - improved property	18,206	17,305
Commercial and industrial	5,432	4,380
Residential real estate	9,404	10,240
Home equity	1,499	1,604
Consumer	683	540
Total non-accrual loans (1)	36,771	36,633
TDRs accruing interest:		
Commercial real estate - land and construction		
Commercial real estate - improved property	2,494	3,052
Commercial and industrial	197	415
Residential real estate	8,378	9,850
Home equity	765	902
Consumer	388	642
Total TDRs accruing interest (1)	12,222	14,861
Total non-performing loans	\$ 48,993	\$ 51,494
Other real estate owned and repossessed assets	4,695	4,860
Total non-performing assets	\$ 53,688	\$ 56,354
Non-performing loans/total portfolio loans	1.22%	1.32%
Non-performing assets/total assets	0.86%	0.92%
Non-performing assets/total portfolio loans, other real estate and repossessed assets	1.33%	1.45%

(1) TDRs on nonaccrual of \$5.5 million and \$9.3 million at September 30, 2014 and December 31, 2013, respectively, are included in total nonaccrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, decreased \$2.5 million or 4.9% from December 31, 2013 to September 30, 2014. Non-performing loans decreased primarily due to reductions in all TDR loan categories with \$1.5 million attributable to residential real estate TDRs, while non-accrual CRE land and construction loans decreased \$1.0 million which was offset by a \$1.6 million C&I loan that was placed on non-accrual in the second quarter. (Please see the Notes to the Consolidated Financial Statements for additional discussion.)

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, 2014	December 31, 2013
Loans past due 90 days or more:		
Commercial real estate - land and construction	\$	\$ 248
Commercial real estate - improved property		318
Commercial and industrial	86	
Residential real estate	1,826	1,289
Home equity	852	411
Consumer	383	325
Total loans past due 90 days or more	3,147	2,591
Loans past due 30 to 89 days:		
Commercial real estate - land and construction	140	2
Commercial real estate - improved property	2,515	2,897
Commercial and industrial	342	1,310
Residential real estate	2,858	4,894
Home equity	2,065	1,934
Consumer	2,825	3,794
Total loans past due 30 to 89 days	10,745	14,831
Total 30 days or more	\$ 13,892	\$ 17,422
Loans past due 90 days or more and accruing to total portfolio loans	0.08%	0.07%
Loans past due 30-89 days and accruing to total portfolio loans	0.27%	0.38%

Loans past due 90 days or more and accruing interest excluding TDRs increased \$0.6 million or 21.5% from December 31, 2013. These loans continue to accrue interest because they are both well-secured and in the process of collection. Loans past due 30-89 days decreased \$4.1 million or 27.6% between December 31, 2013 and September 30, 2014. The reduction in total delinquency is the result of improved economic conditions as well as management's continued focus on controlling early stage delinquency.

Table of Contents**ALLOWANCE FOR CREDIT LOSSES**

The allowance for loan losses decreased \$2.3 million from December 31, 2013 to September 30, 2014 as a result of a lower provision expense than net charge-offs and represented 1.12% of total portfolio loans at September 30, 2014, compared to 1.22% at December 31, 2013. The decrease in the allowance is supported by reductions in nearly all categories of loans with adverse characteristics and continued improvement in economic conditions. The allowance for loans individually evaluated increased \$0.4 million to \$1.1 million from December 31, 2013 for one C&I loan that was placed on non-accrual in the second quarter of 2014. The allowance for loans collectively evaluated decreased \$2.7 million to \$43.9 million due to lower charge-offs and continued improvement in delinquent, non-performing and classified and criticized loans.

Net charge-offs for the third quarter of 2014 were \$2.2 million or 0.22% of average portfolio loans, compared to \$5.8 million or 0.60% for the third quarter of 2013. Year-to-date, net charge-offs were \$6.9 million or 0.24% of average portfolio loans compared to \$11.3 million or 0.40% in the same period of 2013.

The allowance for loan commitments from December 31, 2013 to September 30, 2014 was relatively unchanged.

The allowance for credit losses by loan category, presented in Note 4 *Loans and the Allowance for Credit Losses* to the Consolidated Financial Statements, summarizes the impact of changes in various factors that affect the allowance for loan losses in each segment of the portfolio. The allowance for all segments is impacted by changes in loan balances, as well as changes in historical loss rates adjusted for qualitative factors such as economic conditions. The CRE and C&I segments of the portfolio are also impacted by changes in the risk grading distribution of the portfolio as well as the migration of CRE loans from land and construction to improved property upon the completion of construction.

The loss migration rate by internal risk grade is the primary factor for establishing the allowance for all commercial loans, and the portfolio segment loss history is the primary factor for establishing the allowance for residential real estate, home equity and consumer loans. The categorization of loans as non-performing is not as significant a factor as the loss migration rate by risk grade or the segment loss history, although certain non-performing loans that carry specific reserves are also typically considered classified under the internal risk grading system. Classified loans and criticized loans decreased \$33.9 million or 27.9% from June 30 to September 30, 2014 and \$53.7 million or 38.0% compared to the same period in 2013 as credit quality continued to improve and enabled certain loans to be upgraded that were criticized but not classified throughout the economic downturn. In the third quarter of 2014, WesBanco also expanded the number of risk grades to better differentiate degrees of risk within the pass category, which did not materially impact the allowance for loan losses.

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The allocation of the allowance was relatively unchanged from December 31, 2013. Decreases in the allowance for CRE land and construction and CRE improved property were primarily the result of lower historical loss rates. The decrease in the allowance for consumer loans is attributed to decreases in loans in that category. The allowance for C&I loans was relatively unchanged as improved credit quality offset loan growth and the addition of a specific reserve during the period for one loan. The increase in the allowance for residential real estate and home equity lines of credit primarily reflects recent growth in that category. The allocation of the allowance for deposit account overdrafts increased due to increased activity.

TABLE 13. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

<i>(unaudited, dollars in thousands)</i>	September 30, 2014	% of Total	December 31, 2013	% of Total
Allowance for loan losses:				
Commercial real estate - land and construction	\$ 5,244	11.5	\$ 6,056	12.6
Commercial real estate - improved property	16,515	36.2	18,157	37.8
Commercial and industrial	9,708	21.3	9,925	20.7
Residential real estate	5,854	12.9	5,673	11.8
Home equity	2,380	5.2	2,017	4.2
Consumer	4,542	10.0	5,020	10.5
Deposit account overdrafts	786	1.7	520	1.1
Total allowance for loan losses	\$ 45,029	98.8	\$ 47,368	98.7
Allowance for loan commitments:				
Commercial real estate - land and construction	\$ 266	0.6	\$ 301	0.6

Edgar Filing: WESBANCO INC - Form 10-Q

Commercial real estate - improved property	20	0.0	62	0.1
Commercial and industrial	124	0.4	130	0.3
Residential real estate	6	0.0	5	0.0
Home equity	97	0.2	85	0.2
Consumer	20	0.0	19	0.1
Total allowance for loan commitments	533	1.2	602	1.3
 Total allowance for credit losses	 \$ 45,562	 100.0	 \$ 47,970	 100.0

Although the allowance for credit losses is allocated as described in Table 13, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management's estimation of probable losses and actual incurred losses in subsequent

Table of Contents

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, 2014.

DEPOSITS**TABLE 14. DEPOSITS**

<i>(unaudited, dollars in thousands)</i>	September 30, 2014	December 31, 2013	\$ Change	% Change
Deposits				
Non-interest bearing demand	\$ 1,027,636	\$ 960,814	\$ 66,822	7.0
Interest bearing demand	897,827	857,761	40,066	4.7
Money market	993,211	942,768	50,443	5.4
Savings deposits	824,703	789,709	34,994	4.4
Certificates of deposit	1,358,308	1,511,478	(153,170)	(10.1)
Total deposits	\$ 5,101,685	\$ 5,062,530	\$ 39,155	0.8

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 119 branches. The FDIC insures deposits up to \$250,000 per account.

Total deposits increased by \$39.2 million or 0.8% during the first nine months of 2014 due to increases in all deposit categories other than CDs. During the first nine months of 2014 non-interest bearing demand deposits and money market deposits increased 7.0% and 5.4%, respectively, while interest bearing demand deposits and savings deposits increased 4.7% and 4.4%, respectively. These increases were due to marketing, marketing incentives paid to customers, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities. Deposit growth was also achieved through initial deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. WesBanco does not generally solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Services (CDARS®) program and the Insured Cash Sweep (ICS®) money market deposit program. WesBanco had \$151.3 million in total outstanding ICS® balances at September 30, 2014 compared to \$107.3 million at December 31, 2013.

The 10.1% decline in certificates of deposit is due to the effects of an overall corporate strategy designed to increase and remix retail deposit relationships with a focus on overall products that can be offered at a lower cost to the Bank. The decline is also impacted by lowered offered rates on maturing certificates of deposit and customer preferences for other non-maturity deposit types. WesBanco had \$294.9 million in total outstanding CDARS® balances at September 30, 2014, of which \$157.6 million represented one-way buys, compared to \$344.7 million in total outstanding CDARS® balances at December 31, 2013, of which \$234.1 million represented one-way buys. Certificates of deposit greater than \$250,000 were approximately \$175.8 million at September 30, 2014 compared to \$164.8 million at December 31, 2013. Certificates of deposit of \$100,000 or more were approximately \$736.5 million at September 30, 2014 compared to \$809.7 million at December 31, 2013. Certificates of deposit totaling approximately \$805.1 million at September 30, 2014 with a cost of 0.92% are scheduled to mature within the next 12 months. WesBanco will continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs, although in the current interest rate environment, CD rate offerings are generally equal to or lower for comparable term maturities and types compared to rates paid on existing CDs.

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

<i>(unaudited, dollars in thousands)</i>	September 30, 2014	December 31, 2013	\$ Change	% Change
Federal Home Loan Bank Borrowings	\$ 123,374	\$ 39,508	\$ 83,866	212.3
Other short-term borrowings	117,637	150,536	(32,899)	(21.9)
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,166	106,137	29	0.0
Total	\$ 347,177	\$ 296,181	\$ 50,996	17.2

During the first nine months of 2014, FHLB borrowings increased \$83.9 million as \$16.4 million in scheduled maturities were offset by new short-term borrowings which were utilized to manage WesBanco's normal liquidity needs, including loan and investment funding, as well as for CD runoff. The balance of these short-term borrowings totaled \$100.5 million at September 30, 2014.

Other short-term borrowings, which consist of federal funds purchased, callable repurchase agreements and overnight sweep checking accounts for large commercial customers, were \$117.6 million at September 30, 2014 compared to \$150.5 million at December 31, 2013. The decrease in these borrowings has occurred primarily as a result of a \$62.9 million decrease in securities sold under agreements to repurchase, which was partially offset by a \$30.0 million increase in federal funds purchased. Included in the decrease in other short-term borrowings was a prepayment in the third quarter of a higher rate \$22.0 million repurchase agreement with another bank resulting in a \$1.4 million prepayment charge.

On September 5, 2014, WesBanco entered into a new credit facility with another bank that replaced the previous credit facility which expired July 31, 2014. The new revolving line of credit, at the parent company, matures September 4, 2015. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregate outstanding borrowings of up to \$25.0 million. There were no outstanding balances as of September 30, 2014 or December 31, 2013 under either facility.

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

WesBanco enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, letters of credit, loans approved but not closed, overdraft limits and contingent obligations to purchase loans funded by other entities. Since many of these commitments expire unused or partially used, these commitments may not reflect future cash requirements. Please refer to Note 8, 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 \$788.8 million at September 30, 2014 compared to \$746.6 million at December 31, 2013. Total equity increased due to net income during the current nine month period of \$53.5 million and a \$5.3 million increase in other comprehensive income, which were partially offset by the declaration of common shareholder dividends totaling \$19.3 million for the nine months ended September 30, 2014. WesBanco also increased its quarterly dividend rate to \$0.22 per share in February, representing a 10% increase over the prior quarter rate and a cumulative 57% increase over approximately the last four years.

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, 2014, 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. WesBanco will continue to focus on improving its consolidated and Bank capital ratios primarily through earnings growth, net of dividends.

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

TABLE 16. CAPITAL RESOURCES

<i>(unaudited, dollars in thousands)</i>	Minimum Value (1)	Well Capitalized (2)	September 30, 2014		December 31, 2013		Minimum Amount (1)	Minimum Amount (1)
			Amount	Ratio	Amount	Ratio		
WesBanco, Inc.								
Tier 1 leverage	4.00% ⁽³⁾	N/A	\$ 581,920	9.70%	\$ 239,930	\$ 544,083	9.27%	\$ 234,863
Tier 1 capital to risk-weighted assets	4.00%	6.00%	581,920	13.56%	171,663	544,083	13.06%	166,691
Total capital to risk-weighted assets	8.00%	10.00%	627,236	14.62%	343,327	591,451	14.19%	333,382
WesBanco Bank, Inc.								
Tier 1 leverage	4.00%	5.00%	\$ 523,170	8.74%	\$ 239,428	\$ 502,165	8.58%	\$ 234,109
Tier 1 capital to risk-weighted assets	4.00%	6.00%	523,170	12.24%	170,941	502,165	12.11%	165,828
Total capital to risk-weighted assets	8.00%	10.00%	568,216	13.30%	341,883	549,533	13.25%	331,656

(1) Minimum to remain adequately capitalized.

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

(3) Minimum requirement is 3% for certain highly-rated bank holding companies.

In July 2013, the U.S. federal banking agencies issued a joint final rule that implements the Basel III capital standards effective January 1, 2015 with a phase-in period ending January 1, 2019. The final capital rule establishes the minimum capital levels required under the Dodd-Frank Act, permanently grandfathered trust preferred securities issued before May 19, 2010, and increases the capital required for certain categories of assets. WesBanco has evaluated the impact of the Basel III final capital rule on its regulatory capital ratios and anticipates that the capital ratios, on a fully-phased in Basel III basis, will continue to exceed the well-capitalized minimum requirements.

Table of Contents**LIQUIDITY RISK**

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

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. WesBanco believes its cash flow from the loan portfolio, the investment portfolio, and other sources, adequately meet its liquidity requirements. WesBanco's net loans to assets ratio was 63.5% at September 30, 2014 and deposit balances funded 81.3% of assets.

The following table lists the sources of liquidity from assets at September 30, 2014 expected within the next year:

TABLE 17. LIQUIDITY

<i>(unaudited, in thousands)</i>	
Cash and cash equivalents	\$ 76,419
Securities with a maturity date within the next year	23,495
Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1)	157,062
Callable securities	100,819
Loans held for sale	6,260
Accruing loans scheduled to mature	558,308
Normal loan repayments	359,341
Total sources of liquidity expected within the next year	\$ 1,281,704

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$5.1 billion at September 30, 2014. 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 \$805.1 million at September 30, 2014, which includes jumbo regular certificates of deposit totaling \$279.8 million with a weighted-average cost of 1.21%, and jumbo CDARS® deposits of \$173.7 million with a cost of 0.54%.

WesBanco maintains a line of credit with the FHLB as an additional funding source. Available credit with the FHLB was approximately \$1.6 billion at September 30, 2014 and December 31, 2013. At September 30, 2014, the Bank had unpledged available-for-sale securities with an amortized cost of \$289.4 million, a portion of which is an available liquidity source, or such securities could be pledged to secure additional FHLB borrowings. The FHLB requires securities to be specifically pledged to the FHLB and maintained in a FHLB-approved custodial arrangement if the member wishes to include such securities in the maximum borrowing capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities.

WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program (BIC) whereby WesBanco pledges certain consumer loans as collateral for borrowings. At September 30, 2014, WesBanco had a BIC line of credit totaling \$129.1 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$155.0 million, of which \$50.0 million was outstanding at September 30, 2014, along with seeking other lines of credit, borrowings under repurchase agreement

Edgar Filing: WESBANCO INC - Form 10-Q

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 \$117.6 million at September 30, 2014 consisted of federal funds purchased, callable repurchase agreements and overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balance of the overnight sweep checking accounts during the first nine months of 2014. Term repurchase agreements totaling \$22.0 million were redeemed before maturity during the quarter. The overnight sweep checking accounts require securities to be pledged equal to or greater than the average deposit balance in the related customer accounts. Federal funds purchased were used to manage WesBanco's normal liquidity needs, including loan funding, during the quarter. The balance of federal funds purchased was \$50.0 million at September 30, 2014.

The principal sources of parent company liquidity are dividends from the Bank and \$46.2 million in cash and investments on hand. In addition, the parent company has a \$25.0 million revolving line of credit with another bank with a zero balance outstanding. The loan matures September 4, 2015. WesBanco was in compliance with all loan covenants at September 30, 2014. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company; however, management believes these are appropriate levels of cash for the parent company given the current environment. Management continuously monitors the adequacy of parent company cash levels and sources of liquidity through the use of metrics that relate current cash levels to historical and forecasted cash inflows and outflows.

Table of Contents

WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating \$1.2 billion at September 30, 2014 and December 31, 2013. On a historical basis, only a small portion of these commitments will result in an outflow of funds. Please refer to Note 8, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk 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, 2014 and that WesBanco's current liquidity risk management policies and procedures adequately address this guidance.

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

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

MARKET RISK

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

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

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

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

Management is aware of the significant effect inflation or deflation has upon interest rates and ultimately upon financial performance. WesBanco's ability to cope with inflation or deflation is best determined by analyzing its capability to respond to changing market interest rates, as well as its ability to manage the various elements of non-interest income and expense during periods of increasing or decreasing inflation or deflation. WesBanco monitors the level and mix of interest-rate sensitive assets and liabilities through ALCO in order to reduce the impact of inflation or deflation on net interest income. Management also controls the effects of inflation or deflation by conducting periodic reviews of the prices and terms of its various products and services, both in terms of the costs to offer the services as well as outside market influences upon such pricing, by introducing new products and services or reducing the availability of existing products and services, and by controlling overhead expenses.

Interest rate risk policy limits are determined by measuring the anticipated change in net interest income over a twelve month period assuming an immediate and sustained 100, 200 and 300 basis point increase or decrease in market interest rates compared to a stable rate environment or base model. WesBanco's current policy limits this exposure to a reduction of 5.0%, 12.5% and 25% or less, respectively, of net interest income from the base model over a twelve month period. The table below shows WesBanco's interest rate sensitivity at September 30, 2014 and December 31, 2013 assuming a 100, 200 and 300 basis point interest rate increase, compared to a base model. Due to the current low interest rate environment, particularly for short-term rates, the 200 and 300 basis point decreasing change is not calculated.

TABLE 1. NET INTEREST INCOME SENSITIVITY

Edgar Filing: WESBANCO INC - Form 10-Q

Immediate Change in	Percentage Change in		
Interest Rates (basis points)	Net Interest Income from Base over One Year		ALCO Guidelines
	September 30, 2014	December 31, 2013	
+300	0.2%	0.2%	(25.0%)
+200	1.6%	1.7%	(12.5%)
+100	1.6%	1.6%	(5.0%)
-100	(1.5%)	(2.0%)	(5.0%)

Table of Contents

As per the table above, the earnings simulation model at September 30, 2014 currently projects that net interest income for the next twelve month period would decrease by 1.5% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 2.0% for the same scenario as of December 31, 2013.

For rising rate scenarios, net interest income would increase by 1.6%, 1.6%, and 0.2% if rates increased by 100, 200 and 300 basis points, respectively, as of September 30, 2014 compared to increases of 1.6%, 1.7% and 0.2%, respectively, for the same increasing rate environments as of December 31, 2013.

The balance sheet continues to be asset sensitive as of September 30, 2014, similar to December 31, 2013. Should rates rise more rapidly and by a higher amount than currently anticipated in the short to intermediate term, overall asset sensitivity may be somewhat neutralized due to slower prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities. In addition, variable rate commercial loans with rate floors approximated \$1.1 billion at September 30, 2014, which represented approximately 43% of commercial loans, with an average floor of 4.28%. In a 100 basis point rising rate environment, not all these loans would reprice the full 100 basis points from their current level, since many of these loans are priced above their contracted floor amount. A short term rate increase or steeper yield curve should result in the margin improving although short term interest rates are not currently anticipated to increase until mid-2015. Additionally, maturities of higher-rate certificates of deposit scheduled over the next year totaling \$805.1 million at an average cost of 0.92%, should limit potential margin compression. Also the bank continues to experience lower loan spreads in a competitive loan environment offset by loan growth which has somewhat or mostly offset loan yield compression.

The Bank has significant additional borrowing capacity with FHLB Pittsburgh, the Federal Reserve Bank of Cleveland, and various correspondent banks, and may utilize these funding sources as necessary to mitigate the impact on our balance sheet of embedded options in commercial and residential loans and to lengthen liabilities to help offset mismatches in various asset maturities, as well as to manage short-term cash needs. CDARS[®] deposits also continue to be used to lengthen maturities in certificates of deposit, and for customers seeking to maintain deposit balances below insured limits.

Current balance sheet strategies approved by the ALM committee include:

increasing total loans; primarily commercial, and residential real estate loans with fixed rate periods of no longer than 15 years;

investing available short-term liquidity mostly in short final pay CMOs, step-up notes or corporate bonds;

implementing marketing programs to increase consumer loan balances and transaction deposit accounts versus certificates of deposit;

reinvesting securities cash flows into new loans or securities;

paying down remaining term borrowings with available cash, or borrowing at lower rates if necessary to fund higher than anticipated loan growth; and

extending a portion of CD maturities through the CDARS[®] program and continuing to hold down offered rates on maturing CDs.

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve month period. WesBanco's current policy limits this exposure to 5.0% of net interest income from the base model for a twelve month period. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at September 30, 2014, using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 1.2% over the next twelve months, compared to a 1.1% increase at December 31, 2013.

Edgar Filing: WESBANCO INC - Form 10-Q

WesBanco also periodically measures the economic value of equity, which is defined as the market value of tangible equity in various increasing and decreasing rate scenarios. At September 30, 2014, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 3.2%, compared to a decrease of 2.8% at December 31, 2013. In a 100 basis point falling rate environment, the model indicates a decrease of 9.0%, compared to a decrease of 5.3% as of December 31, 2013. WesBanco's policy is to limit such change to minus 20% for a 200 basis point change in interest rates, as long as the Tier 1 leverage capital ratio is not forecasted to decrease below 5.0% as a result of the change. Balance sheet changes in loan and securities portfolios, continued maturities of borrowings and certificates of deposit, and adding certain transaction-type deposits, as well as certain other modeling assumptions, have resulted in the change in equity market value from year end.

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES WesBanco's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have concluded that WesBanco's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), based on their evaluation of these controls and procedures as of the end of the period covered by this Form 10-Q, are effective at the reasonable assurance level as discussed below to ensure that information required to be disclosed by WesBanco in the reports it files under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to WesBanco's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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

CHANGES IN INTERNAL CONTROLS There were no changes in WesBanco's internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2014 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 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, 2014, WesBanco had a current stock repurchase plan in which up to one million shares can be acquired. The plan was originally approved by the Board of Directors on March 21, 2007 and provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time. There were no repurchases during the third quarter of 2014, other than those for KSOP and dividend reinvestment plans.

The following table presents the monthly share purchase activity during the quarter ended September 30, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
Balance at June 30, 2014				378,286
July 1, 2014 to July 31, 2014				
Open market repurchases				378,286
Other transactions (1)	16,325	\$ 31.53	N/A	N/A
August 1, 2014 to August 31, 2014				
Open market repurchases				378,286
Other transactions (1)	1,681	30.34	N/A	N/A
September 1, 2014 to September 30, 2014				
Open market repurchases				378,286
Other transactions (1)	1,264	31.35	N/A	N/A
Third Quarter 2014				
Open market repurchases				378,286
Other transactions (1)	19,270	\$ 31.41	N/A	N/A
Total	19,270	\$ 31.41		378,286

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

Table of Contents

ITEM 6. EXHIBITS

- 10.1 Letter Agreement between WesBanco, Inc. and PNC Bank, National Association. Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on September 8, 2014.
- 10.2 Committed Line of Credit Note between WesBanco, Inc. and PNC Bank, National Association. Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on September 8, 2014.
- 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, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at September 30, 2014 and December 31, 2013, (ii) the Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013, 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, 2014

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

(Principal Executive Officer)

Date: October 30, 2014

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