

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

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

(Mark One)

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

For the quarterly period ended September 30, 2016

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

For the transition period from _____ to _____

Commission File Number 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

WEST VIRGINIA
(State of incorporation)

55-0571723
(IRS Employer Identification No.)

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

26003
(Zip Code)

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

NOT APPLICABLE

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

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

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

Large accelerated filer Accelerated filer

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

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

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

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

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

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

See Notes to Consolidated Financial Statements.

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

See Notes to Consolidated Financial Statements.

Table of Contents

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

For the Nine Months Ended September 30, 2016 and 2015

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

See Notes to Consolidated Financial Statements.

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

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

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

See Notes to Consolidated Financial Statements.

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

Basis of presentation The accompanying unaudited interim financial statements of WesBanco, Inc. and its consolidated subsidiaries (WesBanco) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015.

WesBanco's interim financial statements have been prepared following the significant accounting policies disclosed in Note 1 of the Notes to the Consolidated Financial Statements of its 2015 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco's financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

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

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

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

impact on WesBanco's Consolidated Financial Statements.

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

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

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

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

Table of Contents

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

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

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

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

NOTE 2. MERGERS AND ACQUISITIONS

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

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

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

Table of Contents

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

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

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

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

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

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

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

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

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

Table of Contents**NOTE 4. SECURITIES**

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

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

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

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

At September 30, 2016, and December 31, 2015, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

Table of Contents

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

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

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

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

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

Securities with aggregate fair values of \$1.3 billion and \$1.0 billion at September 30, 2016 and December 31, 2015, respectively, were pledged as security for public and trust funds, and securities sold under agreements to repurchase. Proceeds from the sale of available-for-sale securities were \$277.2 million and \$570.7 million for the nine months

Edgar Filing: WESBANCO INC - Form 10-Q

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

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

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

Table of Contents

The following tables provide information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of September 30, 2016 and December 31, 2015:

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

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

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

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

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

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

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

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

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

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

Total beginning allowance for credit losses

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

Total provision for credit losses	493	1,351	2,787	(65)	309	916	559	6,350
-----------------------------------	-----	-------	-------	------	-----	-----	-----	-------

Charge-offs	(73)	(1,732)	(2,883)	(529)	(345)	(2,733)	(585)	(8,880)
Recoveries	3	1,406	241	351	171	1,199	167	3,538

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

Balance at September 30, 2016:

Allowance for loan losses	4,818	15,773	10,187	4,337	3,010	4,147	483	42,755
Allowance for loan commitments	152	26	220	9	125	44		576

Total ending allowance for credit losses	\$ 4,970	\$ 15,799	\$ 10,407	\$ 4,346	\$ 3,135	\$ 4,191	\$ 483	\$ 43,331
--	----------	-----------	-----------	----------	----------	----------	--------	-----------

Balance at December 31, 2014:

Allowance for loan losses	\$ 5,654	\$ 17,573	\$ 9,063	\$ 5,382	\$ 2,329	\$ 4,078	\$ 575	\$ 44,654
Allowance for loan commitments	194	10	112	9	90	40		455

Total beginning allowance for credit losses	5,848	17,583	9,175	5,391	2,419	4,118	575	45,109
---	-------	--------	-------	-------	-------	-------	-----	--------

Provision for credit losses:								
Provision for loan losses	(826)	977	2,434	325	1,320	922	441	5,593
Provision for loan commitments	9	11	137		19	(1)		175

Total provision for credit losses	(817)	988	2,571	325	1,339	921	441	5,768
-----------------------------------	-------	-----	-------	-----	-------	-----	-----	-------

Charge-offs		(3,964)	(2,267)	(1,482)	(1,124)	(1,968)	(610)	(11,415)
Recoveries	1	661	356	472	161	968	173	2,792

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

Balance at September 30, 2015:

Allowance for loan losses	4,829	15,247	9,586	4,697	2,686	4,000	579	41,624
	203	21	249	9	109	39		630

Allowance for loan commitments

Total ending allowance for credit losses

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

Table of Contents

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

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

Total allowance for credit losses

Portfolio loans:

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

Age Analysis of Loans

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

As of December 31, 2015

Commercial real estate:

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

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

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

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

Impaired loans included above are as follows:

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

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

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

Table of Contents

The following tables summarize impaired loans:

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

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

Table of Contents

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

NOTE 7. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

Table of Contents

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

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

Table of Contents

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

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

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

Table of Contents

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

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Condensed financial information by business segment is presented below:

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

For the Nine Months ended September 30, 2016:

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

For the Nine Months ended September 30, 2015:

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

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

Table of Contents

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

Management's Discussion and Analysis (MD&A) represents an overview of the results of operations and financial condition of WesBanco for the three and nine months ended September 30, 2016. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this report relating to WesBanco's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The information contained in this report should be read in conjunction with WesBanco's Form 10-K for the year ended December 31, 2015 and documents subsequently filed by WesBanco with the Securities and Exchange Commission (SEC), including WesBanco's Form 10-Q for the quarters ended March 31 and June 30, 2016, which are available at the SEC's website, www.sec.gov or at WesBanco's website, www.wesbanco.com. Investors are cautioned that forward-looking statements, which are not historical fact, involve risks and uncertainties, including those detailed in WesBanco's most recent Annual Report on Form 10-K filed with the SEC under Risk Factors in Part I, Item 1A. Such statements are subject to important factors that could cause actual results to differ materially from those contemplated by such statements, including, without limitation, that the businesses of WesBanco and YCB may not be integrated successfully or such integration may take longer to accomplish than expected; the expected cost savings and any revenue synergies from the merger of WesBanco and YCB may not be fully realized within the expected timeframes; disruption from the merger of WesBanco and YCB may make it more difficult to maintain relationships with clients, associates, or suppliers; the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the Federal Deposit Insurance Corporation, the SEC, the Financial Institution Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; internet hacking; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco's operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

OVERVIEW

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

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

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

WesBanco's critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of September 30, 2016 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2015 within the section Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

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

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

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

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

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

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

PROVISION FOR CREDIT LOSSES

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

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

Table of Contents

NON-INTEREST INCOME

TABLE 4. NON-INTEREST INCOME

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

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

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

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

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

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

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

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

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

Table of Contents

NON-INTEREST EXPENSE

TABLE 5. NON-INTEREST EXPENSE

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

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

reflects similar trends as in the third quarter.

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

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

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

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

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

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

Table of Contents

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

INCOME TAXES

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

FINANCIAL CONDITION

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

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

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

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

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

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

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

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

Table of Contents

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

TABLE 7. MUNICIPAL BOND RATINGS

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

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

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

TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES

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

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

TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES

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

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

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

Table of Contents**LOANS AND CREDIT RISK**

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

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

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

TABLE 10. COMPOSITION OF LOANS (1)

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

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

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

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

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

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

Table of Contents

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

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

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

TABLE 11. NON-PERFORMING ASSETS

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

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

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

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

Table of Contents

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

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

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

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

Table of Contents**ALLOWANCE FOR CREDIT LOSSES**

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

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

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

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

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

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

TABLE 13. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL RESOURCES

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

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

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

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

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

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

Edgar Filing: WESBANCO INC - Form 10-Q

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

(1) Minimum requirements to remain adequately capitalized.

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

Table of Contents**LIQUIDITY RISK**

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

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

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

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

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

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$7.1 billion at September 30, 2016. Deposit flows are impacted by current interest rates, products and rates offered by WesBanco versus various forms of competition, as well as customer behavior. Certificates of deposit scheduled to mature within one year totaled \$862.0 million at September 30, 2016, which includes jumbo regular certificates of deposit totaling \$327.7 million with a weighted-average cost of 0.61%, and jumbo CDARS® deposits of \$75.1 million with a cost of 0.75%.

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

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

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

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

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

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

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

MARKET RISK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

investing available short-term liquidity;

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

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

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

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

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

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

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve-month period. WesBanco's current policy limits this exposure to a change of minus 10% in net interest income from the base model for a twelve-month period and minus 15% for an extended two year rate ramp of 400 basis points. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at September 30, 2016 using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 2.8% over the next twelve months, compared to a 3.0% increase at December 31, 2015 and 3.0% for a 400 basis point rate ramp over two years. In addition, management utilizes a Most Likely forecast scenario to forecast net interest income over a rolling two year time frame, which is periodically updated and reviewed quarterly, incorporating current budget or re-forecast assumptions into the model such as estimated loan and deposit growth, asset and liability re-mixing, competitive market rates for various products and marketing promotions, and other assumptions. Such model helps to predict changes in forecasted outcomes and necessary adjustments to the plan to

achieve management's budgeted earnings goals.

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

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

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

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

CHANGES IN INTERNAL CONTROLS There were no changes in WesBanco's internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2016 as required to be reported by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, that materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

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

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

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

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

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

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

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

Table of Contents

ITEM 6. EXHIBITS

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

Table of Contents

SIGNATURES

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

WESBANCO, INC.

Date: November 4, 2016

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

(Principal Executive Officer)

Date: November 4, 2016

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

(Principal Financial and Accounting Officer)