

WESBANCO INC  
Form 10-Q  
April 24, 2014  
[Table of Contents](#)

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2014

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

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

Commission File Number 000-08467

**WESBANCO, INC.**

(Exact name of Registrant as specified in its charter)

Edgar Filing: WESBANCO INC - Form 10-Q

**WEST VIRGINIA**  
(State of incorporation)

**55-0571723**  
(IRS Employer

Identification No.)

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

**26003**  
(Zip Code)

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

**NOT APPLICABLE**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☒

Accelerated filer ☐

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

Smaller reporting company ☐

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

As of April 21, 2014, there were 29,212,110 shares of WesBanco, Inc. common stock, \$2.0833 par value, outstanding.

**Table of Contents**

**WESBANCO, INC.**

**TABLE OF CONTENTS**

<b>Item No.</b>	<b>ITEM</b>	<b>Page No.</b>
	<b><u>PART I - FINANCIAL INFORMATION</u></b>	
1	<u>Financial Statements</u>	
	<u>Consolidated Balance Sheets at March 31, 2014 (unaudited) and December 31, 2013</u>	3
	<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013 (unaudited)</u>	4
	<u>Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2014 and 2013 (unaudited)</u>	5
	<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013 (unaudited)</u>	6
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	7
2	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	26
3	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	44
4	<u>Controls and Procedures</u>	46
	<b><u>PART II - OTHER INFORMATION</u></b>	
1	<u>Legal Proceedings</u>	47
2	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
6	<u>Exhibits</u>	48
	<u>Signatures</u>	49

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

<i>(unaudited, in thousands, except shares)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
Cash and due from banks, including interest bearing amounts of <b>\$31,881</b> and \$15,550, respectively	<b>\$ 175,196</b>	\$ 95,551
Securities:		
Available-for-sale, at fair value	<b>959,775</b>	934,386
Held-to-maturity (fair values of <b>\$607,886</b> and \$596,308, respectively)	<b>597,624</b>	598,520
Total securities	<b>1,557,399</b>	1,532,906
Loans held for sale	<b>6,300</b>	5,855
Portfolio loans, net of unearned income	<b>3,887,102</b>	3,894,917
Allowance for loan losses	<b>(45,483)</b>	(47,368)
Net portfolio loans	<b>3,841,619</b>	3,847,549
Premises and equipment, net	<b>92,814</b>	93,157
Accrued interest receivable	<b>20,149</b>	18,960
Goodwill and other intangible assets, net	<b>320,931</b>	321,426
Bank-owned life insurance	<b>122,265</b>	121,390
Other assets	<b>100,904</b>	107,979
<b>Total Assets</b>	<b>\$ 6,237,577</b>	\$ 6,144,773
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	<b>\$ 1,022,119</b>	\$ 960,814
Interest bearing demand	<b>918,629</b>	857,761
Money market	<b>980,890</b>	942,768
Savings deposits	<b>824,276</b>	789,709
Certificates of deposit	<b>1,469,804</b>	1,511,478
Total deposits	<b>5,215,718</b>	5,062,530
Federal Home Loan Bank borrowings	<b>23,282</b>	39,508
Other short-term borrowings	<b>92,737</b>	150,536
Junior subordinated debt owed to unconsolidated subsidiary trusts	<b>106,146</b>	106,137
Total borrowings	<b>222,165</b>	296,181
Accrued interest payable	<b>2,250</b>	2,354
Other liabilities	<b>36,327</b>	37,113

<b>Total Liabilities</b>	<b>5,476,460</b>	5,398,178
<b>SHAREHOLDERS' EQUITY</b>		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, \$2.0833 par value; 50,000,000 shares authorized; <b>29,367,511</b> issued in 2014 and 2013, respectively; outstanding: <b>29,212,110</b> and 29,175,236 shares in 2014 and 2013, respectively	<b>61,182</b>	61,182
Capital surplus	<b>245,085</b>	244,974
Retained earnings	<b>470,352</b>	460,351
Treasury stock ( <b>155,401</b> and 192,275 shares in 2014 and 2013, respectively, at cost)	<b>(4,822)</b>	(5,969)
Accumulated other comprehensive loss	<b>(9,461)</b>	(12,734)
Deferred benefits for directors	<b>(1,219)</b>	(1,209)
<b>Total Shareholders' Equity</b>	<b>761,117</b>	746,595
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 6,237,577</b>	\$ 6,144,773

See Notes to Consolidated Financial Statements.

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

<i>(unaudited, in thousands, except shares and per share amounts)</i>	For the Three Months Ended March 31,	
	2014	2013
<b>INTEREST AND DIVIDEND INCOME</b>		
Loans, including fees	\$ 42,746	\$ 44,276
Interest and dividends on securities:		
Taxable	7,225	7,433
Tax-exempt	3,385	3,127
Total interest and dividends on securities	10,610	10,560
Other interest income	101	56
Total interest and dividend income	53,457	54,892
<b>INTEREST EXPENSE</b>		
Interest bearing demand deposits	374	301
Money market deposits	440	339
Savings deposits	130	141
Certificates of deposit	3,630	6,148
Total interest expense on deposits	4,574	6,929
Federal Home Loan Bank borrowings	211	319
Other short-term borrowings	557	623
Junior subordinated debt owed to unconsolidated subsidiary trusts	790	893
Total interest expense	6,132	8,764
<b>NET INTEREST INCOME</b>	<b>47,325</b>	<b>46,128</b>
Provision for credit losses	2,199	2,102
Net interest income after provision for credit losses	45,126	44,026
<b>NON-INTEREST INCOME</b>		
Trust fees	5,648	5,018
Service charges on deposits	3,860	4,197
Electronic banking fees	3,013	2,866
Net securities brokerage revenue	1,829	1,497
Bank-owned life insurance	875	1,949
Net gains on sales of mortgage loans	154	712
Net securities gains	10	16
Net gain / (loss) on other real estate owned and other assets	113	(46)
Other income	1,547	1,287
Total non-interest income	17,049	17,496
<b>NON-INTEREST EXPENSE</b>		
Salaries and wages	16,467	15,826

Edgar Filing: WESBANCO INC - Form 10-Q

Employee benefits	5,708	6,345
Net occupancy	3,491	3,192
Equipment	2,783	2,407
Marketing	1,003	805
FDIC insurance	877	971
Amortization of intangible assets	495	625
Restructuring and merger-related expense		1,178
Other operating expenses	9,271	9,398
<b>Total non-interest expense</b>	<b>40,095</b>	<b>40,747</b>
 Income before provision for income taxes	 22,080	 20,775
Provision for income taxes	5,659	4,754
 <b>NET INCOME</b>	 \$ 16,421	 \$ 16,021
 <b>EARNINGS PER COMMON SHARE</b>		
Basic	\$ 0.56	\$ 0.55
Diluted	\$ 0.56	\$ 0.55
 <b>AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic	29,182,183	29,211,321
Diluted	29,262,680	29,268,483
 <b>DIVIDENDS DECLARED PER COMMON SHARE</b>	 \$ 0.22	 \$ 0.19
 <b>COMPREHENSIVE INCOME</b>	 \$ 19,694	 \$ 15,580

See Notes to Consolidated Financial Statements.

# Table of Contents

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

For the Three Months Ended March 31, 2014 and 2013

(unaudited, in thousands, except shares and per share amounts)	Common Stock Shares		Capital	Retained	Treasury	Accumulated Other Comprehensive Income (Loss)	Deferred Benefits for Directors	Total
	Outstanding	Amount	Surplus	Earnings	Stock			
December 31, 2013	29,175,236	\$ 61,182	\$ 244,974	\$ 460,351	\$ (5,969)	\$ (12,734)	\$ (1,209)	\$ 746,595
Net income				16,421				16,421
Other comprehensive income						3,273		3,273
Comprehensive income								19,694
Common dividends declared (\$0.22 per share)				(6,420)				(6,420)
Treasury shares acquired	(2,258)		49		(68)			(19)
Stock options exercised	37,092		(176)		1,152			976
Restricted stock granted	2,040		(63)		63			
Stock compensation expense			291					291
Deferred benefits for directors- net			10				(10)	
March 31, 2014	29,212,110	\$ 61,182	\$ 245,085	\$ 470,352	\$ (4,822)	\$ (9,461)	\$ (1,219)	\$ 761,117
December 31, 2012	29,214,660	\$ 60,863	\$ 241,672	\$ 419,246	\$	\$ (6,365)	\$ (1,232)	\$ 714,184
Net income				16,021				16,021
Other comprehensive loss						(441)		(441)
Comprehensive income								15,580
Common dividends declared (\$0.19 per share)				(5,552)				(5,552)
Treasury shares acquired	(620)				(14)			(14)
Stock options exercised	4,650	8	76		14			98
Adjustment to shares issued in acquisition	(4,672)	(9)	(95)					(104)
Stock compensation expense			217					217
Deferred benefits for directors- net			10				(10)	
March 31, 2013	29,214,018	\$ 60,862	\$ 241,880	\$ 429,715	\$	\$ (6,806)	\$ (1,242)	\$ 724,409

See Notes to Consolidated Financial Statements.



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

<i>(unaudited, in thousands)</i>	For the Three Months Ended March 31,	
	2014	2013
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 23,985</b>	<b>\$ 31,308</b>
<b>INVESTING ACTIVITIES</b>		
Net decrease in loans	3,446	3,243
Securities available-for-sale:		
Proceeds from sales	3,155	3,371
Proceeds from maturities, prepayments and calls	53,631	95,683
Purchases of securities	(77,725)	(73,129)
Securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	12,325	21,224
Purchases of securities	(12,240)	(11,811)
Purchases of premises and equipment - net	(1,485)	(1,198)
Net cash (used in) provided by investing activities	(18,893)	37,383
<b>FINANCING ACTIVITIES</b>		
Increase in deposits	153,387	61,558
Repayment of Federal Home Loan Bank borrowings	(16,181)	(50,206)
Decrease in other short-term borrowings	(37,682)	(14,477)
Decrease in federal funds purchased	(20,000)	
Repayment of junior subordinated debt		(7,732)
Dividends paid to common shareholders	(5,833)	(5,260)
Treasury shares sold - net	862	
Issuance of common stock		84
Net cash provided by (used in) financing activities	74,553	(16,033)
Net increase in cash and cash equivalents	79,645	52,658
Cash and cash equivalents at beginning of the period	95,551	125,605
Cash and cash equivalents at end of the period	\$ 175,196	\$ 178,263
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid on deposits and other borrowings	\$ 6,589	\$ 9,000
Income taxes paid		2,875
Transfers of loans to other real estate owned	1,287	472

See Notes to Consolidated Financial Statements.

## Table of Contents

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** The accompanying unaudited interim financial statements of WesBanco, Inc. and its consolidated subsidiaries ( WesBanco ) have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013.

WesBanco's interim financial statements have been prepared following the significant accounting policies disclosed in Note 1 of the Notes to the Consolidated Financial Statements of its 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco's financial position and results of operations for each of the interim periods presented. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

**Recent accounting pronouncements** In January 2014, the Financial Accounting Standards Board (the FASB ) issued an Accounting Standards Update ( ASU ) (ASU 2014-04) related to in-substance repossessions and foreclosures. The pronouncement clarifies when an in-substance repossession or foreclosure occurs. A creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. Additionally, the amendments require interim and annual disclosure of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014 and may be adopted under either a modified retrospective transition method or a prospective transition method. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements.

In January 2014, the FASB issued an accounting pronouncement (ASU 2014-01) which applies to all reporting entities that invest in qualified affordable housing projects through limited liability entities. The pronouncement permits reporting entities to make an accounting policy election to account for these investments using the proportional amortization method if certain conditions exist. The pronouncement also requires disclosure that enables users of its financial statements to understand the nature of these investments. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). The pronouncement should be applied retrospectively for all periods presented, effective for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements.

In July 2013, the FASB issued an accounting pronouncement (ASU 2013-11) to improve the reporting for unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The pronouncement is expected to reduce diversity in practice by providing guidance on the presentation of unrecognized tax benefits and will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. The pronouncement is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this pronouncement did not to have a material impact on WesBanco's consolidated financial statements.

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

Earnings per common share are calculated as follows:

<i>(unaudited, in thousands, except shares and per share amounts)</i>	<b>For the Three Months Ended March 30,</b>	
	<b>2014</b>	<b>2013</b>
Numerator for both basic and diluted earnings per common share:		
Net income	\$ 16,421	\$ 16,021
Denominator:		
Total average basic common shares outstanding	29,182,183	29,211,321
Effect of dilutive stock options and warrant	80,497	57,162
Total diluted average common shares outstanding	29,262,680	29,268,483
Earnings per common share - basic	\$ 0.56	\$ 0.55
Earnings per common share - diluted	\$ 0.56	\$ 0.55

Stock options representing shares of 33,000 and 92,169 were not included in the computation of diluted earnings per share for the three months ended March 31, 2014 and 2013, respectively, because to do so would have been anti-dilutive.

**Table of Contents****NOTE 3. SECURITIES**

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

(unaudited, in thousands)	March 31, 2014				December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<b>Available-for-sale</b>								
Obligations of government agencies	\$ 73,025	\$ 43	\$ (1,067)	\$ 72,001	\$ 75,164	\$ 6	\$ (1,938)	\$ 73,232
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	732,810	2,913	(12,918)	722,805	707,000	3,191	(15,924)	694,267
Obligations of states and political subdivisions	109,686	4,977	(143)	114,520	112,536	4,165	(355)	116,346
Corporate debt securities	37,745	247	(200)	37,792	38,777	174	(470)	38,481
Total debt securities	\$ 953,266	\$ 8,180	\$ (14,328)	\$ 947,118	\$ 933,477	\$ 7,536	\$ (18,687)	\$ 922,326
Equity securities	11,253	1,404		12,657	10,597	1,463		12,060
Total available-for-sale securities	\$ 964,519	\$ 9,584	\$ (14,328)	\$ 959,775	\$ 944,074	\$ 8,999	\$ (18,687)	\$ 934,386
<b>Held-to-maturity</b>								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 94,363	\$ 3,035	\$ (799)	\$ 96,599	\$ 99,409	\$ 2,804	\$ (1,023)	\$ 101,190
Obligations of states and political subdivisions	499,544	15,263	(7,064)	507,743	496,396	10,158	(13,906)	492,648
Corporate debt securities	3,717		(173)	3,544	2,715		(245)	2,470
Total held-to-maturity securities	\$ 597,624	\$ 18,298	\$ (8,036)	\$ 607,886	\$ 598,520	\$ 12,962	\$ (15,174)	\$ 596,308
Total securities	\$ 1,562,143	\$ 27,882	\$ (22,364)	\$ 1,567,661	\$ 1,542,594	\$ 21,961	\$ (33,861)	\$ 1,530,694

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

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at March 31, 2014. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

	March 31, 2014					
(unaudited, in thousands)	One Year or less	One to Five Years	Five to Ten Years	After Ten Years	Mortgage-backed and Equity	Total
Available-for-sale						
Obligations of government agencies	\$ 445	\$ 9,754	\$ 37,579	\$ 24,223	\$	\$ 72,001
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies <sup>(1)</sup>					722,805	722,805
Obligations of states and political subdivisions	6,250	43,038	20,029	45,203		114,520
Corporate debt securities	5,035	12,179	15,712	4,866		37,792

Edgar Filing: WESBANCO INC - Form 10-Q

Equity securities <sup>(2)</sup>						12,657	12,657
Total available-for-sale securities	\$ 11,730	\$ 64,971	\$ 73,320	\$ 74,292	\$	735,462	\$ 959,775
Held-to-maturity <sup>(3)</sup>							
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies <sup>(1)</sup>	\$	\$	\$	\$	\$	96,599	\$ 96,599
Obligations of states and political subdivisions	2,338	11,912	147,062	346,431			507,743
Corporate debt securities			3,544				3,544
Total held-to-maturity securities	\$ 2,338	\$ 11,912	\$ 150,606	\$ 346,431	\$	96,599	\$ 607,886
Total securities	\$ 14,068	\$ 76,883	\$ 223,926	\$ 420,723	\$	832,061	\$ 1,567,661

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

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

<sup>(3)</sup> The held-to-maturity portfolio is carried at an amortized cost of \$597.6 million.

**Table of Contents**

Securities with aggregate fair values of \$714.8 million and \$701.7 million at March 31, 2014 and December 31, 2013, respectively, were pledged as security for public and trust funds, and securities sold under agreements to repurchase. Proceeds from the sale of available-for-sale securities were \$3.2 million and \$3.4 million for the three months ended March 31, 2014 and 2013, respectively. Net unrealized (losses) gains on available-for-sale securities included in accumulated other comprehensive income net of tax, as of March 31, 2014 and December 31, 2013 were (\$3.0) million and (\$6.1) million, respectively. Gross security gains and losses for the three months ended March 31, 2014 and 2013, respectively, were immaterial.

The following tables provide information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of March 31, 2014 and December 31, 2013:

	Less than 12 months			March 31, 2014 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
<i>(unaudited, dollars in thousands)</i>									
Obligations of government agencies	\$ 51,859	\$ (1,064)	8	\$ 445	\$ (3)	1	\$ 52,304	\$ (1,067)	9
Residential mortgage-backed securities and collateralized mortgage obligations of									
government agencies	492,979	(10,431)	84	62,232	(3,286)	12	555,211	(13,717)	96
Obligations of states and political subdivisions	120,739	(4,599)	182	56,116	(2,608)	89	176,855	(7,207)	271
Corporate debt securities	6,743	(203)	4	2,547	(170)	1	9,290	(373)	5
Total temporarily impaired securities	\$ 672,320	\$ (16,297)	278	\$ 121,340	\$ (6,067)	103	\$ 793,660	\$ (22,364)	381

	Less than 12 months			December 31, 2013 12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
<i>(unaudited, dollars in thousands)</i>									
Obligations of government agencies	\$ 54,356	\$ (1,911)	15	\$ 5,083	\$ (27)	2	\$ 59,439	\$ (1,938)	17
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	513,495	(14,639)	89	37,002	(2,308)	11	550,497	(16,947)	100
Obligations of states and political subdivisions	181,667	(10,830)	277	47,793	(3,431)	76	229,460	(14,261)	353
Corporate debt securities	19,837	(560)	7	2,845	(155)	1	22,682	(715)	8
Total temporarily impaired securities	\$ 769,355	\$ (27,940)	388	\$ 92,723	\$ (5,921)	90	\$ 862,078	\$ (33,861)	478

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

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

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of Federal Home Loan Bank ( FHLB ) Pittsburgh and FHLB Cincinnati stock totaling \$10.5 million

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

and \$11.6 million at March 31, 2014 and December 31, 2013, respectively, and are included in other assets in the Consolidated Balance Sheets. Cost method investments are evaluated for impairment whenever events or circumstances suggest that their carrying value may not be recoverable.

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

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs of \$2.8 million and \$2.7 million at March 31, 2014 and December 31, 2013, respectively.

<i>(unaudited, in thousands)</i>	March 31, 2014	December 31, 2013
Commercial real estate:		
Land and construction	\$ 234,484	\$ 263,117
Improved property	1,681,094	1,649,802
Total commercial real estate	1,915,578	1,912,919
Commercial and industrial	560,511	556,249
Residential real estate	888,666	890,804
Home equity	284,879	284,687
Consumer	237,468	250,258
Total portfolio loans	3,887,102	3,894,917
Loans held for sale	6,300	5,855
Total loans	\$ 3,893,402	\$ 3,900,772

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

Allowance for Credit Losses By Category For the Three Months Ended March 31, 2014 and 2013								
<i>(unaudited, in thousands)</i>	Commercial Real Estate - Land and Construction	Commercial Real Estate - Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total
<b>Balance at December 31, 2013:</b>								
Allowance for loan losses	\$ 6,056	\$ 18,157	\$ 9,925	\$ 5,673	\$ 2,017	\$ 5,020	\$ 520	\$ 47,368
Allowance for loan commitments	301	62	130	5	85	19		602
Total beginning allowance for credit losses	6,357	18,219	10,055	5,678	2,102	5,039	520	47,970
Provision for credit losses:								
Provision for loan losses	(1,051)	(509)	2,128	869	153	305	361	2,256
Provision for loan commitments	(8)	(53)	3		1			(57)
Total provision for credit losses	(1,059)	(562)	2,131	869	154	305	361	2,199
Charge-offs		(493)	(2,276)	(879)	(155)	(752)	(180)	(4,735)
Recoveries		120	65	109	11	227	62	594
Net charge-offs		(373)	(2,211)	(770)	(144)	(525)	(118)	(4,141)

**Balance at March 31, 2014:**



Edgar Filing: WESBANCO INC - Form 10-Q

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

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

**Balance at December 31, 2012:**

Allowance for loan losses	\$ 3,741	\$ 23,614	\$ 9,326	\$ 7,182	\$ 2,458	\$ 5,557	\$ 821	\$ 52,699
Allowance for loan commitments	27	25	215	6	49	19		341

Total beginning allowance for credit losses	3,768	23,639	9,541	7,188	2,507	5,576	821	53,040
---	-------	--------	-------	-------	-------	-------	-----	--------

Provision for credit losses:

Provision for loan losses	252	342	606	285	188	464	(140)	1,997
Provision for loan commitments	5		89	3	8			105

Total provision for credit losses	257	342	695	288	196	464	(140)	2,102
-----------------------------------	-----	-----	-----	-----	-----	-----	-------	-------

Charge-offs	(51)	(995)	(650)	(553)	(176)	(1,129)	(190)	(3,744)
Recoveries	3	228	107	38	5	269	62	712

Net charge-offs	(48)	(767)	(543)	(515)	(171)	(860)	(128)	(3,032)
-----------------	------	-------	-------	-------	-------	-------	-------	---------

**Balance at March 31, 2013:**

Allowance for loan losses	3,945	23,189	9,389	6,952	2,475	5,161	553	51,664
Allowance for loan commitments	32	25	304	9	57	19		446

Total ending allowance for credit losses	\$ 3,977	\$ 23,214	\$ 9,693	\$ 6,961	\$ 2,532	\$ 5,180	\$ 553	\$ 52,110
--	----------	-----------	----------	----------	----------	----------	--------	-----------

**Table of Contents**

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

(unaudited, in thousands)	Allowance for Credit Losses and Recorded Investment in Loans							
	Commercial Real Estate- Land and Construction	Commercial Real Estate- Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer	Over-draft	Total
<b>March 31, 2014</b>								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	\$	\$ 45	\$ 1,062	\$	\$	\$	\$	\$ 1,107
Allowance for loans collectively evaluated for impairment	5,005	17,230	8,780	5,772	2,026	4,800	763	44,376
Allowance for loan commitments	293	9	133	5	86	19		545
Total allowance for credit losses	\$ 5,298	\$ 17,284	\$ 9,975	\$ 5,777	\$ 2,112	\$ 4,819	\$ 763	\$ 46,028
Portfolio loans:								
Individually evaluated for impairment <sup>(1)</sup>	\$	\$ 4,288	\$ 3,336	\$	\$	\$	\$	\$ 7,624
Collectively evaluated for impairment	234,484	1,676,806	557,175	888,666	284,879	237,468		3,879,478
Total portfolio loans	\$ 234,484	\$ 1,681,094	\$ 560,511	\$ 888,666	\$ 284,879	\$ 237,468	\$	\$ 3,887,102
<b>December 31, 2013</b>								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	\$	\$ 51	\$ 681	\$	\$	\$	\$	\$ 732
Allowance for loans collectively evaluated for impairment	6,056	18,106	9,244	5,673	2,017	5,020	520	46,636
Allowance for loan commitments	301	62	130	5	85	19		602
Total allowance for credit losses	\$ 6,357	\$ 18,219	\$ 10,055	\$ 5,678	\$ 2,102	\$ 5,039	\$ 520	\$ 47,970
Portfolio loans:								
Individually evaluated for impairment <sup>(1)</sup>	\$	\$ 4,321	\$ 1,754	\$	\$	\$	\$	\$ 6,075
Collectively evaluated for impairment	263,117	1,645,481	554,495	890,804	284,687	250,258		3,888,842
Total portfolio loans	\$ 263,117	\$ 1,649,802	\$ 556,249	\$ 890,804	\$ 284,687	\$ 250,258	\$	\$ 3,894,917

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

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

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

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

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

Excellent or minimal risk loans are fully secured by liquid or readily marketable collateral and therefore have virtually no risk of loss. Good or desirable risk loans are extended in the normal course of business to creditworthy borrowers that exhibit a history of positive financial results that are at least comparable to the average for their industry or type of real estate. These loans are expected to perform satisfactorily during most economic cycles and there are no significant external factors that are expected to adversely affect these borrowers more than others in the same industry. Any minor unfavorable characteristics of these loans are outweighed or mitigated by strong positive factors including but not limited to adequate secondary sources of repayment or guarantees.

Fair or acceptable risk loans have a somewhat higher credit risk profile due to specific weaknesses or uncertainties that could adversely impact repayment capacity. Loans in this category generally warrant additional attention or monitoring, or a more rigid loan structure. These loans represent the maximum level of risk accepted in the normal course of lending. Specific issues that may warrant this grade include financial results

**Table of Contents**

that are less favorable than the average for the borrower's industry or type of real estate, cyclical financial results, loans based on projections that have a reasonable probability of being achieved, start-up businesses, construction projects, and other external factors that indicate a higher level of credit risk. Loans that are underwritten primarily on the basis of the repayment capacity or financial condition of guarantors may also be assigned this grade.

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

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>				
<b>As of March 31, 2014</b>				
Excellent - minimal risk	\$	\$ 356	\$ 74,945	\$ 75,301
Good - desirable risk	27,946	696,566	188,966	913,478
Fair - acceptable risk	197,294	886,586	274,164	1,358,044
Criticized - marginal	6,419	56,658	10,848	73,925
Classified - substandard	2,825	40,928	11,588	55,341
Classified - doubtful				
Total	\$ 234,484	\$ 1,681,094	\$ 560,511	\$ 2,476,089
<b>As of December 31, 2013</b>				
Excellent - minimal risk	\$	\$ 360	\$ 73,389	\$ 73,749
Good - desirable risk	39,409	710,137	197,269	946,815
Fair - acceptable risk	213,822	838,283	260,915	1,313,020
Criticized - marginal	6,498	57,983	10,768	75,249
Classified - substandard	3,388	43,039	13,908	60,335
Classified - doubtful				
Total	\$ 263,117	\$ 1,649,802	\$ 556,249	\$ 2,469,168

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines were \$12.7 million at March 31, 2014 and \$14.4 million at December 31, 2013, of which \$1.6 and \$2.0 million were accruing, for each period, respectively. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard are not included in the tables above.

**Table of Contents**

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

Age Analysis of Loans							90 Days or More Past Due and Accruing (1)
	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans	
<i>(unaudited, in thousands)</i>							
<b>As of March 31, 2014</b>							
Commercial real estate:							
Land and construction	\$ 232,592	\$ 100	\$ 73	\$ 1,719	\$ 1,892	\$ 234,484	\$ 248
Improved property	1,665,101	2,569	1,268	12,156	15,993	1,681,094	2
Total commercial real estate	1,897,693	2,669	1,341	13,875	17,885	1,915,578	250
Commercial and industrial	553,853	1,427	2,997	2,234	6,658	560,511	8
Residential real estate	874,985	3,479	3,121	7,081	13,681	888,666	443
Home equity	281,430	1,184	745	1,520	3,449	284,879	691
Consumer	233,937	2,297	674	560	3,531	237,468	441
Total portfolio loans	3,841,898	11,056	8,878	25,270	45,204	3,887,102	1,833
Loans held for sale	6,300					6,300	
Total loans	\$ 3,848,198	\$ 11,056	\$ 8,878	\$ 25,270	\$ 45,204	\$ 3,893,402	\$ 1,833
Impaired loans included above are as follows:							
Non-accrual loans	\$ 8,748	\$ 1,543	\$ 2,747	\$ 23,335	\$ 27,625	\$ 36,373	
TDRs accruing interest <sup>(1)</sup>	13,439	745	249	102	1,096	14,535	
Total impaired	\$ 22,187	\$ 2,288	\$ 2,996	\$ 23,437	\$ 28,721	\$ 50,908	
<b>As of December 31, 2013</b>							
Commercial real estate:							
Land and construction	\$ 261,165	\$ 2	\$	\$ 1,950	\$ 1,952	\$ 263,117	\$ 248
Improved property	1,632,973	2,482	2,346	12,001	16,829	1,649,802	318
Total commercial real estate	1,894,138	2,484	2,346	13,951	18,781	1,912,919	566
Commercial and industrial	552,414	1,112	977	1,746	3,835	556,249	
Residential real estate	875,192	1,641	4,710	9,261	15,612	890,804	1,289
Home equity	281,004	1,581	470	1,632	3,683	284,687	411
Consumer	245,876	3,223	649	510	4,382	250,258	325
Total portfolio loans	3,848,624	10,041	9,152	27,100	46,293	3,894,917	2,591
Loans held for sale	5,855					5,855	
Total loans	\$ 3,854,479	\$ 10,041	\$ 9,152	\$ 27,100	\$ 46,293	\$ 3,900,772	\$ 2,591
Impaired loans included above are as follows:							
Non-accrual loans	\$ 9,028	\$ 588	\$ 2,722	\$ 24,295	\$ 27,605	\$ 36,633	
TDRs accruing interest <sup>(1)</sup>	13,595	171	881	214	1,266	14,861	

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

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

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

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

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

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

**Table of Contents**

The following tables summarize impaired loans:

	Impaired Loans					
	March 31, 2014			December 31, 2013		
	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance
<i>(unaudited, in thousands)</i>						
<b>With no related specific allowance recorded:</b>						
Commercial real estate:						
Land and construction	\$ 2,435	\$ 2,335	\$	\$ 2,663	\$ 2,564	\$
Improved property	20,098	18,688		21,421	19,628	
Commercial and industrial	4,363	3,815		3,773	3,249	
Residential real estate	20,709	18,836		22,006	20,090	
Home equity	2,419	2,228		2,675	2,506	
Consumer	1,394	1,166		1,402	1,182	
Total impaired loans without a specific allowance	51,418	47,068		53,940	49,219	
<b>With a specific allowance recorded:</b>						
Commercial real estate:						
Improved property	728	728	45	729	729	51
Commercial and industrial	3,112	3,112	1,062	1,546	1,546	681
Total impaired loans with a specific allowance	3,840	3,840	1,107	2,275	2,275	732
Total impaired loans	\$ 55,258	\$ 50,908	\$ 1,107	\$ 56,215	\$ 51,494	\$ 732

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

	Impaired Loans			
	For the Three Months Ended March 31, 2014		For the Three Months Ended March 31, 2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<i>(unaudited, in thousands)</i>				
<b>With no related specific allowance recorded:</b>				
Commercial real estate:				
Land and construction	\$ 2,450	\$ 2	\$ 5,917	\$ 60
Improved property	19,158	20	24,165	131
Commercial and industrial	3,532	32	4,125	33
Residential real estate	19,463	182	20,257	194
Home equity	2,367	19	2,124	15
Consumer	1,174	28	1,490	27
Total impaired loans without a specific allowance	48,144	283	58,078	460
<b>With a specific allowance recorded:</b>				
Commercial real estate:				
Land and construction			1,586	13

Edgar Filing: WESBANCO INC - Form 10-Q

Improved property	729	1	3,737	15
Commercial and industrial	2,329	12		
Total impaired loans with a specific allowance	3,058	13	5,323	28
Total impaired loans	\$ 51,202	\$ 296	\$ 63,401	\$ 488



**Table of Contents**

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

<i>(unaudited, in thousands)</i>	Non-accrual Loans <sup>(1)</sup>	
	March 31, 2014	December 31, 2013
Commercial real estate:		
Land and construction	\$ 2,315	\$ 2,564
Improved property	16,248	17,305
Total commercial real estate	18,563	19,869
Commercial and industrial	6,675	4,380
Residential real estate	9,201	10,240
Home equity	1,368	1,604
Consumer	566	540
Total	\$ 36,373	\$ 36,633

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

<i>(unaudited, in thousands)</i>	TDRs			TDRs		
	March 31, 2014			December 31, 2013		
	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Commercial real estate:						
Land and construction	\$ 20	\$ 1,438	\$ 1,458	\$	\$ 1,601	\$ 1,601
Improved property	3,168	2,782	5,950	3,052	3,658	6,710
Total commercial real estate	3,188	4,220	7,408	3,052	5,259	8,311
Commercial and industrial	252	677	929	415	579	994
Residential real estate	9,635	2,078	11,713	9,850	2,991	12,841
Home equity	860	221	1,081	902	289	1,191
Consumer	600	210	810	642	206	848
Total	\$ 14,535	\$ 7,406	\$ 21,941	\$ 14,861	\$ 9,324	\$ 24,185

As of March 31, 2014, there were no TDRs greater than \$1.0 million. The concessions granted in the majority of loans reported as accruing and non-accrual TDRs are extensions of the maturity date or the amortization period, reductions in the interest rate below the prevailing market rate for loans with comparable characteristics, and/or permitting interest-only payments for longer than three months.

The following table presents details related to loans identified as TDRs during the three months ended March 31, 2014 and 2013, respectively:

<i>(unaudited, dollars in thousands)</i>	New TDRs <sup>(1)</sup> For the Three Months Ended March 31, 2014	New TDRs <sup>(1)</sup> For the Three Months Ended March 31, 2013

Edgar Filing: WESBANCO INC - Form 10-Q

	Number of Modifications	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment	Number of Modifications	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
Commercial real estate:						
Land and construction		\$	\$	1	\$ 299	\$ 299
Improved Property	1	91	90	5	891	721
Total commercial real estate	1	91	90	6	1,190	1,020
Commercial and industrial				6	165	165
Residential real estate	4	121	118	7	1,193	1,155
Home equity				1	2	2
Consumer	2	33	31	6	55	46
Total	7	\$ 245	\$ 239	26	\$ 2,605	\$ 2,388

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

**Table of Contents**

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the three months ended March 31, 2014 and 2013, respectively, that were restructured within the last twelve months prior to March 31, 2014 and 2013, respectively:

<i>(unaudited, dollars in thousands)</i>	Defaulted TDRs <sup>(1)</sup> For the Three Months Ended March 31, 2014		Defaulted TDRs <sup>(1)</sup> For the Three Months Ended March 31, 2013	
	Number of Defaults	Recorded Investment	Number of Defaults	Recorded Investment
Commercial real estate:				
Land and construction		\$		\$
Improved property			2	645
Total commercial real estate			2	645
Commercial and industrial			4	410
Residential real estate	8	481	19	1,644
Home equity	1	3	8	191
Consumer			2	32
Total	9	\$ 484	35	\$ 2,922

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

TDRs that defaulted during the three month period that were restructured within the last twelve months represented 2.2% of the total TDR balance at March 31, 2014. These loans are placed on non-accrual status unless they are both well-secured and in the process of collection. At March 31, 2014, none of the loans in the table above were accruing interest while only one loan was accruing at March 31, 2013.

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

<i>(unaudited, in thousands)</i>	March 31, 2014	December 31, 2013
Other real estate owned	\$ 5,279	\$ 4,689
Reposessed assets	103	171
Total other real estate owned and repossessed assets	\$ 5,382	\$ 4,860

**NOTE 5. PENSION PLAN**

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

<i>(unaudited, in thousands)</i>	For the Three Months Ended March 31,	
	2014	2013
Service cost - benefits earned during year	\$ 717	\$ 958
Interest cost on projected benefit obligation	1,170	1,096
Expected return on plan assets	(1,783)	(1,603)
Amortization of prior service cost	11	12

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

Amortization of net loss	<b>363</b>	822
--------------------------	------------	-----

Net periodic pension cost	\$ <b>478</b>	\$ 1,285
---------------------------	---------------	----------

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 \$5.3 million is due for 2014 which will be partially funded by the Plan's \$29.2 million available credit balance. No decision has been made as of March 31, 2014 relative to the level of contribution in excess of the required minimum that will be made to the Plan, if any.

---

**Table of Contents**

**NOTE 6. FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

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

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

**Table of Contents**

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

March 31, 2014 Fair Value Measurements Using:				
		Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<i>(unaudited, in thousands)</i>	March 31, 2014			
<b>Recurring fair value measurements</b>				
Securities - available-for-sale				
Obligations of government agencies	\$ 72,001	\$	\$ 72,001	\$
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	722,805		722,805	
Obligations of state and political subdivisions	114,520		114,520	
Corporate debt securities	37,792		37,792	
Equity securities	12,657	10,534	2,123	
Total securities - available-for-sale	\$ 959,775	\$ 10,534	\$ 949,241	\$
Total recurring fair value measurements	\$ 959,775	\$ 10,534	\$ 949,241	\$
<b>Nonrecurring fair value measurements</b>				
Impaired loans	\$ 2,733	\$	\$	\$ 2,733
Other real estate owned and repossessed assets	5,382			5,382
Loans held for sale	6,300		6,300	
Total nonrecurring fair value measurements	\$ 14,415	\$	\$ 6,300	\$ 8,115

December 31, 2013 Fair Value Measurements Using:				
		Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<i>(unaudited, in thousands)</i>	December 31, 2013			
<b>Recurring fair value measurements</b>				
Securities - available-for-sale				
Obligations of government agencies	\$ 73,232	\$	\$ 73,232	\$
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	694,267		694,267	
Obligations of state and political subdivisions	116,346		116,346	
Corporate debt securities	38,481		38,481	
Equity securities	12,060	9,962	2,098	
Total securities - available-for-sale	\$ 934,386	\$ 9,962	\$ 924,424	\$

# Edgar Filing: WESBANCO INC - Form 10-Q

Total recurring fair value measurements	\$ 934,386	\$ 9,962	\$ 924,424	\$
<b>Nonrecurring fair value measurements</b>				
Impaired loans	\$ 1,543	\$	\$	\$ 1,543
Other real estate owned and repossessed assets	4,860			4,860
Loans held for sale	5,855		5,855	
Total nonrecurring fair value measurements	\$ 12,258	\$	\$ 5,855	\$ 6,403

WesBanco's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between level 1, 2 or 3 for the three months ended March 31, 2014 or 2013.

**Table of Contents**

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

	Quantitative Information about Level 3 Fair Value Measurements			
(unaudited, in thousands)	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
March 31, 2014:				
Impaired loans	\$ 2,733	Appraisal of collateral <sup>(1)</sup>	Appraisal adjustments <sup>(2)</sup>	0% to (25.4%) / (10.6%)
			Liquidation expenses <sup>(2)</sup>	(3.5%) to (8.0%) / (5.0%)
Other real estate owned and repossessed assets	5,382	Appraisal of collateral <sup>(1), (3)</sup>		
December 31, 2013:				
Impaired loans	\$ 1,543	Appraisal of collateral <sup>(1)</sup>	Appraisal adjustments <sup>(2)</sup>	0% to (29.1%) / (15.6%)
			Liquidation expenses <sup>(2)</sup>	(3.5%) to (8.0%) / (4.7%)
Other real estate owned and repossessed assets	4,860	Appraisal of collateral <sup>(1), (3)</sup>		

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

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

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



**Table of Contents**

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

			Fair Value Measurements at March 31, 2014		
			Quoted Prices in		
			Active Markets	Significant Other	Significant
			for Identical	Observable	Unobservable
			Assets (level	Inputs	Inputs
			1)	(level 2)	(level 3)
(unaudited, in thousands)			Carrying	Fair Value	
			Amount	Estimate	
Financial Assets					
Cash and due from banks	\$	175,196	\$	175,196	\$
Securities available-for-sale		959,775		959,775	10,534
Securities held-to-maturity		597,624		607,886	607,149
Net loans		3,841,619		3,739,468	737
Loans held for sale		6,300		6,300	6,300
Accrued interest receivable		20,149		20,149	
Bank-owned life insurance		122,265		122,265	
Financial Liabilities					
Deposits		5,215,718		5,227,375	3,745,914
Federal Home Loan Bank borrowings		23,282		25,948	25,948
Other borrowings		92,737		94,863	66,540
Junior subordinated debt		106,146		74,219	28,323
Accrued interest payable		2,250		2,250	74,219

			Fair Value Measurements at December 31, 2013		
			Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
(unaudited, in thousands)			Carrying Amount	Fair Value Estimate	
Financial Assets					
Cash and due from banks	\$	95,551	\$	95,551	\$
Securities available-for-sale		934,386		934,386	9,962
Securities held-to-maturity		598,520		596,308	595,581
Net loans		3,847,549		3,754,465	727
Loans held for sale		5,855		5,855	3,754,465
Accrued interest receivable		18,960		18,960	5,855
Bank-owned life insurance		121,390		121,390	18,960
Financial Liabilities					
Deposits		5,062,530		5,076,207	3,551,052
Federal Home Loan Bank borrowings		39,508		42,314	1,525,155
Other borrowings		150,536		153,015	42,314
Junior subordinated debt		106,137		74,038	104,196
Accrued interest payable		2,354		2,354	48,819
					74,038
					2,354

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

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

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

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

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

## **Table of Contents**

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

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

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

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

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

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

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

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

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

The activity in accumulated other comprehensive income for the three months ended March 31, 2014 and 2013 is as follows:

	Accumulated Other Comprehensive Income <sup>(1)</sup>			
	Defined Benefit Pension Plan	Unrealized Gains (Losses) on Securities Available-for-Sale	Unrealized Gains on Securities Transferred from Available-for-Sale to Held-to-Maturity	Total
<i>(unaudited, in thousands)</i>				
Balance at December 31, 2013	\$ (7,966)	\$ (6,126)	\$ 1,358	\$ (12,734)
Other comprehensive income before reclassifications		3,075		3,075
Amounts reclassified from accumulated other comprehensive income	236	49	(87)	198
Period change	236	3,124	(87)	3,273
Balance at March 31, 2014	\$ (7,730)	\$ (3,002)	\$ 1,271	\$ (9,461)
Balance at December 31, 2012	\$ (21,401)	\$ 13,032	\$ 2,004	\$ (6,365)
Other comprehensive income before reclassifications		(729)		(729)
Amounts reclassified from accumulated other comprehensive income	475	(10)	(177)	288
Period change	475	(739)	(177)	(441)
Balance at March 31, 2013	\$ (20,926)	\$ 12,293	\$ 1,827	\$ (6,806)

<sup>(1)</sup> All amounts are net of tax. Related income tax expense or benefit is calculated using a combined Federal and State income tax rate approximating 36.5%.

The following table provides details about amounts reclassified from accumulated other comprehensive income for the three months ended March 31, 2014 and 2013:

	For the Three Months Ended March 31,		Affected Line Item in the Statement of Net Income
	2014	2013	
<i>(unaudited, in thousands)</i>			
Securities available-for-sale <sup>(1)</sup> :			
Net securities losses (gains) reclassified into earnings	\$ 78	\$ (16)	Net securities gains (Non-interest income)
Related income tax (benefit) expense	(29)	6	Provision for income taxes

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

Net effect on accumulated other comprehensive income for the period	<b>49</b>	(10)	
Securities held-to-maturity <sup>(1)</sup> :			
Amortization of unrealized gain transferred from available-for-sale	<b>(138)</b>	(288)	Interest and dividends on securities (Interest and dividend income)
Related income tax expense	<b>51</b>	111	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	<b>(87)</b>	(177)	
Defined benefit pension plan <sup>(2)</sup> :			
Amortization of net loss and prior service costs	<b>374</b>	834	Employee benefits (Non-interest expense)
Related income tax benefit	<b>(138)</b>	(359)	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	<b>236</b>	475	
Total reclassifications for the period	<b>\$ 198</b>	\$ 288	

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

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

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

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

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

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

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

<i>(unaudited, in thousands)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Lines of credit	<b>\$ 963,369</b>	<b>\$ 964,777</b>
Loans approved but not closed	<b>129,933</b>	<b>73,937</b>
Overdraft limits	<b>88,607</b>	<b>96,291</b>
Letters of credit	<b>22,735</b>	<b>18,686</b>
Contingent obligations to purchase loans funded by other entities	<b>6,265</b>	<b>6,327</b>

**Contingent Liabilities** WesBanco is a party to various legal and administrative proceedings and claims. While any litigation contains an element of uncertainty, management believes that the outcome of such proceedings or claims pending or known to be threatened will not have a material adverse effect on WesBanco's consolidated financial position, results of operations or cash flows.

**Table of Contents****NOTE 9. 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 \$3.8 billion and \$3.5 billion at March 31, 2014 and 2013, respectively. These assets are held by WesBanco in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

<i>(unaudited, in thousands)</i>	<b>Community Banking</b>	<b>Trust and Investment Services</b>	<b>Consolidated</b>
<b>For the Three Months ended March 31, 2014:</b>			
Interest income	\$ 53,457	\$	\$ 53,457
Interest expense	6,132		6,132
Net interest income	47,325		47,325
Provision for credit losses	2,199		2,199
Net interest income after provision for credit losses	45,126		45,126
Non-interest income	11,401	5,648	17,049
Non-interest expense	36,827	3,268	40,095
Income before provision for income taxes	19,700	2,380	22,080
Provision for income taxes	4,707	952	5,659
Net income	\$ 14,993	\$ 1,428	\$ 16,421
<b>For the Three Months ended March 31, 2013:</b>			
Interest income	\$ 54,892	\$	\$ 54,892
Interest expense	8,764		8,764
Net interest income	46,128		46,128
Provision for credit losses	2,102		2,102
Net interest income after provision for credit losses	44,026		44,026
Non-interest income	12,478	5,018	17,496
Non-interest expense	37,752	2,995	40,747
Income before provision for income taxes	18,752	2,023	20,775
Provision for income taxes	3,945	809	4,754
Net income	\$ 14,807	\$ 1,214	\$ 16,021

Total non-fiduciary assets of the trust and investment services segment were \$4.0 million and \$3.1 million at March 31, 2014 and 2013, respectively. All goodwill and other intangible assets were allocated to the community banking segment.





## **Table of Contents**

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

Management's Discussion and Analysis (MD&A) represents an overview of the results of operations and financial condition of WesBanco for the three months ended March 31, 2014. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

#### **FORWARD-LOOKING STATEMENTS**

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

#### **OVERVIEW**

WesBanco is a multi-state bank holding company operating through 120 branches, one loan production office and 106 ATM machines in West Virginia, Ohio and western Pennsylvania, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

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

WesBanco's critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of March 31, 2014 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2013 within the section Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### **RESULTS OF OPERATIONS**

##### **EARNINGS SUMMARY**

Net income for the three months ended March 31, 2014 was \$16.4 million, compared to \$16.0 million for the first quarter of 2013, representing an increase of 2.5%, while diluted earnings per share were \$0.56, compared to \$0.55 per share for the first quarter of 2013, representing an increase of 1.82%. The increase in net income improved the return on average assets to 1.08% in the first quarter of 2014 compared to 1.07% in the 2013 first quarter of 2013. The return on average assets was above the fourth quarter 2013 peer group average, the most recent available.

Net interest income increased \$1.2 million or 2.6% in the first quarter of 2014 compared to the first quarter of 2013, due to a 3.1% increase in average earning assets through increased average loan balances. Loan growth was achieved through \$1.5 billion in loan originations over the last twelve months representing an 8.5% increase in loan originations compared to the previous twelve months. The net interest margin was nearly

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

unchanged at 3.63% compared to 3.64% in the first quarter of 2013. Accretion of various purchase accounting adjustments from the 2012 acquisition of Fidelity Bancorp, Inc. ( Fidelity ) also benefited the net interest margin throughout 2013 and the first quarter of 2014, but at a decreasing rate. Excluding this benefit from both periods, the net interest margin increased by 8 basis points from the first quarter of 2013, from 3.50% to 3.58%. The improved adjusted net interest margin in the current low interest rate environment was assisted by the aforementioned loan growth, as rates earned on loans are higher than securities. In addition, funding costs continued to decrease as a result of a 30.1% reduction in higher-rate average FHLB and other borrowings, primarily through maturities, and a 9.3% increase in lower-cost demand, money market and savings account deposits, while higher-cost CDs decreased by 8.5%. Overall average deposits increased by 3.4% from last year's first quarter.

**Table of Contents**

Total non-performing loans at March 31, 2014 were \$50.9 million or 1.31% of total loans, which represents a 1.1% decrease from December 31, 2013 and a 19.4% decrease from \$63.1 million or 1.71% of total loans at March 31, 2013. Criticized and classified loans decreased 4.7% in the first quarter of 2014 compared to December 31, 2013 to \$129.3 million or 3.33% of total loans at March 31, 2014. Over the last twelve months criticized and classified loans decreased 23.1% from \$168.1 million and 4.56% of total loans last year.

Net charge-offs for the first quarter of 2014 were 0.43% of average portfolio loans, compared to 0.34% for the first quarter of 2013. The average over the last twelve months was 0.40%. As a result of the continued improvement in delinquent, non-performing and classified and criticized loans, the provision for credit losses decreased to \$2.2 million for the first quarter of 2014 as compared to \$3.1 million for the fourth quarter of 2013, and it was nearly unchanged from \$2.1 million in the first quarter of 2013. The allowance for loan losses represented 1.17% of total portfolio loans at March 31, 2014, compared to 1.40% at the end of the 2013 first quarter.

For the first quarter of 2014, non-interest income decreased \$0.4 million or 2.6% compared to the first quarter of 2013. The decrease was due to a \$1.1 million bank-owned life insurance death benefit in the first quarter of 2013. Excluding this benefit, non-interest income increased \$0.7 million or 3.9% in the first quarter of 2014. Trust fees increased 12.6% as assets under management continued to increase from customer development initiatives and overall market improvements. Total trust assets were \$3.8 billion at March 31, 2014, representing an increase of 8.7% from \$3.5 billion at March 31, 2013. Net securities brokerage revenues increased 22.2%, due to significant production increases from existing markets, the 2013 deployment of an advisor team in the Pittsburgh market, the addition of support and producing staff in several regions, as well as an increase in referrals and production from a licensed retail banker program. Electronic banking fees continued to grow, up 5.1% for the first quarter of 2014. Service charges on deposits decreased 8.0% compared to the first quarter of 2013, due to lower overdraft fees that are affected by lower seasonal usage patterns, consistent increases in deposit levels and higher average deposits per account. Mortgage loan sale gains decreased 78.4% as increasing interest rates reduced refinancings resulting in lower production and, in addition, the percentage of mortgage loans retained for the portfolio increased. Mortgage activity was also impacted by the recently-adopted Qualified Mortgage and Ability-to-Repay rules, which have somewhat limited our product offerings.

Non-interest expense decreased \$0.7 million or 1.6% for the first quarter compared to the first quarter of 2013, partially due to merger-related expenses of \$1.2 million incurred in the first quarter of 2013. Total non-interest expense would have only increased \$0.5 million or 1.3% for the quarter without these merger-related expenses. Salaries and wages increased 4.1%, due to routine annual adjustments to compensation, increased commissions on higher brokerage revenue and increased incentive and stock-related compensation. Employee benefits expense decreased 10.0%, primarily from decreased pension expense, partially offset by increased health insurance costs. Net occupancy and equipment expense increased due to higher weather-related expenses, the opening of two branches over the last two quarters and improvements in internal infrastructure including data processing, communication and teller equipment in the second half of last year. However, despite these increases, overall efficiency remained at 60.6% for the quarter, the same as last year.

The provision for income taxes increased to \$5.7 million in the first quarter of 2014 compared to \$4.8 million in the first quarter of 2013. The increase in income tax expense was due to an increase in pre-tax income, which caused a higher effective tax rate of 25.6% compared to 22.9% for 2013.

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

<i>(unaudited, dollars in thousands)</i>	<b>For the Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net interest income	<b>\$ 47,325</b>	\$ 46,128
Taxable equivalent adjustments to net interest income	<b>1,823</b>	1,684
<b>Net interest income, fully taxable equivalent</b>	<b>\$ 49,148</b>	\$ 47,812
Net interest spread, non-taxable equivalent	<b>3.39%</b>	3.37%
Benefit of net non-interest bearing liabilities	<b>0.11%</b>	0.14%
Net interest margin	<b>3.50%</b>	3.51%
Taxable equivalent adjustment	<b>0.13%</b>	0.13%

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

Net interest margin, fully taxable equivalent	<b>3.63%</b>	3.64%
---	--------------	-------

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 \$1.2 million or 2.6% in the first quarter of 2014 compared to the first quarter of 2013 due to a 3.1% increase in average earning assets from growth in average portfolio loan balances of \$209.2 million or 5.7%. This increase was funded primarily by increases in deposits. Total average deposits increased by \$167.5 million or 3.4% from the first quarter of 2013. Deposit increases occurred primarily in demand deposit, money market and savings accounts, resulting from marketing campaigns, customer incentives, wealth management and business initiatives as well as deposits from Marcellus and Utica shale gas bonus and royalty payments. In addition, the net interest margin remained relatively unchanged in the first quarter of 2014 at 3.63% from 3.64% in the same period in 2013. The cost of funds improved significantly, declining 25 basis points from the first quarter of 2013 due to lower offered rates and declining average balances on maturing certificates of deposit, an increase in balances of lower-cost products and lower balances of FHLB and other

## **Table of Contents**

borrowings. Accretion of purchase accounting adjustments for loans, CDs and borrowings related to the acquisition in the fourth quarter of 2012 also benefited the margin in the 2014 first quarter by 5 basis points, though this benefit has been decreasing from prior periods. Excluding this benefit from both periods, the net interest margin increased by 8 basis points from the first quarter of 2013, from 3.50% to 3.58%.

Interest income decreased \$1.4 million or 2.6% in the quarter ending March 31, 2014 compared to the same quarter in 2013 due mostly to lower yields on loans, partially offset by increases in average balances. Rates decreased 42 basis points on average loan balances from reduced rates on new and repriced assets due to the competitive necessity of offering lower rates on quality credits in an increasingly competitive and low interest rate environment. However, the increase in average loans helped to mitigate the effect of the lower rates, as rates earned on loans are higher than those on securities. In the first quarter of 2014, average loans represented 70.7% of average earning assets, compared to 69.0% in the same quarter of 2013. Total securities yields increased by 9 basis points due to a greater reinvestment of funds from investment maturities, calls and sales, into tax-exempt securities, which provide the highest yield within securities. The average balance of tax-exempts increased 11.5% or \$41.3 million over the last year, and was 25.9% of total securities compared to 23.0% in the first quarter of 2013. Taxable securities yields increased 5 basis points in the first quarter of 2014 compared to the first quarter of 2013, while tax-exempt securities yields declined 16 basis points, due to the aforementioned purchases of municipals at current lower rates. The slowing of prepayment speeds in mortgage-backed and collateralized mortgage securities has contributed to the increase in taxable securities yields. Average taxable securities balances decreased over the last year from significant calls of other government agencies and also from prepayments in mortgage-backed and collateralized mortgage securities, somewhat offset by continued purchases of lower-premium collateralized mortgage securities. Purchases of collateralized mortgage securities minimizes the average life of the portfolio, particularly for the portion accounted for as available-for-sale, positioning the Bank for possible future increases in interest rates, while maintaining required levels of pliedgeable securities.

Portfolio loans increased \$203.3 million in the twelve months ended March 31, 2014 as originations continued to outpace paydowns. WesBanco grew outstanding loans 5.5% as a result of \$1.5 billion in loan originations over the last year. This represents an increase of 8.5% in loan originations compared to the previous twelve months. Loan growth was centered in commercial real estate, C&I and residential real estate lending.

In the first quarter of 2014 interest expense decreased \$2.6 million or 30.0% compared to the first quarter of 2013, due to decreases in rates paid and a continued shift in the liability mix towards less expensive sources of funding, while total average interest bearing balances increased 1.4%. The average rate paid on interest bearing liabilities decreased to 0.56% in the 2014 first quarter from 0.81% in the same quarter of 2013, a 25 basis point decrease. Rates paid on total average interest bearing deposits declined by 24 basis points to 0.45% due to a significant decline in rates paid on certificates of deposit, as a result of management reducing offered rates on maturities. The average rate paid on certificates of deposit declined by 54 basis points from the first quarter of 2013, while the rates paid on other deposit types remained virtually unchanged or increased slightly. Improvements in the deposit funding mix also continued to lower the cost of funds, with average certificates of deposit decreasing to 29.3% of total average deposits from 33.2% in the first quarter of last year. Average interest bearing deposits increased by \$58.5 million and average non-interest bearing demand deposits increased by \$109.0 million from the 2013 first quarter. Average certificates of deposit decreased by 8.5% and were the only deposit category to decrease over the past year, as WesBanco continues to focus on reducing rate offerings and growing customers with multiple banking relationships, as opposed to single service certificates of deposit customers. Deposit increases were used to pay down higher-cost maturing FHLB borrowings and certain other borrowings, also contributing to the reduced cost of funds. Average total FHLB and other borrowings decreased \$64.7 million or 30.1%, due to maturities and paydowns, and were 3.4% of average interest bearing liabilities in the first quarter of 2014 compared to 4.9% in the same 2013 quarter.

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

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended March 31,			
	2014		2013	
	Average Balance	Average Rate	Average Balance	Average Rate
<b>ASSETS</b>				
Due from banks-interest bearing	\$ 51,149	0.17%	\$ 66,623	0.15%
Loans, net of unearned income <sup>(1)</sup>	3,873,789	4.48%	3,664,629	4.90%
Securities: <sup>(2)</sup>				
Taxable	1,140,982	2.53%	1,199,706	2.48%
Tax-exempt <sup>(3)</sup>	399,794	5.21%	358,524	5.37%
Total securities	1,540,776	3.23%	1,558,230	3.14%
Other earning assets	11,568	2.73%	20,542	0.60%
Total earning assets <sup>(3)</sup>	5,477,282	4.08%	5,310,024	4.31%
Other assets	709,216		754,962	
Total Assets	\$ 6,186,498		\$ 6,064,986	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Interest bearing demand deposits	\$ 887,518	0.17%	\$ 846,494	0.14%
Money market accounts	945,412	0.19%	845,751	0.16%
Savings deposits	808,710	0.07%	750,430	0.08%
Certificates of deposit	1,504,605	0.98%	1,645,058	1.52%
Total interest bearing deposits	4,146,245	0.45%	4,087,733	0.69%
Federal Home Loan Bank borrowings	35,028	2.44%	75,438	1.72%
Other borrowings	115,326	1.96%	139,650	1.81%
Junior subordinated debt	106,141	3.02%	112,376	3.23%
Total interest bearing liabilities <sup>(1)</sup>	4,402,740	0.56%	4,415,197	0.81%
Non-interest bearing demand deposits	983,096		874,078	
Other liabilities	41,821		53,497	
Shareholders' Equity	758,841		722,214	
Total Liabilities and Shareholders' Equity	\$ 6,186,498		\$ 6,064,986	
Taxable equivalent net interest spread		3.52%		3.50%
Taxable equivalent net interest margin		3.63%		3.64%

(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 \$0.9 million and \$1.0 million for the three months ended March 31, 2014 and 2013, respectively. Additionally, loan accretion included in net interest income on acquired Fidelity loans was \$0.4 million and \$1.3 million for the three months ended March 31, 2014 and 2013, respectively, while accretion on acquired Fidelity interest bearing liabilities was \$0.2 million and \$0.5 million for the three months ended March 31, 2014 and 2013, respectively.

(2) Average yields on available-for-sale securities are calculated based on amortized cost.

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



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

<i>(unaudited, in thousands)</i>	Three Months Ended March 31, 2014 Compared to March 31, 2013		
	Volume	Rate	Net Increase (Decrease)
Increase (decrease) in interest income:			
Due from banks - interest bearing	\$ (6)	\$ 3	\$ (3)
Loans, net of unearned income	2,454	(3,984)	(1,530)
Taxable securities	(369)	161	(208)
Tax-exempt securities <sup>(1)</sup>	541	(144)	397
Other earning assets	(19)	67	48
Total interest income change <sup>(1)</sup>	2,601	(3,897)	(1,296)
Increase (decrease) in interest expense:			
Interest bearing demand deposits	15	58	73
Money market accounts	43	58	101
Savings deposits	11	(22)	(11)
Certificates of deposit	(487)	(2,031)	(2,518)
Federal Home Loan Bank borrowings	(211)	103	(108)
Other borrowings	(114)	48	(66)
Junior subordinated debt	(47)	(56)	(103)
Total interest expense change	(790)	(1,842)	(2,632)
Net interest income increase (decrease) <sup>(1)</sup>	\$ 3,391	\$ (2,055)	\$ 1,336

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

**PROVISION FOR CREDIT LOSSES**

The provision for credit losses is the amount to be added to the allowance for credit losses after net charge-offs have been deducted to bring the allowance to a level considered appropriate to absorb probable losses in the loan portfolio. The provision for credit losses also includes the amount to be added to the reserve for loan commitments to bring that reserve to a level considered appropriate to absorb probable losses on unfunded commitments. The provision for credit losses for the three months ended March 31, 2014 was nearly unchanged at \$2.2 million compared to \$2.1 million for the three months ended March 31, 2013. Since March 31, 2013, non-performing loans have decreased 19.4%, classified and criticized loans decreased 23.1% and past due loans decreased 12.6%, while net charge-offs increased \$1.1 million or 36.6% primarily due to a \$1.8 million charge-off on a single commercial credit. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).



**Table of Contents****NON-INTEREST INCOME****TABLE 4. NON-INTEREST INCOME**

<i>(unaudited, dollars in thousands)</i>	For the Three Months Ended March 31,			
	2014	2013	\$ Change	% Change
Trust fees	\$ 5,648	\$ 5,018	\$ 630	12.6
Service charges on deposits	3,860	4,197	(337)	(8.0)
Electronic banking fees	3,013	2,866	147	5.1
Net securities brokerage revenue	1,829	1,497	332	22.2
Bank-owned life insurance	875	1,949	(1,074)	(55.1)
Net gains on sales of mortgage loans	154	712	(558)	(78.4)
Net securities gains	10	16	(6)	(37.5)
Net gain / (loss) on other real estate owned and other assets	113	(46)	159	345.7
Net insurance services revenue	741	757	(16)	(2.1)
Other	806	530	276	52.1
<b>Total non-interest income</b>	<b>\$ 17,049</b>	<b>\$ 17,496</b>	<b>\$ (447)</b>	<b>(2.6)</b>

Non-interest income is a significant source of revenue and an important part of WesBanco's results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. For the first quarter of 2014, non-interest income decreased \$0.4 million or 2.6% compared to the first quarter of 2013. The decrease was due to a \$1.1 million bank-owned life insurance death benefit in the first quarter of 2013. Excluding this non-recurring benefit, non-interest income increased \$0.7 million or 3.9% in the first quarter of 2014.

Trust fees increased \$0.6 million or 12.6% as assets under management continued to increase from customer development initiatives and overall market improvements. Total trust assets were up 8.7% from \$3.5 billion at March 31, 2013 to \$3.8 billion at March 31, 2014. At March 31, 2014, trust assets include managed assets of \$3.0 billion and non-managed (custodial) assets of \$0.8 billion. Assets managed for the WesMark Funds, a proprietary group of mutual funds that is advised by WesBanco's trust and investment services group, were \$915.1 million as of March 31, 2014 and \$839.4 million at March 31, 2013 and are included in trust managed assets.

Service charges on deposits decreased 8.0% for the quarter compared to the first quarter of 2013 due to lower overdraft fees that were affected by lower seasonal usage patterns, overall customer usage, consistent increases in deposit levels and higher average deposits per account.

Electronic banking fees, which include debit card interchange fees, continued to grow, increasing 5.1% compared to the first quarter of 2013, due to a higher volume of debit card transactions, which have continued to grow due to marketing initiatives and as customers move more towards electronic transactions.

Net securities brokerage revenue increased \$0.3 million or 22.2% from the first quarter of 2013 due to significant production increases from existing markets, the deployment of an advisor team in the Pittsburgh market, the addition of support and producing staff in several regions, as well as an increase in referrals and production from a licensed retail banker program.

Net gains on sales of mortgage loans decreased 78.4% compared to the three months ended March 31, 2013 due to decreased production and fewer loans sold into the secondary market. Beginning in the third quarter of 2013, refinancing applications decreased due to an industry-wide slowdown as mortgage rates rose particularly affecting refinances. Total mortgage production was \$46.2 million in the first quarter of 2014, down 56.3% from the comparable 2013 quarter. Mortgages sold into the secondary market represented \$17.1 million or 37.0% of overall mortgage loan production in the first quarter of 2014 compared to \$44.2 million or 41.8% in the first quarter of 2013. Mortgage activity was also impacted by the recently-adopted Qualified Mortgage and Ability-to-Repay rules, which have somewhat limited our product offerings and overall loan approvals.



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

(unaudited, dollars in thousands)	For the Three Months Ended March 31,		\$ Change	% Change
	2014	2013		
Salaries and wages	\$ 16,467	\$ 15,826	\$ 641	4.1
Employee benefits	5,708	6,345	(637)	(10.0)
Net occupancy	3,491	3,192	299	9.4
Equipment	2,783	2,407	376	15.6
Marketing	1,003	805	198	24.6
FDIC insurance	877	971	(94)	(9.7)
Amortization of intangible assets	495	625	(130)	(20.8)
Restructuring and merger-related expenses		1,178	(1,178)	(100.0)
Miscellaneous, franchise, and other taxes	1,626	1,485	141	9.5
Postage	841	819	22	2.7
Consulting, regulatory, accounting and advisory fees	1,144	1,068	76	7.1
Other real estate owned and foreclosure expenses	259	726	(467)	(64.3)
Legal fees	658	653	5	0.8
Communications	521	663	(142)	(21.4)
ATM and interchange expenses	1,102	1,018	84	8.3
Supplies	626	674	(48)	(7.1)
Other	2,494	2,292	202	8.8
Total non-interest expense	\$ 40,095	\$ 40,747	\$ (652)	(1.6)

Non-interest expense decreased \$0.7 million or 1.6% for the first quarter compared to the first quarter of 2013, partially due to merger-related expenses of \$1.2 million incurred in the first quarter of 2013. Total non-interest expense would have increased \$0.5 million or 1.3% for the quarter without these merger-related expenses in 2013.

Salaries and wages increased 4.1% from the first quarter of 2013 due to routine annual adjustments to compensation, increased brokerage revenue commissions and higher incentive and stock-based compensation. Employee benefit expenses decreased 10.0% year-to-date primarily from decreased pension expense and recruiting costs, partially offset by higher healthcare costs.

Net occupancy and equipment expense increased \$0.7 million or 12.1% due to increased depreciation and other maintenance costs resulting from the opening of two branches in the last two quarters, significant upgrades to our data processing and communications infrastructure, including a new mainframe computer, new disaster recovery site, new mobile banking capabilities, and other internal infrastructure placed into service during the second half of 2013. In addition, new teller cash recycling machines continue to be introduced into our branches, which have improved the speed of customer service, improved cash controls and reduced full-time equivalent employees. Weather-related expenses also contributed to the increase in net occupancy.

Marketing expenses increased \$0.2 million over the first quarter of 2013 primarily due to increased free checking incentives associated with the 2013 fall campaign, increased advertising expense and increased public relations expense.

Other real estate owned and foreclosure expenses decreased \$0.5 million in 2014 compared to 2013 due to lower foreclosure and liquidation activity. Other real estate owned and repossessed assets were \$5.4 million at March 31, 2014, up \$0.3 million from March 31, 2013.

Communications expense decreased 21.4% from the first quarter of 2013 due to the implementation of a company-wide modernization of the communication infrastructure.

ATM and interchange expenses, which include debit card processing fees, increased \$0.1 million or 8.3% in 2014 compared to the first quarter of 2013, due to a higher volume of debit card transactions during the period as demand deposit accounts grew 10.4%, primarily from the Bank's own marketing initiatives.

## **INCOME TAXES**

The provision for federal and state income taxes increased to \$5.7 million in 2014 compared to \$4.8 million in the first quarter of 2013. The increase in income tax expense was due to an increase in pre-tax income which caused a higher effective tax rate of 25.6% compared to 22.9% for 2013.

---

**Table of Contents**

**FINANCIAL CONDITION**

Total assets increased 1.5% during the quarter while deposits and stockholders' equity increased 3.0% and 2.0%, respectively, compared to December 31, 2013. Total borrowings decreased 25.0% during the quarter. The increase in total assets was primarily the result of a \$79.6 million increase in cash and due from banks, coupled with a \$24.5 million increase in the investment securities portfolio. Total loans remained virtually unchanged from December 31, 2013. Deposits increased primarily due to a 6.7% increase in demand deposits, a 4.4% increase in savings deposits and a 4.0% increase in money markets, which more than offset the 2.8% decrease in certificates of deposit due to lower rate offerings on maturities. The increases in deposits were due to marketing, incentive compensation paid to customers and employees, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities coupled with initial deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. FHLB borrowings and other short-term borrowings decreased 41.1% and 38.4%, respectively, from December 31, 2013 as higher cost maturing FHLB borrowings and structured repurchase agreements were paid down using available funding provided by the increase in lower cost deposits. Total shareholders' equity increased by approximately \$14.5 million, or 2.0%, compared to December 31, 2013, due to net income exceeding dividends for the period by \$10.0 million, coupled with \$3.3 million of unrealized gains in accumulated other comprehensive income.

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

<i>(unaudited, dollars in thousands)</i>	March 31, 2014	December 31, 2013	\$ Change	% Change
Available-for-sale (at fair value)				
Obligations of government agencies	\$ 72,001	\$ 73,232	\$ (1,231)	(1.7)
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	722,805	694,267	28,538	4.1
Obligations of states and political subdivisions	114,520	116,346	(1,826)	(1.6)
Corporate debt securities	37,792	38,481	(689)	(1.8)
Total debt securities	947,118	922,326	24,792	2.7
Equity securities	12,657	12,060	597	5.0
Total available-for-sale securities	\$ 959,775	\$ 934,386	\$ 25,389	2.7
Held-to-maturity (at amortized cost)				
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	\$ 94,363	\$ 99,409	\$ (5,046)	(5.1)
Obligations of states and political subdivisions	499,544	496,396	3,148	0.6
Corporate debt securities	3,717	2,715	1,002	36.9
Total held-to-maturity securities	597,624	598,520	(896)	(0.2)
Total securities	\$ 1,557,399	\$ 1,532,906	\$ 24,493	1.6
Available-for-sale securities:				
Weighted average yield at the respective period end <sup>(2)</sup>	2.38%	2.36%		
As a % of total securities	61.6%	61.0%		
Weighted average life (in years)	4.1	4.2		
Held-to-maturity securities:				
Weighted average yield at the respective period end <sup>(2)</sup>	4.68%	4.65%		
As a % of total securities	38.4%	39.0%		
Weighted average life (in years)	6.2	6.7		
Total securities:				
Weighted average yield at the respective period end <sup>(2)</sup>	3.27%	3.26%		
As a % of total securities	100.0%	100.0%		
Weighted average life (in years)	4.9	5.2		

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

(2) Weighted average yields have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%. Total investment securities, which are a source of liquidity for WesBanco as well as a contributor to interest income, increased by \$24.5 million or 1.6% from December 31, 2013 to March 31, 2014. Through the first quarter, the available-for-sale portfolio increased by \$25.4 million or 2.7%, while the held-to-maturity portfolio remained relatively unchanged. For the three months ended March 31, 2014, security purchases totaled \$90.0 million, while security sales were \$3.2 million and maturities, paydowns, and calls totaled \$66.0 million.

Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income; net of tax, as of March 31, 2014 and December 31, 2013 were \$4.7 million and \$9.7 million, respectively. Unrealized losses on available-for-sale securities decreased due to a

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

decrease in market rates from December 31, 2013. With approximately 38% of the investment portfolio in the held-to-maturity category, the recent volatility in interest rates does not have as much impact on other comprehensive income as if the entire portfolio were included in the category available-for-sale.

**Table of Contents**

WesBanco's municipal portfolio comprises 39.4% of the overall securities portfolio as of March 31, 2014 as compared to 40.0% as of December 31, 2013, and it carries different risks that are not as prevalent in other security types contained in the portfolio. The following table presents the allocation of the municipal bond portfolio based on the combined S&P and Moody's ratings of the individual bonds (at fair value):

**TABLE 7. MUNICIPAL BOND RATINGS**

<i>(unaudited, dollars in thousands)</i>	March 31, 2014		December 31, 2013	
	Amount	% of Total	Amount	% of Total
Municipal bonds (at fair value) (1):				
Moody's: Aaa / S&P: AAA	\$ 42,622	6.8	\$ 45,898	7.5
Moody's: Aa1 ; Aa2 ; Aa3 / S&P: AA+ ; AA ; AA-	452,864	72.9	429,250	70.5
Moody's: A1 ; A2 ; A3 / S&P: A+ ; A ; A-	111,460	17.9	118,126	19.4
Moody's: Baa1 ; Baa2 ; Baa3 / S&P: BBB+ ; BBB ; BBB- (2)	8,836	1.4	9,013	1.5
Not rated by either agency	6,481	1.0	6,707	1.1
Total municipal bond portfolio	\$ 622,263	100.0	\$ 608,994	100.0

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

(2) As of March 31, 2014 and December 31, 2013, there are no securities in the municipal portfolio rated below investment grade.

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

**TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES**

<i>(unaudited, dollars in thousands)</i>	March 31, 2014		December 31, 2013	
	Amount	% of Total	Amount	% of Total
<b>Municipal bond type:</b>				
General Obligation	\$ 438,654	70.5	\$ 428,705	70.4
Revenue	183,609	29.5	180,289	29.6
Total municipal bond portfolio	\$ 622,263	100.0	\$ 608,994	100.0
<b>Municipal bond issuer:</b>				
State Issued	\$ 52,394	8.4	\$ 51,389	8.4
Local Issued	569,869	91.6	557,605	91.6
Total municipal bond portfolio	\$ 622,263	100.0	\$ 608,994	100.0

The amortized cost of the municipal bond portfolio at March 31, 2014 and December 31, 2013 was \$609.2 million and \$608.9 million, respectively.

WesBanco's municipal bond portfolio is broadly spread across the United States. The following table presents the top five states of municipal bond concentration based on total fair value at March 31, 2014:

**TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES**



# Edgar Filing: WESBANCO INC - Form 10-Q

	March 31, 2014	
<i>(unaudited, dollars in thousands)</i>	Fair Value	% of Total
Pennsylvania	\$ 173,616	27.9
Ohio	81,443	13.1
Texas	64,521	10.4
Illinois	35,122	5.6
Michigan	27,002	4.3
All other states (1)	240,559	38.7
Total municipal bond portfolio	\$ 622,263	100.0

(1) WesBanco's municipal bond portfolio contains obligations in the state of West Virginia totaling \$18.5 million or 3.0% of the total municipal portfolio.

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

**Table of Contents**

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

**LOANS AND CREDIT RISK**

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

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

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

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

<i>(unaudited, dollars in thousands)</i>	March 31, 2014		December 31, 2013	
	Amount	% of Loans	Amount	% of Loans
Commercial real estate:				
Land and construction	\$ 234,484	6.0	\$ 263,117	6.7
Improved property	1,681,094	43.2	1,649,802	42.3
Total commercial real estate	1,915,578	49.2	1,912,919	49.0
Commercial and industrial	560,511	14.4	556,249	14.3
Residential real estate:				
Land and construction	29,292	0.7	27,559	0.7
Other	859,374	22.1	863,245	22.1
Home equity	284,879	7.3	284,687	7.3
Consumer	237,468	6.1	250,258	6.4
Total portfolio loans	3,887,102	99.8	3,894,917	99.8
Loans held for sale	6,300	0.2	5,855	0.2
Total loans	\$ 3,893,402	100.0	\$ 3,900,772	100.0

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

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

Total loans decreased \$7.4 million or 0.2% compared to December 31, 2013 as loan growth was tempered by weather-related delays in anticipated advances on commercial real estate construction loans, continued prudent underwriting and pricing of new loans, and a focus on achieving greater diversification of the loan portfolio. However, the commercial loan and residential mortgage pipeline began to strengthen late in the first quarter. CRE land and construction loans decreased \$28.6 million or 10.9% as several completed projects were transferred to CRE improved property loans and advances on new construction loans were less than anticipated due to the harsh winter. CRE improved property loans increased \$31.3 million or 1.9% primarily due to the migration of CRE land and construction loans into the category. C&I loans increased \$4.3 million or 0.8% due to an increase in the usage of lines of credit. Residential real estate loans decreased \$2.1 million or 0.2% as mortgage applications declined due to higher interest rates and fewer refinances and repayments exceeded new loans booked for the portfolio. New residential mortgage loan originations decreased 56.3% during the three months ended March 31, 2014 over the comparable quarter in 2013 and 23.0% over the fourth quarter of 2013. Home equity lines of credit were unchanged from December 31, 2013, while consumer loans decreased \$12.8 million or 5.1% as paydowns outpaced new loan originations. Loans held for sale increased \$0.4 million due to timing of scheduled closings. All loan categories were also impacted by a continued focus on improving the overall profitability and quality of the loan portfolio while also maintaining WesBanco's disciplined underwriting and pricing practices in a highly competitive lending market for high quality borrowers.

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

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

**TABLE 11. NON-PERFORMING ASSETS**

<i>(unaudited, dollars in thousands)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Non-accrual loans:		
Commercial real estate - land and construction	\$ 2,315	\$ 2,564
Commercial real estate - improved property	16,248	17,305
Commercial and industrial	6,675	4,380
Residential real estate	9,201	10,240
Home equity	1,368	1,604
Consumer	566	540
Total non-accrual loans (1)	36,373	36,633
TDRs accruing interest:		
Commercial real estate - land and construction	20	
Commercial real estate - improved property	3,168	3,052
Commercial and industrial	252	415
Residential real estate	9,635	9,850
Home equity	860	902
Consumer	600	642
Total TDRs accruing interest (1)	14,535	14,861
Total non-performing loans	\$ 50,908	\$ 51,494
Other real estate owned and repossessed assets	5,382	4,860
Total non-performing assets	\$ 56,290	\$ 56,354
Non-performing loans/total loans	1.31%	1.32%
Non-performing assets/total assets	0.90%	0.92%
Non-performing assets/total loans, other real estate and repossessed assets	1.45%	1.45%

(1) TDRs on nonaccrual of \$7.4 million and \$9.3 million at March 31, 2014 and December 31, 2013, respectively, are included in total nonaccrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, decreased \$0.6 million or 1.1% from December 31, 2013 to March 31, 2014. Non-performing loans decreased primarily due to reductions in CRE improved property and residential real estate offset by the migration of a \$3.4 million commercial credit to non-accrual during the quarter, \$1.8 million of which was charged off during the quarter and increased the quarter end non-accrual total by \$1.6 million. (Please see the Notes to the Consolidated Financial Statements for additional discussion.)

Other real estate owned and repossessed assets increased \$0.5 million from December 31, 2013 to March 31, 2014, as new foreclosures exceeded sales of foreclosed properties.



**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>	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Loans past due 90 days or more:		
Commercial real estate - land and construction	\$ 248	\$ 248
Commercial real estate - improved property	2	318
Commercial and industrial	8	
Residential real estate	443	1,289
Home equity	691	411
Consumer	441	325
Total loans past due 90 days or more	1,833	2,591
Loans past due 30 to 89 days:		
Commercial real estate - land and construction	173	2
Commercial real estate - improved property	2,478	2,897
Commercial and industrial	2,319	1,310
Residential real estate	5,101	4,894
Home equity	1,782	1,934
Consumer	2,797	3,794
Total loans past due 30 to 89 days	14,650	14,831
Total 30 days or more	\$ 16,483	\$ 17,422
Loans past due 90 days or more and accruing to total loans	0.05%	0.07%
Loans past due 30-89 days to total loans	0.38%	0.38%

Loans past due 90 days or more and accruing interest excluding TDRs decreased \$0.8 million or 29.3% from December 31, 2013. These loans continue to accrue interest because they are both well-secured and in the process of collection. Loans past due 30-89 days decreased \$0.2 million or 1.2% between December 31, 2013 and March 31, 2014. This reduction in delinquency is the result of management's focus on controlling early stage delinquency as well as improving economic conditions.

**Table of Contents****ALLOWANCE FOR CREDIT LOSSES**

The allowance for credit losses decreased \$1.9 million from December 31, 2013 to March 31, 2014 as a result of a lower provision expense than net charge-offs and represented 1.17% of total loans at March 31, 2014, compared to 1.22% at December 31, 2013. The decrease in the allowance is supported by continued improvement in economic conditions, lower past due, non-performing and classified loans all of which are considered when determining the adequacy of the allowance. The allowance for loans individually evaluated increased \$0.4 million to \$1.1 million from December 31, 2013 to March 31, 2014. The allowance for loans collectively evaluated decreased \$2.3 million to \$44.4 million due to lower delinquency, decreases in non-performing, and reduced levels of classified and criticized loans, despite an increase in net charge-offs.

Net charge-offs for the first quarter of 2014 were \$4.1 million compared to \$2.9 million for the previous quarter and \$3.0 million for the first quarter of 2013. The increase in net charge-offs in the current quarter is primarily due to a \$1.8 million charge-off on a \$3.4 million single commercial credit. As a result, net annualized loan charge-offs to average loans for the first quarter of 2014 were 0.43% compared to 0.34% for the same period in 2013.

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

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

The internal risk rating is the primary factor for establishing the allowance for all commercial loans, and 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 is the internal risk grade of the loan, although certain non-performing loans carry established specific reserves and are also typically considered classified under the Bank's risk grading system. Classified and criticized loans decreased \$38.9 million or 23.1% from March 31, 2013, from principal reductions, charge-offs, migration of certain loans back to a pass grade as a result of improved risk profiles, and orderly exits of certain loans. Classified and criticized loans decreased \$6.3 million or 4.6% from December 31, 2013.

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The allocation of the allowance was relatively unchanged from December 31, 2013.

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

<i>(unaudited, dollars in thousands)</i>	March 31, 2014	Percent of Total	December 31, 2013	Percent of Total
Allowance for loan losses:				
Commercial real estate - land and construction	\$ 5,005	10.9	\$ 6,056	12.6
Commercial real estate - improved property	17,275	37.5	18,157	37.8
Commercial and industrial	9,842	21.4	9,925	20.7
Residential real estate	5,772	12.5	5,673	11.8
Home equity	2,026	4.4	2,017	4.2
Consumer	4,800	10.4	5,020	10.5
Deposit account overdrafts	763	1.7	520	1.1
Total allowance for loan losses	\$ 45,483	98.8	\$ 47,368	98.7
Allowance for loan commitments:				
Commercial real estate - land and construction	\$ 293	0.6	\$ 301	0.6
Commercial real estate - improved property	9	0.0	62	0.1
Commercial and industrial	133	0.4	130	0.3
Residential real estate	5	0.0	5	0.0
Home equity	86	0.2	85	0.2

# Edgar Filing: WESBANCO INC - Form 10-Q

Consumer	19	0.0	19	0.1
Total allowance for loan commitments	545	1.2	602	1.3
Total allowance for credit losses	\$ 46,028	100.0	\$ 47,970	100.0

Although the allowance for credit losses is allocated as described in Table 13, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management's estimation of probable losses and actual incurred losses in subsequent periods for any category may necessitate future adjustments to the provision for loan losses applicable to the category. Management believes the allowance for credit losses is appropriate to absorb probable losses at March 31, 2014.



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

<i>(unaudited, dollars in thousands)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Deposits</b>				
Non-interest bearing demand	<b>\$ 1,022,119</b>	\$ 960,814	\$ 61,305	6.4
Interest bearing demand	<b>918,629</b>	857,761	60,868	7.1
Money market	<b>980,890</b>	942,768	38,122	4.0
Savings deposits	<b>824,276</b>	789,709	34,567	4.4
Certificates of deposit	<b>1,469,804</b>	1,511,478	(41,674)	(2.8)
<b>Total deposits</b>	<b>\$ 5,215,718</b>	\$ 5,062,530	\$ 153,188	3.0

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 120 branches. The FDIC insures deposits up to \$250,000 per account.

Total deposits increased by \$153.2 million or 3.0% during the first three months of 2014 due to increases in all deposit categories other than CDs. Interest bearing demand and non-interest bearing deposits increased 7.1% and 6.4%, respectively, while savings and money market deposits increased 4.4% and 4.0%, respectively. These increases were due to marketing, incentive compensation paid to customers and employees, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities coupled with initial deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. WesBanco does not generally solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Services (CDARS®) program and the Insured Cash Sweep (ICS®) money market deposit program. WesBanco had \$132.4 million in total outstanding ICS® balances at March 31, 2014 compared to \$107.3 million at December 31, 2013.

The 2.8% decline in certificates of deposit is due to the effects of an overall corporate strategy designed to increase and remix retail deposit relationships with a focus on overall products that can be offered at a lower cost to the Bank. The decline is also impacted by lowered offered rates on maturing certificates of deposit and customer preferences for other non-maturity deposit types. WesBanco had \$341.7 million in total outstanding CDARS® balances at March 31, 2014, of which \$230.5 million represented one-way buys, compared to \$344.7 million in total outstanding balances at December 31, 2013, of which \$234.1 million represented one-way buys. Certificates of deposit greater than \$250,000 were approximately \$167.1 million at March 31, 2014 compared to \$164.8 million at December 31, 2013. Certificates of deposit of \$100,000 or more were approximately \$796.9 million at March 31, 2014 compared to \$809.7 million at December 31, 2013. Certificates of deposit totaling approximately \$803.4 million at March 31, 2014 with a cost of 0.86% are scheduled to mature within the next 12 months. WesBanco will continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs, although in the current interest rate environment, CD rate offerings are generally equal or lower for all maturities and types compared to rates paid on existing CDs.

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

<i>(unaudited, dollars in thousands)</i>	<b>March 31, 2014</b>	<b>December 31, 2013</b>	<b>\$ Change</b>	<b>% Change</b>
Federal Home Loan Bank Borrowings	<b>\$ 23,282</b>	\$ 39,508	\$ (16,226)	(41.1)
Other short-term borrowings	<b>92,737</b>	150,536	(57,799)	(38.4)
Junior subordinated debt owed to unconsolidated subsidiary trusts	<b>106,146</b>	106,137	9	0.0

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

Total	<b>\$ 222,165</b>	\$ 296,181	\$ (74,016)	(25.0)
-------	-------------------	------------	-------------	--------

Borrowings are currently a less significant source of funding for WesBanco compared to total deposits. During the first quarter of 2014, WesBanco reduced other short-term borrowings and paid down FHLB borrowings scheduled to mature, utilizing funds provided by lower cost deposits or other available cash flows for their payoff.

Other short-term borrowings, which consist of securities sold under agreements to repurchase and federal funds purchased, were \$92.7 million at March 31, 2014 compared to \$150.5 million at December 31, 2013. The decrease in these borrowings has occurred primarily as a result of a \$37.8 million decrease in securities sold under agreements to repurchase and a \$20.0 million decrease in federal funds purchased. A revolving line of credit with another bank is available at the parent company. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregate borrowings secured by a pledge of WesBanco's banking subsidiary common stock of up to \$25.0 million. There were no outstanding balances as of March 31, 2014 or December 31, 2013. WesBanco expects to negotiate a similar line with another correspondent bank before expiration, as management has been informed by the existing correspondent bank that they are unable to renew such facility at its expiration of July 31, 2014 due to regulatory changes related to Basel III implementation.

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

WesBanco enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, letters of credit, loans approved but not closed, overdraft limits and contingent obligations to purchase loans funded by other entities. Since many of these commitments expire unused or partially used, these commitments may not reflect future cash requirements. Please refer to Note 8, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

**CAPITAL RESOURCES**

Shareholders' equity was \$761.1 million at March 31, 2014 compared to \$746.6 million at December 31, 2013. Total equity increased due to net income during the current three month period of \$16.4 million and a \$3.3 million increase in other comprehensive income, which were partially offset by the declaration of common shareholder dividends totaling \$6.4 million for the three months ended March 31, 2014. WesBanco also increased its quarterly dividend rate to \$0.22 per share in February, representing a 10% increase over the prior quarter rate and a cumulative 57% increase over approximately the last four years.

Regulatory guidelines require bank holding companies and commercial banks to maintain certain minimum capital ratios and define companies as well capitalized that sufficiently exceed the minimum ratios. At March 31, 2014, regulatory capital levels for both the Bank and WesBanco were substantially greater than the minimum amounts needed to be considered well capitalized under the regulations. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to WesBanco. As of March 31, 2014, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of approximately \$37.0 million from the Bank. WesBanco will 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:

	March 31, 2014				December 31, 2013			
(unaudited, dollars in thousands)	Minimum Value (1)	Well Capitalized (2)	Amount	Ratio	Minimum Amount (1)	Amount	Ratio	Minimum Amount (1)
<u>WesBanco, Inc.</u>								
Tier 1 leverage	4.00% <sup>(3)</sup>	N/A	\$ 555,661	9.45%	\$ 235,247	\$ 544,083	9.27%	\$ 234,863
Tier 1 capital to risk-weighted assets	4.00%	6.00%	555,661	13.30%	167,173	544,083	13.06%	166,691
Total capital to risk-weighted assets	8.00%	10.00%	601,776	14.40%	334,346	591,451	14.19%	333,382
<u>WesBanco Bank, Inc.</u>								
Tier 1 leverage	4.00%	5.00%	\$ 508,412	8.68%	\$ 234,346	\$ 502,165	8.58%	\$ 234,109
Tier 1 capital to risk-weighted assets	4.00%	6.00%	508,412	12.22%	166,456	502,165	12.11%	165,828
Total capital to risk-weighted assets	8.00%	10.00%	553,901	13.31%	332,912	549,533	13.25%	331,656

(1) Minimum to remain adequately capitalized.

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

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

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

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

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

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. WesBanco believes its cash flow from the loan portfolio, the investment portfolio, and other sources, adequately meet its liquidity requirements. WesBanco's net loans to assets ratio was 61.6% at March 31, 2014 and deposit balances funded 83.6% of assets.

The following table lists the sources of liquidity from assets at March 31, 2014 expected within the next year:

*(in thousands)*

Cash and cash equivalents	<b>\$ 175,196</b>
Securities with a maturity date within the next year	<b>14,069</b>
Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1)	<b>137,714</b>
Callable securities	<b>91,549</b>
Loans held for sale	<b>6,300</b>
Accruing loans scheduled to mature	<b>575,575</b>
Normal loan repayments	<b>352,642</b>
Total sources of liquidity expected within the next year	<b>\$ 1,353,045</b>

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$5.2 billion at March 31, 2014. Deposit flows are impacted by current interest rates, products and rates offered by WesBanco versus various forms of competition, as well as customer behavior. Certificates of deposit scheduled to mature within one year totaled \$803.4 million at March 31, 2014, which includes jumbo regular certificates of deposit totaling \$251.0 million with a weighted-average cost of 1.21%, and jumbo CDARS® deposits of \$171.9 million with a cost of 0.47%.

WesBanco maintains a line of credit with the FHLB as an additional funding source. Available credit with the FHLB was approximately \$1.6 billion at March 31, 2014 and December 31, 2013. At March 31, 2014, the Bank had unpledged available-for-sale securities with an amortized cost of \$322.2 million, a portion of which is an available liquidity source, or such securities could be pledged to secure additional FHLB borrowings. The FHLB requires securities to be specifically pledged to the FHLB and maintained in a FHLB-approved custodial arrangement if the member wishes to include such securities in the maximum borrowing capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities.

WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program (BIC) whereby WesBanco pledges certain consumer loans as collateral for borrowings. At March 31, 2014, WesBanco had a BIC line of credit totaling \$132.6 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$155.0 million, none of which was outstanding at March 31, 2014, along with seeking other lines of credit, borrowings under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing brokered deposits, or selling securities available-for-sale or certain types of loans.

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

Other short-term borrowings of \$92.7 million at March 31, 2014 consisted of callable repurchase agreements and overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balance of the overnight sweep checking accounts during the first three months of 2014. The term repurchase agreements totaling \$22.6 million require securities to be pledged equal to or greater than the instrument's purchase price and may be called at any time by the purchaser, although due to current low interest rates, that is unlikely. The overnight sweep checking accounts require securities to be pledged equal to or greater than the average deposit balance in the related customer accounts.

The principal sources of parent company liquidity are dividends from the Bank, \$32.0 million in cash and investments on hand, and a \$25.0 million revolving line of credit with another bank, which did not have an outstanding balance at March 31, 2014. WesBanco is in compliance with all loan covenants. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of March 31, 2014, under FDIC and State of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$37.0 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 \$1.2 billion at March 31, 2014 and December 31, 2013. On a historical basis, only a small portion of these commitments will result in an outflow of funds. Please refer to Note 8,

**Table of Contents**

Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

Federal financial regulatory agencies previously have issued guidance to provide for sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. WesBanco maintains a comprehensive management process for identifying, measuring, monitoring, and controlling liquidity risk which is fully integrated into its risk management process. Management believes WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others as of March 31, 2014 and that WesBanco's current liquidity risk management policies and procedures adequately address this guidance.

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

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

**MARKET RISK**

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

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

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

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

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

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

**TABLE 1. NET INTEREST INCOME SENSITIVITY**

# Edgar Filing: WESBANCO INC - Form 10-Q

Immediate Change in		Percentage Change in	
Interest Rates (basis points)	Net Interest Income from Base over One Year		ALCO Guidelines
	March 31, 2014	December 31, 2013	
+300	1.6%	0.2%	(25.0%)
+200	2.7%	1.7%	(12.5%)
+100	2.2%	1.6%	(5.0%)
-100	(2.1%)	(2.0%)	(5.0%)



## **Table of Contents**

As per the table above, the earnings simulation model at March 31, 2014 currently projects that net interest income for the next twelve month period would decrease by 2.1% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 2.0% for the same scenario as of December 31, 2013.

For rising rate scenarios, net interest income would increase by 2.2%, 2.7%, and 1.6% if rates increased by 100, 200 and 300 basis points, respectively, as of March 31, 2014 compared to increases of 1.6%, 1.7% and 0.2%, respectively, for the same increasing rate environments as of December 31, 2013.

The balance sheet continues to be asset sensitive as of March 31, 2014, similar to December 31, 2013, based upon changes in the mix of various earning assets and costing liabilities, new loan growth, transaction deposit account growth and borrowings reduction, as well as certain changes in modeling assumptions. Should rates rise more rapidly and by a higher amount than currently anticipated in the short to intermediate term, overall asset sensitivity may be somewhat neutralized due to slower anticipated prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities. In addition, variable rate commercial loans with rate floors approximated \$1.1 billion at March 31, 2014, which represented approximately 44% of commercial loans, with an average floor of 4.35%. In a 100 basis point rising rate environment, these loans would not significantly reprice from their current level, since many such loans are priced above contract floors. In the current base case model, WesBanco believes that the net interest margin will slightly increase over the next twelve months. A short term rate increase or steeper yield curve should result in the margin improving by a greater amount assuming no earning asset or costing liability changes, although short term interest rates are not currently anticipated to increase until later in 2015. It is also anticipated that accretion from the net assets acquired from Fidelity will have a reduced impact on net interest income in 2014 as compared to the prior year. However, offsetting those negative factors are maturities of higher-rate certificates of deposit scheduled over the next year totaling \$803.4 million at an average cost of 0.86%, which should mitigate potential compression from lower loan spreads in a more competitive loan environment, as well as anticipated loan growth. The Bank continues to experience significant pricing competition for new loans, particularly for new commercial real estate and construction loans, which may result in reduced loan spreads somewhat mitigated by growth in overall balances.

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

Current balance sheet strategies approved by the ALM committee include:

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

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

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

reinvesting securities cash flows into new loans as balances increase, or back into the investment portfolio into a mix of short and intermediate CMO pay structures and state and municipal securities;

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

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

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

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve month period. WesBanco's current policy limits this exposure to 5.0% of net interest income from the base model for a twelve month period. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at March 31, 2014, using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 1.3% over the next twelve months, compared to a 1.1% increase at December 31, 2013.

WesBanco also periodically measures the economic value of equity, which is defined as the market value of tangible equity in various increasing and decreasing rate scenarios. At March 31, 2014, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 1.2%, compared to a decrease of 2.8% at December 31, 2013. In a 100 basis point falling rate environment, the model indicates a decrease of 7.9%, compared to a decrease of 5.3% as of December 31, 2013. WesBanco's policy is to limit such change to minus 20% for a 200 basis point change in interest rates, as long as the Tier 1 leverage capital ratio is not forecasted to decrease below 5.0% as a result of the change. Balance sheet changes in loan and securities portfolios, continued maturities of borrowings and certificates of deposit, and adding certain transaction-type deposits, as well as certain other modeling assumptions, have resulted in the change in equity market value from year end.

---

**Table of Contents**

**ITEM 4. CONTROLS AND PROCEDURES**

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

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

**CHANGES IN INTERNAL CONTROLS** There were no changes in WesBanco's internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2014 as required to be reported by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, that materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

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

WesBanco is involved in lawsuits, claims, investigations and proceedings which arise in the ordinary course of business. There are none of these matters pending that WesBanco expects to be material in relation to its business, financial condition or results of operations.

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

As of March 31, 2014, WesBanco had a current stock repurchase plan in which up to one million shares can be acquired. The plan was originally approved by the Board of Directors on March 21, 2007 and provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time. There were no repurchases during the first quarter of 2014, other than those for KSOP, dividend reinvestment plans and repurchases from employees for the payment of withholding taxes to facilitate the vesting of restricted stock.

The following table presents the monthly share purchase activity during the quarter ended March 31, 2014:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
Balance at December 31, 2013				378,962
<b>January 1, 2014 to January 31, 2014</b>				
Open market repurchases				378,962
Other transactions (1)	16,240	\$ 31.47	N/A	N/A
<b>February 1, 2014 to February 28, 2014</b>				
Open market repurchases				378,962
Other transactions (1)	1,597	\$ 27.53	N/A	N/A
<b>March 1, 2014 to March 31, 2014</b>				
Open market repurchases				378,962
Other repurchases (2)	676	\$ 29.58	676	378,286
Other transactions (1)	2,984	31.53	N/A	N/A
<b>First Quarter 2014</b>				
Open market repurchases				378,962
Other repurchases (2)	676	\$ 29.58	676	378,286
Other transactions (1)	20,821	31.18	N/A	N/A
Total	21,497	\$ 31.13	676	378,286

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

(2) Consists of repurchases from employees for the payment of withholding taxes to facilitate the vesting of restricted stock.

**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 March 31, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at March 31, 2014 and December 31, 2013, (ii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2014 and 2013, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2014 and 2013, (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013, and (v) the Notes to Consolidated Financial Statements.

**Table of Contents**

**SIGNATURES**

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

**WESBANCO, INC.**

Date: April 24, 2014

/s/ Paul M. Limbert  
Paul M. Limbert  
President and Chief Executive Officer

(Principal Executive Officer)

Date: April 24, 2014

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