WESBANCO INC
Form 10-Q
July 30, 2018
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 June 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from __________ to __________

Commission File Number 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

WEST VIRGINIA	**55-0571723**
(State of incorporation)	**(IRS Employer Identification No.)**
1 Bank Plaza, Wheeling, WV	**26003**
(Address of principal executive offices)	**(Zip Code)**

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

NOT APPLICABLE

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the

Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

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

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

Yes No

As of July 23, 2018, there were 46,643,250 shares of WesBanco, Inc. common stock, $2.0833 par value, outstanding.

Table of Contents

WESBANCO, INC.

TABLE OF CONTENTS

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except shares)	**June 30, 2018**	December 31, 2017
ASSETS		
Cash and due from banks, including interest bearing amounts of **$53,654** and $19,826, respectively	**$ 155,559**	$ 117,572
Securities:		
Equity securities, at fair value	**13,494**	13,457
Available-for-sale debt securities, at fair value	**1,796,571**	1,261,865
Held-to-maturity debt securities (fair values of **$1,016,111** and $1,023,784, respectively)	**1,019,746**	1,009,500
Total securities	**2,829,811**	2,284,822
Loans held for sale	**12,053**	20,320
Portfolio loans, net of unearned income	**6,792,899**	6,341,441
Allowance for loan losses	**(47,638)**	(45,284)
Net portfolio loans	**6,745,261**	6,296,157
Premises and equipment, net	**131,502**	130,722
Accrued interest receivable	**33,868**	29,728
Goodwill and other intangible assets, net	**661,616**	589,264
Bank-owned life insurance	**191,701**	192,589
Other assets	**185,213**	155,004
Total Assets	**$ 10,946,584**	$ 9,816,178
LIABILITIES		
Deposits:		
Non-interest bearing demand	**$ 2,046,537**	$ 1,846,748
Interest bearing demand	**1,809,140**	1,625,015
Money market	**1,051,043**	1,024,856
Savings deposits	**1,385,356**	1,269,912
Certificates of deposit	**1,376,528**	1,277,057
Total deposits	**7,668,604**	7,043,588

Federal Home Loan Bank borrowings	**1,248,406**	948,203
Other short-term borrowings	**258,067**	184,805
Subordinated debt and junior subordinated debt	**165,420**	164,327
Total borrowings	**1,671,893**	1,297,335
Accrued interest payable	**4,417**	3,178
Other liabilities	**77,564**	76,756
Total Liabilities	**9,422,478**	8,420,857
SHAREHOLDERS EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, $2.0833 par value; **100,000,000** shares authorized in 2018 and 2017, respectively; **46,655,012** and 44,043,244 shares issued, respectively; **46,643,250** and 44,043,244 shares outstanding, respectively	**97,197**	91,756
Capital surplus	**789,038**	684,730
Retained earnings	**692,820**	651,357
Treasury stock (**11,762** and 0 shares - at cost, respectively)	**(555)**	
Accumulated other comprehensive loss	**(53,352)**	(31,495)
Deferred benefits for directors	**(1,042)**	(1,027)
Total Shareholders Equity	**1,524,106**	1,395,321
Total Liabilities and Shareholders Equity	**$ 10,946,584**	$ 9,816,178

See Notes to Consolidated Financial Statements.

3

Table of Contents

WESBANCO, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands, except shares and per share amounts)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
INTEREST AND DIVIDEND INCOME				
Loans, including fees	**$ 78,538**	$ 67,360	**$ 147,671**	$ 132,258
Interest and dividends on securities:				
Taxable	**14,194**	9,375	**25,738**	18,970
Tax-exempt	**5,055**	4,864	**9,890**	9,756
Total interest and dividends on securities	**19,249**	14,239	**35,628**	28,726
Other interest income	**1,101**	561	**1,904**	1,100
Total interest and dividend income	**98,888**	82,160	**185,203**	162,084
INTEREST EXPENSE				
Interest bearing demand deposits	**3,150**	1,506	**5,673**	2,599
Money market deposits	**1,093**	644	**1,972**	1,218
Savings deposits	**227**	185	**416**	367
Certificates of deposit	**2,977**	2,491	**5,513**	4,902
Total interest expense on deposits	**7,447**	4,826	**13,574**	9,086
Federal Home Loan Bank borrowings	**5,953**	3,145	**10,451**	5,980
Other short-term borrowings	**973**	262	**1,532**	560
Subordinated debt and junior subordinated debt	**2,168**	1,788	**4,110**	3,600
Total interest expense	**16,541**	10,021	**29,667**	19,226
NET INTEREST INCOME	**82,347**	72,139	**155,536**	142,858
Provision for credit losses	**1,708**	2,383	**3,876**	5,094
Net interest income after provision for credit losses	**80,639**	69,756	**151,660**	137,764
NON-INTEREST INCOME				
Trust fees	**5,752**	5,572	**12,255**	11,716
Service charges on deposits	**5,146**	5,081	**9,969**	9,933
Electronic banking fees	**5,728**	4,984	**10,558**	9,512
Net securities brokerage revenue	**1,809**	1,680	**3,479**	3,442
Bank-owned life insurance	**1,128**	1,367	**3,884**	2,508
Mortgage banking income	**1,670**	968	**2,776**	2,408
Net securities gains	**358**	494	**319**	506
Net gain on other real estate owned and other assets	**229**	342	**491**	307
Other income	**1,588**	1,634	**3,760**	4,674

Total non-interest income		**23,408**		22,122		**47,491**		45,006
NON-INTEREST EXPENSE								
Salaries and wages		**26,872**		23,616		**51,878**		46,618
Employee benefits		**7,965**		7,731		**14,877**		15,941
Net occupancy		**4,103**		4,510		**8,759**		8,837
Equipment		**4,095**		4,097		**8,044**		8,139
Marketing		**1,405**		2,060		**2,521**		2,884
FDIC insurance		**868**		906		**1,526**		1,733
Amortization of intangible assets		**1,312**		1,240		**2,397**		2,513
Restructuring and merger-related expense		**5,412**				**5,657**		491
Other operating expenses		**11,511**		11,724		**22,455**		23,112
Total non-interest expense		**63,543**		55,884		**118,114**		110,268
Income before provision for income taxes		**40,504**		35,994		**81,037**		72,502
Provision for income taxes		**7,335**		9,653		**14,339**		20,274
NET INCOME	**$**	**33,169**	$	26,341	**$**	**66,698**	$	52,228
EARNINGS PER COMMON SHARE								
Basic	**$**	**0.71**	$	0.60	**$**	**1.47**	$	1.19
Diluted	**$**	**0.71**	$	0.60	**$**	**1.47**	$	1.19
AVERAGE COMMON SHARES OUTSTANDING								
Basic		**46,498,305**		43,995,749		**45,281,264**		43,971,789
Diluted		**46,639,780**		44,061,421		**45,417,010**		44,046,812
DIVIDENDS DECLARED PER COMMON SHARE	**$**	**0.29**	$	0.26	**$**	**0.58**	$	0.52
COMPREHENSIVE INCOME	**$**	**26,893**	$	29,065	**$**	**45,904**	$	57,236

See Notes to Consolidated Financial Statements.

Table of Contents

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the Six Months Ended June 30, 2018 and 2017

naudited, in thousands, except shares nd per share amounts)	Common Stock Shares Outstanding	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Deferred Benefits for Directors	Total
ecember 31, 2017	44,043,244	$ 91,756	$ 684,730	$ 651,357	$	$ (31,495)	$ (1,027)	$ 1,395,321
et income				**66,698**				**66,698**
ther comprehensive income						**(20,794)**		**(20,794**
omprehensive income								**45,904**
ommon dividends declared ($0.58 per hare)				**(26,298)**				**(26,298**
doption of accounting standard ASU 016-01				**1,063**		**(1,063)**		
hares issued for acquisition	**2,498,761**	**5,206**	**102,141**					**107,347**
reasury shares acquired	**(15,159)**		**34**		**(714)**			**(680**
tock options exercised	**36,788**	**69**	**915**		**159**			**1,143**
estricted stock granted	**79,616**	**166**	**(166)**					
tock compensation expense			**1,838**					**1,838**
eferred benefits for directors- net			**(454)**				**(15)**	**(469**
une 30, 2018	**46,643,250**	**$ 97,197**	**$ 789,038**	**$ 692,820**	**$ (555)**	**$ (53,352)**	**$ (1,042)**	**$ 1,524,106**
ecember 31, 2016	43,931,715	$ 91,524	$ 680,507	$ 597,071	$	$ (27,126)	$ (568)	$ 1,341,408
et income				52,228				52,228
ther comprehensive income						5,008		5,008
omprehensive income								57,236
ommon dividends declared ($0.52 per hare)				(22,878)				(22,878
reasury shares acquired	(12,987)				(488)			(488
tock options exercised	38,584	75	883		103			1,061
estricted stock granted	74,023	154	(154)					
tock compensation expense			1,198					1,198
eferred benefits for directors- net			9				(9)	
une 30, 2017	44,031,335	$ 91,753	$ 682,443	$ 626,421	$ (385)	$ (22,118)	$ (577)	$ 1,377,537

See Notes to Consolidated Financial Statements.

Table of Contents

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)	For the Six Months Ended June 30, 2018	2017
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 66,853**	$ 56,509
INVESTING ACTIVITIES		
Net increase in loans held for investment	**(11,819)**	(141,174)
Debt securities available-for-sale:		
Proceeds from sales	**81,521**	7,760
Proceeds from maturities, prepayments and calls	**114,206**	102,225
Purchases of securities	**(625,395)**	(104,584)
Debt securities held-to-maturity:		
Proceeds from maturities, prepayments and calls	**37,842**	64,188
Purchases of securities	**(44,656)**	(29,912)
Equity securities:		
Proceeds from sales	**827**	
Purchases of securities	**(467)**	
Proceeds from bank-owned life insurance	**4,772**	349
Purchases of premises and equipment net	**(845)**	(4,898)
Net cash received from acquisition	**86,149**	
Sale of portfolio loans net	**12,996**	
Net cash used in investing activities	**(344,869)**	(106,046)
FINANCING ACTIVITIES		
Increase in deposits	**36,045**	32,494
Proceeds from Federal Home Loan Bank borrowings	**575,000**	415,000
Repayment of Federal Home Loan Bank borrowings	**(327,142)**	(362,331)
Increase (decrease) in other short-term borrowings	**67,103**	(6,205)
Decrease in federal funds purchased	**(3,000)**	(25,500)
Repayment of junior subordinated debt	**(8,240)**	
Dividends paid to common shareholders	**(24,226)**	(21,969)
Issuance of common stock	**1,035**	990
Treasury shares purchased net	**(572)**	(417)
Net cash provided by financing activities	**316,003**	32,062
Net increase (decrease) in cash and cash equivalents	**37,987**	(17,475)
Cash and cash equivalents at beginning of the period	**117,572**	128,170
Cash and cash equivalents at end of the period	**$ 155,559**	$ 110,695

SUPPLEMENTAL DISCLOSURES		
Interest paid on deposits and other borrowings	**$ 29,791**	$ 19,844
Income taxes paid	**10,000**	14,700
Transfers of loans to other real estate owned	**229**	298
Transfers of loans to held for sale	**12,996**	
Non-cash transactions related to FTSB acquisition	**107,347**	

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, 2017.

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 2017 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. Certain prior period amounts have been reclassified to conform to the current period presentation. Such reclassifications had no impact on WesBanco s net income and stockholders equity. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

Recent accounting pronouncements In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. WesBanco is currently assessing the impact of ASU 2017-12 on WesBanco s Consolidated Financial Statements.

In March 2017, the FASB issued ASU 2017-07 that changes how an employer presents the net periodic benefit cost in the income statement for an employer-sponsored defined benefit pension and/or other postretirement benefit plans. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Only the service cost component will be eligible for capitalization in assets. Employers will present the other components of the net periodic benefit cost separately from the line items that includes the service cost outside of any subtotal of operating income, if one is presented. These components will not be eligible for capitalization in assets. For public business entities, the amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual period (i.e., only in the first interim period). For WesBanco, this update was effective for the fiscal year beginning January 1, 2018. Upon adoption, WesBanco reclassified the service cost component from employee benefits to salaries and wages, which are both components of non-interest expense. The service cost component for the three and six months ended June 30, 2018 was $0.7 and $1.4 million, respectively.

In January 2017, the FASB issued ASU 2017-01, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, which for WesBanco was effective for the fiscal year beginning January 1, 2018. The adoption of this pronouncement did not have a material impact on WesBanco s Consolidated

Financial Statements.

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

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

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

Table of Contents

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

In February 2016, the FASB issued ASU 2016-02 that will require entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases were not previously recognized in the balance sheet. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. In January 2018, the FASB issued ASU 2018-01, which allows entities the option to apply the provisions of the new lease guidance at the effective date without adjusting the comparative periods presented. In July 2018, the FASB issued ASU 2018-10, which provides narrow-scope improvements to the lease standard. While we are currently assessing the impact of the adoption of this pronouncement, we expect the primary impact to our consolidated financial position upon adoption will be the recognition, on a discounted basis, of our minimum commitments under non-cancellable operating leases on our consolidated Balance Sheets resulting in the recording of right of use assets and lease obligations.

In January 2016, the FASB issued ASU 2016-01 that will require entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicability exception. The standard does not change the guidance for classifying and measuring investments in debt securities and loans. Entities will have to record changes in instrument-specific credit risk for financial liabilities measured under the fair value option in other comprehensive income. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. In February 2018, the FASB issued ASU 2018-03, which clarifies certain aspects of the guidance issued in ASU 2016-01. WesBanco adopted these pronouncements as of January 1, 2018 and recognized a $1.1 million adjustment to retained earnings upon adoption of this pronouncement. In addition, WesBanco reclassified investment securities on the Consolidated Financial Statements into the following equity securities, available-for-sale debt securities and held-to-maturity debt securities.

In May 2014, the FASB issued ASU 2014-09 related to the recognition of revenue from contracts with customers. The new revenue pronouncement creates a single source of revenue guidance for all companies in all industries and is more principles-based than current revenue guidance. The pronouncement provides a five-step model for a company to recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The five steps are, (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations and (5) recognize revenue when each performance obligation is satisfied. On July 9, 2015, the FASB approved a one-year deferral of the effective date of the update. The update is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. In March 2016, the FASB issued ASU 2016-08, which amends the principle versus agent guidance in the revenue standard. In April 2016, the FASB issued ASU 2016-10, which clarifies when promised goods or services are separately identifiable in the revenue standard. In May 2016, FASB issued ASU 2016-12, which provides narrow-scope improvements and practical expedients to the revenue standard. WesBanco adopted these pronouncements as of January 1, 2018 using the modified retrospective approach. WesBanco noted no material change to the timing of revenue recognition and there was no material impact on WesBanco s Consolidated Financial Statements. See Note 9, Revenue Recognition for further discussion on revenue within the scope of ASC 606.

Table of Contents

NOTE 2. MERGERS AND ACQUISITIONS

On April 5, 2018, WesBanco completed its acquisition of First Sentry Bancshares, Inc. (FTSB), a bank holding company headquartered in Huntington, WV. On the acquisition date, FTSB had approximately $706.1 million in assets, excluding goodwill, which included approximately $448.3 million in loans and $142.9 million in securities. The FTSB acquisition was valued at $108.3 million, based on WesBanco s closing stock price on April 5, 2018, of $42.96, and resulted in WesBanco issuing 2,498,761 shares of its common stock and $1.0 million in cash in exchange for all of the outstanding shares of FTSB common stock including stock options. The assets and liabilities of FTSB were recorded on WesBanco s Balance Sheet at their preliminary estimated fair values as of April 5, 2018, the acquisition date, and FTSB s results of operations have been included in WesBanco s Consolidated Statements of Income since that date. Due to the timing of the acquisition relative to the end of the reporting period, the fair values for certain assets and liabilities acquired from FTSB on April 5, 2018 represent preliminary estimates. Based on a preliminary purchase price allocation, WesBanco recorded $66.2 million in goodwill and $8.2 million in core deposit intangibles in its community banking segment, representing the principal change in goodwill and intangibles from December 31, 2017. None of the goodwill is deductible for income tax purposes, as the acquisition is accounted for as a tax-free exchange for tax purposes. As a result of the full integration of the operations of FTSB, it is not practicable to determine revenue or net income included in WesBanco s operating results relating to FTSB since the date of acquisition, as FTSB s results cannot be separately identified.

For the six months ended June 30, 2018, WesBanco recorded merger-related expenses of $5.0 million associated with the FTSB acquisition.

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

(unaudited, in thousands)	**April 5, 2018**
Purchase Price:	
Fair value of WesBanco shares issued	**$ 107,347**
Cash consideration for outstanding FTSB shares	**975**
Total purchase price	**$ 108,322**
Fair value of:	
Tangible assets acquired	**$ 610,712**
Core deposit and other intangible assets acquired	**8,237**
Liabilities assumed	**(663,970)**
Net cash received in the acquisition	**87,124**
Fair value of net assets acquired	**42,103**
Goodwill recognized	**$ 66,219**

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

(unaudited, in thousands)		April 5, 2018
Assets acquired		
Cash and due from banks	$	87,124
Securities		142,903
Loans		448,339
Goodwill and other intangible assets		74,456
Accrued income and other assets		19,470
Total assets acquired	$	772,292
Liabilities assumed		
Deposits	$	590,018
Borrowings		70,710
Accrued expenses and other liabilities		3,242
Total liabilities assumed	$	663,970
Net assets acquired	$	108,322

On April 19, 2018, WesBanco and Farmers Capital Bank Corporation (FFKT), a bank holding company headquartered in Frankfort, Kentucky with approximately $1.7 billion in assets, $1.4 billion in deposits, $1.0 billion in loans and 34 branches, jointly announced that a definitive Agreement and Plan of Merger was executed providing for the merger of FFKT with and into WesBanco. On the date of the announcement, the transaction was valued at approximately $378.2 million. Under the terms of the Agreement and Plan of Merger, which has been approved by the board of directors of both companies, WesBanco will exchange a combination of its common stock and cash for FFKT common stock. FFKT s shareholders will be entitled to receive 1.053 shares of WesBanco common stock and cash in the amount of $5.00 per share for each share of FFKT common stock for a total value of approximately $50.31 per share at the date of announcement. The receipt by FFKT shareholders of shares of WesBanco common stock in exchange for their shares of FFKT s common stock is anticipated to qualify as a tax-free exchange. The acquisition has been approved by the appropriate banking regulatory authorities and the shareholders of FFKT. It is expected that the transaction will be completed in the third quarter of 2018. For the six months ended June 30, 2018, WesBanco has recorded merger-related expenses of $0.7 million associated with the FFKT acquisition.

Table of Contents

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

(unaudited, in thousands, except shares and per share amounts)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Numerator for both basic and diluted earnings per common share:				
Net income	**$ 33,169**	$ 26,341	**$ 66,698**	$ 52,228
Denominator:				
Total average basic common shares outstanding	**46,498,305**	43,995,749	**45,281,264**	43,971,789
Effect of dilutive stock options and other stock compensation	**141,475**	65,672	**135,746**	75,023
Total diluted average common shares outstanding	**46,639,780**	44,061,421	**45,417,010**	44,046,812
Earnings per common share basic	**$ 0.71**	$ 0.60	**$ 1.47**	$ 1.19
Earnings per common share diluted	**$ 0.71**	$ 0.60	**$ 1.47**	$ 1.19

Options to purchase 117,600 shares and 117,550 shares at June 30, 2018 and 2017, respectively, were not included in the computation of net income per diluted share for the three months ended June 30, 2018 and 2017, respectively, because the exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive. Options to purchase 117,600 shares at June 30, 2018 were not included in the computation of net income per diluted share for the six months ended June 30, 2018 because the exercise price was greater than the average market price of the common shares, and therefore, the effect would be antidilutive. All stock options were included in the computation of net income per diluted share for the six months ended June 30, 2017.

As of June 30, 2018, contingently issuable shares totaling 42,912, were estimated to be awarded under the 2018 and 2017 total shareholder return plans as stock performance targets have been met to date and are included in the diluted calculation. As of June 30, 2018, the shares related to the 2016 total shareholder return plans were not included in the calculation because the effect would be antidilutive. Performance-based restricted stock compensation totaling 17,081 shares were estimated to be awarded as of June 30, 2018 and are included in the diluted calculation.

On April 5, 2018, WesBanco issued 2,498,761 shares of common stock to complete its acquisition of FTSB and granted 9,465 shares of restricted stock to certain FTSB employees. These shares are included in average shares outstanding beginning on that date. For additional information relating to the FTSB acquisition, refer to Note 2, Mergers and Acquisitions.

Table of Contents

NOTE 4. SECURITIES

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

	June 30, 2018				December 31, 2017			
(unaudited, in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale debt securities								
U.S. Treasury	**$ 9,926**	**$**	**$ (13)**	**$ 9,913**	$	$	$	$
U.S. Government sponsored entities and agencies	**103,152**		**(2,470)**	**100,682**	72,425	24	(606)	71,843
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**1,413,937**	**98**	**(40,618)**	**1,373,417**	954,115	214	(19,407)	934,922
Commerical mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**145,104**	**55**	**(4,512)**	**140,647**	116,448	4	(1,585)	114,867
Obligations of states and political subdivisions	**126,143**	**1,866**	**(1,210)**	**126,799**	102,363	2,927	(460)	104,830
Corporate debt securities	**45,070**	**211**	**(168)**	**45,113**	35,234	228	(59)	35,403
Total available-for-sale debt securities	**$ 1,843,332**	**$ 2,230**	**$ (48,991)**	**$ 1,796,571**	$ 1,280,585	$ 3,397	$ (22,117)	$ 1,261,865
Held-to-maturity debt securities								
U.S. Government sponsored entities and agencies	**$ 11,877**	**$**	**$ (390)**	**$ 11,487**	$ 11,465	$	$ (325)	$ 11,140
Residential mortgage-backed securities and collateralized mortgage obligations of government	**161,090**	**203**	**(5,740)**	**155,553**	170,025	544	(2,609)	167,960

sponsored entities and agencies								
Obligations of states and political subdivisions	**813,456**	**9,017**	**(6,065)**	**816,408**	794,655	17,364	(1,609)	810,410
Corporate debt securities	**33,323**	**4**	**(664)**	**32,663**	33,355	919		34,274
Total held-to-maturity debt securities	**$ 1,019,746**	**$ 9,224**	**$ (12,859)**	**$ 1,016,111**	$ 1,009,500	$ 18,827	$ (4,543)	$ 1,023,784
Total debt securities	**$ 2,863,078**	**$ 11,454**	**$ (61,850)**	**$ 2,812,682**	$ 2,290,085	$ 22,224	$ (26,660)	$ 2,285,649

At June 30, 2018, and December 31, 2017, there were no holdings of any one issuer, other than U.S. government sponsored entities and its agencies, in an amount greater than 10% of WesBanco s shareholders equity.

Equity securities, of which $8.3 million consist of investments in various mutual funds held in grantor trusts formed in connection with the Company s deferred compensation plan, are recorded at fair value and totaled $13.5 million at June 30, 2018 and December 31, 2017.

The following table presents the fair value of available-for-sale and held-to-maturity debt securities by contractual maturity at June 30, 2018. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

Table of Contents

(unaudited, in thousands)	June 30, 2018 One Year or less	One to Five Years	Five to Ten Years	After Ten Years	Mortgage-backed securities	Total
Available-for-sale debt securities						
U.S. Treasury	$ 9,913	$	$	$	$	$ 9,913
U.S. Government sponsored entities and agencies	10,459	6,302	13,739	6,802	63,380	100,682
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies (1)					1,373,417	1,373,417
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies (1)					140,647	140,647
Obligations of states and political subdivisions	9,629	23,831	51,042	42,297		126,799
Corporate debt securities	9,801	33,364	1,948			45,113
Total available-for-sale debt securities	$ 39,802	$ 63,497	$ 66,729	$ 49,099	$ 1,577,444	$ 1,796,571
Held-to-maturity debt securities (2)						
U.S. Government sponsored entities and agencies	$	$	$	$	$ 11,487	$ 11,487
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies (1)					155,553	155,553
Obligations of states and political subdivisions	6,410	123,247	393,073	293,678		816,408
Corporate debt securities		7,448	25,215			32,663
Total held-to-maturity debt securities	$ 6,410	$ 130,695	$ 418,288	$ 293,678	$ 167,040	$ 1,016,111
Total debt securities	$ 46,212	$ 194,192	$ 485,017	$ 342,777	$ 1,744,484	$ 2,812,682

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

(2) The held-to-maturity debt securities portfolio is carried at an amortized cost of $1.0 billion.

Securities with aggregate fair values of $1.6 billion and $1.4 billion at June 30, 2018 and December 31, 2017, 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 $81.5 million and $7.8 million for the six months ended June 30, 2018 and 2017, respectively. Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income net of tax, as of June 30, 2018 and December 31, 2017 were $36.0 million and $13.3 million, respectively.

The following table presents the gross realized gains and losses on sales and calls of available-for-sale and held-to-maturity debt securities, as well as gains and losses on equity securities for the three and six months ended June 30, 2018 and 2017, respectively.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(unaudited, in thousands)	**2018**	**2017**	**2018**	**2017**
Debt securities:				
Gross realized gains	**$ 5**	$ 562	**$ 12**	$ 574
Gross realized losses		(68)	**(18)**	(68)
Net gains (losses) on debt securities	**$ 5**	$ 494	**$ (6)**	$ 506
Equity securities:				
Unrealized gains recognized on securities still held	**$ 347**	$	**$ 319**	$
Net realized gains recognized on securities sold	**6**		**6**	
Net gains on equity securities	**$ 353**	$	**$ 325**	$
Net securities gains	**$ 358**	$ 494	**$ 319**	$ 506

12

Table of Contents

The following tables provide information on unrealized losses on debt securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of June 30, 2018 and December 31, 2017:

	June 30, 2018								
	Less than 12 months			12 months or more			Total		
(unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
U.S. Treasury	**$ 9,913**	**$ (13)**	**1**	**$**	**$**		**$ 9,913**	**$ (13)**	**1**
U.S. Government sponsored entities and agencies	**71,179**	**(1,885)**	**23**	**40,491**	**(975)**	**8**	**111,670**	**(2,860)**	**31**
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**864,036**	**(16,625)**	**160**	**610,641**	**(29,733)**	**201**	**1,474,677**	**(46,358)**	**361**
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**104,546**	**(3,531)**	**13**	**23,225**	**(981)**	**4**	**127,771**	**(4,512)**	**17**
Obligations of states and political subdivisions	**357,070**	**(5,019)**	**571**	**76,447**	**(2,256)**	**163**	**433,517**	**(7,275)**	**734**
Corporate debt securities	**43,559**	**(791)**	**21**	**1,948**	**(41)**	**1**	**45,507**	**(832)**	**22**
Total temporarily impaired securities	**$ 1,450,303**	**$ (27,864)**	**789**	**$ 752,752**	**$ (33,986)**	**377**	**$ 2,203,055**	**$ (61,850)**	**1,166**

	December 31, 2017								
	Less than 12 months			12 months or more			Total		
(unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
U.S. Government sponsored entities and agencies	$ 24,776	$ (160)	4	$ 42,248	$ (771)	8	$ 67,024	$ (931)	12
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	423,794	(5,039)	87	637,461	(16,977)	193	1,061,255	(22,016)	280
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	79,061	(1,089)	10	27,852	(496)	6	106,913	(1,585)	16
Obligations of states and political subdivisions	132,831	(852)	210	77,554	(1,217)	160	210,385	(2,069)	370

Corporate debt securities	4,015	(19)	1	1,948	(40)	1	5,963	(59)	2
Total temporarily impaired securities	$ 664,477	$ (7,159)	312	$ 787,063	$ (19,501)	368	$ 1,451,540	$ (26,660)	680

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

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

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of FHLB of Pittsburgh, Cincinnati and Indianapolis stock totaling $59.3 million and $45.9 million at June 30, 2018 and December 31, 2017, respectively, and are included in other assets in the Consolidated Balance Sheets. Cost method investments are evaluated for impairment whenever events or circumstances suggest that their carrying value may not be recoverable.

Table of Contents

NOTE 5. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs, and discounts on purchased loans. The net deferred loan costs were $2.4 million and $1.6 million at June 30, 2018 and December 31, 2017, respectively. The unamortized discount on purchased loans from acquisitions was $31.4 million, including $11.9 million related to FTSB, and $21.9 million at June 30, 2018 and December 31, 2017, respectively.

(unaudited, in thousands)	**June 30, 2018**	**December 31, 2017**
Commercial real estate:		
Land and construction	**$ 481,690**	$ 392,597
Improved property	**2,707,645**	2,601,851
Total commercial real estate	**3,189,335**	2,994,448
Commercial and industrial	**1,294,488**	1,125,327
Residential real estate	**1,450,829**	1,353,301
Home equity	**535,653**	529,196
Consumer	**322,594**	339,169
Total portfolio loans	**6,792,899**	6,341,441
Loans held for sale	**12,053**	20,320
Total loans	**$ 6,804,952**	$ 6,361,761

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 Six Months Ended June 30, 2018 and 2017

(unaudited, in thousands)	**Commercial Real Estate-Land and Construction**	**Commercial Real Estate-Improved Property**	**Commercial & Industrial**	**Residential Real Estate**	**Home Equity**	**Consumer**	**Deposit Overdraft**	**Total**
Balance at December 31, 2017:								
Allowance for loan losses	**$ 3,117**	**$ 21,166**	**$ 9,414**	**$ 3,206**	**$ 4,497**	**$ 3,063**	**$ 821**	**$ 45,284**
Allowance for loan commitments	**119**	**26**	**173**	**7**	**212**	**37**		**574**
	3,236	**21,192**	**9,587**	**3,213**	**4,709**	**3,100**	**821**	**45,858**

Total beginning allowance for credit losses								
Provision for credit losses:								
Provision for loan losses	**1,465**	**(1,774)**	**2,100**	**944**	**54**	**615**	**439**	**3,843**
Provision for loan commitments	**44**	**(8)**	**2**	**2**	**(7)**			**33**
Total provision for credit losses	**1,509**	**(1,782)**	**2,102**	**946**	**47**	**615**	**439**	**3,876**
Charge-offs	**(136)**	**(692)**	**(616)**	**(509)**	**(672)**	**(1,793)**	**(541)**	**(4,959)**
Recoveries	**264**	**776**	**636**	**252**	**279**	**1,066**	**197**	**3,470**
Net charge-offs	**128**	**84**	**20**	**(257)**	**(393)**	**(727)**	**(344)**	**(1,489)**
Balance at June 30, 2018:								
Allowance for loan losses	**4,710**	**19,476**	**11,534**	**3,893**	**4,158**	**2,951**	**916**	**47,638**
Allowance for loan commitments	**163**	**18**	**175**	**9**	**205**	**37**		**607**
Total ending allowance for credit losses	**$ 4,873**	**$ 19,494**	**$ 11,709**	**$ 3,902**	**$ 4,363**	**$ 2,988**	**$ 916**	**$ 48,245**
Balance at December 31, 2016:								
Allowance for loan losses	$ 4,348	$ 18,628	$ 8,412	$ 4,106	$ 3,422	$ 3,998	$ 760	$ 43,674
Allowance for loan commitments	151	17	188	9	162	44		571
Total beginning allowance for credit losses	4,499	18,645	8,600	4,115	3,584	4,042	760	44,245
Provision for credit losses:								
Provision for loan losses	1,039	558	1,552	39	466	970	444	5,068
Provision for loan commitments	14	1	(9)	1	17	2		26
Total provision for credit losses	1,053	559	1,543	40	483	972	444	5,094
Charge-offs		(1,574)	(1,205)	(592)	(293)	(1,965)	(611)	(6,240)
Recoveries	70	376	475	164	151	990	181	2,407
Net charge-offs	70	(1,198)	(730)	(428)	(142)	(975)	(430)	(3,833)
Balance at June 30, 2017:								
Allowance for loan losses	5,457	17,988	9,234	3,717	3,746	3,993	774	44,909
Allowance for loan commitments	165	18	179	10	179	46		597

Total ending allowance for credit losses	$ 5,622	$ 18,006	$ 9,413	$ 3,727	$ 3,925	$ 4,039	$ 774	$ 45,506

14

Table of Contents

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

	Allowance for Credit Losses and Recorded Investment in Loans							
(unaudited, in thousands)	**Commercial Real Estate- Land and Construction**	**Commercial Real Estate- Improved Property**	**Commercial and Industrial**	**Residential Real Estate**	**Home Equity**	**Consumer**	**Deposit Over- draft**	**Total**
June 30, 2018								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Allowance for loans collectively evaluated for impairment	**4,710**	**19,476**	**11,534**	**3,893**	**4,158**	**2,951**	**916**	**47,638**
Allowance for loan commitments	**163**	**18**	**175**	**9**	**205**	**37**		**607**
Total allowance for credit losses	**$ 4,873**	**$ 19,494**	**$ 11,709**	**$ 3,902**	**$ 4,363**	**$ 2,988**	**$ 916**	**$ 48,245**
Portfolio loans:								
Individually evaluated for impairment (1)	**$**	**$ 1,730**	**$**	**$**	**$**	**$**	**$**	**$ 1,730**
Collectively evaluated for impairment	**479,526**	**2,699,410**	**1,293,708**	**1,449,729**	**535,629**	**322,594**		**6,780,596**
Acquired with deteriorated credit quality	**2,164**	**6,505**	**780**	**1,100**	**24**			**10,573**
Total portfolio loans	**$ 481,690**	**$ 2,707,645**	**$ 1,294,488**	**$ 1,450,829**	**$ 535,653**	**$ 322,594**	**$**	**$ 6,792,899**
December 31, 2017								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	$	$ 388	$	$	$	$	$	$ 388
Allowance for loans collectively evaluated for impairment	3,117	20,778	9,414	3,206	4,497	3,063	821	44,896
Allowance for loan commitments	119	26	173	7	212	37		574

Total allowance for credit losses	$ 3,236	$ 21,192	$ 9,587	$ 3,213	$ 4,709	$ 3,100	$ 821	$ 45,858
Portfolio loans:								
Individually evaluated for impairment [1]	$	$ 3,344	$	$	$	$	$	$ 3,344
Collectively evaluated for impairment	391,140	2,593,393	1,124,544	1,352,587	529,196	339,163		6,330,023
Acquired with deteriorated credit quality	1,457	5,114	783	714		6		8,074
Total portfolio loans	$ 392,597	$ 2,601,851	$ 1,125,327	$ 1,353,301	$ 529,196	$ 339,169	$	$ 6,341,441

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

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

Commercial real estate land and construction consists of loans to finance investments in vacant land, land development, construction of residential housing, and construction of commercial buildings. Commercial real estate improved property consists of loans for the purchase or refinance of all types of improved owner-occupied and investment properties. Factors that are considered in assigning the risk grade vary depending on the type of property financed. The risk grade assigned to construction and development loans is based on the overall viability of the project, the experience and financial capacity of the developer or builder to successfully complete the project, project specific and market absorption rates and comparable property values, and the amount of pre-sales for residential housing construction or pre-leases for commercial investment property. The risk grade assigned to commercial investment property loans is based primarily on the adequacy of net rental income generated by the property to service the debt, the type, quality, industry and mix of tenants, and the terms of leases, but also considers the overall financial capacity of the investors and their experience in owning and managing investment property. The risk grade assigned to owner-occupied commercial real estate and commercial and industrial loans is based primarily on historical and projected earnings, the adequacy of operating cash flow to service all of the business debt, and the capital resources, liquidity and leverage of the business, but also considers the industry in which the business operates, the business specific competitive advantages or disadvantages, the quality and experience of management, and external influences on the business such as economic conditions.

Commercial and industrial loans consist of revolving lines of credit to finance accounts receivable, inventory and other general business purposes; term loans to finance fixed assets other than real estate, and letters of credit to support trade, insurance or governmental requirements for a variety of businesses. Most C&I borrowers are privately-held companies with annual sales up to $100 million. Factors that are considered for commercial and industrial loans include the type, quality and marketability of non-real estate collateral and whether the structure of the loan increases or reduces its risk. The type, age, condition, location and any environmental risks associated with a property are also considered for all types of commercial real estate. The overall financial condition and repayment capacity of any guarantors is also evaluated to determine the extent to which they mitigate other risks of the loan. The following paragraphs provide descriptions of risk grades that are applicable to commercial real estate and commercial and industrial loans.

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

Table of Contents

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

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

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

	Commerical Loans by Internally Assigned Risk Grade			
(unaudited, in thousands)	**Commercial Real Estate- Land and Construction**	**Commercial Real Estate- Improved Property**	**Commercial & Industrial**	**Total Commercial Loans**
As of June 30, 2018				
Pass	**$ 476,242**	**$ 2,656,226**	**$ 1,278,328**	**$ 4,410,796**
Criticized - compromised	**2,728**	**27,809**	**3,508**	**34,045**
Classified - substandard	**2,720**	**23,610**	**12,652**	**38,982**
Classified - doubtful				
Total	**$ 481,690**	**$ 2,707,645**	**$ 1,294,488**	**$ 4,483,823**
As of December 31, 2017				
Pass	$ 386,753	$ 2,548,805	$ 1,110,267	$ 4,045,825
Criticized - compromised	2,984	25,673	7,435	36,092
Classified - substandard	2,860	27,373	7,625	37,858
Classified - doubtful				
Total	$ 392,597	$ 2,601,851	$ 1,125,327	$ 4,119,775

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines was $20.3 million at June 30, 2018 and $22.8 million at December 31, 2017, of which $1.3 and $2.5 million were accruing, for each period, respectively. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard are not included in the tables above.

Acquired FTSB Loans In conjunction with the FTSB acquisition, WesBanco acquired loans with a book value of $465.9 million as of April 5, 2018. These loans were recorded at the preliminary fair value of $448.3 million, with $432.3 million categorized as ASC 310-20 loans. The fair market value adjustment on these loans of $10.3 million at acquisition date is expected to be recognized into interest income on a level yield basis over the remaining expected life of the loans.

Loans acquired with deteriorated credit quality with a book value of $5.5 million were recorded at the preliminary fair value of $3.1 million, of which $0.7 million were accounted for under the cost recovery method in accordance with ASC 310-30 as cash flows cannot be reasonably estimated, and categorized as non-accrual.

The carrying amount of loans acquired with deteriorated credit quality at June 30, 2018 was $3.0 million, while the outstanding customer balance was $5.4 million. At June 30, 2018 no allowance for loan losses has been recognized related to the acquired impaired loans.

Certain acquired underperforming loans with a book value of $17.7 million were sold prior to June 30, 2018 for $12.9 million. The acquisition date fair value of the acquired loans was adjusted to the sale price resulting in no gain or loss.

Other Acquired Loans The carrying amount of other loans acquired with deteriorated credit quality at June 30, 2018 and December 31, 2017 was $7.6 million and $8.0 million, respectively, of which $4.1 million and $4.3 million, respectively, were accounted for under the cost recovery method in accordance with ASC 310-30 as cash flows cannot be reasonably estimated, and therefore were categorized as non-accrual. At June 30, 2018, the accretable yield was $7.1 million. At June 30, 2018 and December 31, 2017 an allowance for loan losses of $2.2 million and $2.0 million, respectively, has been recognized related to other acquired impaired loans, as the estimates for future cash flows on these loans have been negatively impacted.

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

Table of Contents

(unaudited, in thousands)	For the Six Months Ended June 30, 2018	June 30, 2017
Balance at beginning of period	**$ 1,724**	$ 1,717
Acquisitions		
Reduction due to change in projected cash flows	**(86)**	
Reclass from non-accretable difference	**5,877**	738
Transfers out		(216)
Accretion	**(440)**	(279)
Balance at end of period	**$ 7,075**	$ 1,960

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

Age Analysis of Loans							
(unaudited, in thousands)	**Current**	**30-59 Days Past Due**	**60-89 Days Past Due**	**90 Days or More Past Due**	**Total Past Due**	**Total Loans**	**90 Days or More Past Due and Accruing [(1)]**
As of June 30, 2018							
Commercial real estate:							
Land and construction	**$ 481,156**	**$ 287**	**$ 75**	**$ 172**	**$ 534**	**$ 481,690**	**$ 172**
Improved property	**2,697,718**	**1,408**	**165**	**8,354**	**9,927**	**2,707,645**	**250**
Total commercial real estate	**3,178,874**	**1,695**	**240**	**8,526**	**10,461**	**3,189,335**	**422**
Commercial and industrial	**1,290,411**	**744**	**435**	**2,898**	**4,077**	**1,294,488**	**219**
Residential real estate	**1,435,731**	**5,469**	**2,798**	**6,831**	**15,098**	**1,450,829**	**255**
Home equity	**529,625**	**1,593**	**1,232**	**3,203**	**6,028**	**535,653**	**477**
Consumer	**319,157**	**2,025**	**569**	**843**	**3,437**	**322,594**	**508**
Total portfolio loans	**6,753,798**	**11,526**	**5,274**	**22,301**	**39,101**	**6,792,899**	**1,881**
Loans held for sale	**12,053**					**12,053**	
Total loans	**$ 6,765,851**	**$ 11,526**	**$ 5,274**	**$ 22,301**	**$ 39,101**	**$ 6,804,952**	**$ 1,881**
Impaired loans included above are as follows:							
Non-accrual loans	**$ 8,525**	**$ 1,316**	**$ 1,734**	**$ 20,406**	**$ 23,456**	**$ 31,981**	
TDRs accruing interest [(1)]	**6,053**	**139**	**254**	**14**	**407**	**6,460**	
Total impaired	**$ 14,578**	**$ 1,455**	**$ 1,988**	**$ 20,420**	**$ 23,863**	**$ 38,441**	
As of December 31, 2017							
Commercial real estate:							
Land and construction	$ 392,189	$	$ 172	$ 236	$ 408	$ 392,597	$
Improved property	2,589,704	374	1,200	10,573	12,147	2,601,851	243

Total commercial real estate	2,981,893	374	1,372	10,809	12,555	2,994,448	243
Commercial and industrial	1,121,957	572	196	2,602	3,370	1,125,327	20
Residential real estate	1,338,240	4,487	2,376	8,198	15,061	1,353,301	1,113
Home equity	522,584	2,135	683	3,794	6,612	529,196	742
Consumer	334,723	2,466	842	1,138	4,446	339,169	608
Total portfolio loans	6,299,397	10,034	5,469	26,541	42,044	6,341,441	2,726
Loans held for sale	20,320					20,320	
Total loans	$ 6,319,717	$ 10,034	$ 5,469	$ 26,541	$ 42,044	$ 6,361,761	$ 2,726
Impaired loans included above are as follows:							
Non-accrual loans	$ 9,195	$ 1,782	$ 2,033	$ 23,815	$ 27,630	$ 36,825	
TDRs accruing interest [1]	6,055	348	168		516	6,571	
Total impaired	$ 15,250	$ 2,130	$ 2,201	$ 23,815	$ 28,146	$ 43,396	

[1] Loans 90 days or more past due and accruing interest exclude TDRs 90 days or more past due and accruing interest.

17

Table of Contents

The following tables summarize impaired loans:

	Impaired Loans					
	June 30, 2018			December 31, 2017		
(unaudited, in thousands)	Unpaid Principal Balance[1]	Recorded Investment	Related Allowance	Unpaid Principal Balance[1]	Recorded Investment	Related Allowance
With no related specific allowance recorded:						
Commercial real estate:						
Land and construction	**$**	**$**	**$**	$ 412	$ 239	$
Improved property	**15,521**	**10,889**		18,229	12,863	
Commercial and industrial	**5,666**	**3,317**		3,745	3,086	
Residential real estate	**20,312**	**18,379**		20,821	18,982	
Home equity	**5,978**	**5,143**		5,833	5,169	
Consumer	**875**	**713**		1,084	952	
Total impaired loans without a specific allowance	**48,352**	**38,441**		50,124	41,291	
With a specific allowance recorded:						
Commercial real estate:						
Land and construction						
Improved property				2,105	2,105	388
Commercial and industrial						
Total impaired loans with a specific allowance				2,105	2,105	388
Total impaired loans	**$ 48,352**	**$ 38,441**	**$**	$ 52,229	$ 43,396	$ 388

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

	Impaired Loans							
	For the Three Months Ended				For the Six Months Ended			
	June 30, 2018		June 30, 2017		June 30, 2018		June 30, 2017	
(unaudited, in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related specific allowance recorded:								
Commercial real estate:								

Land and construction	**$ 400**	**$**	$ 411	$	**$ 346**	**$**	$ 529	$
Improved Property	**10,604**	**23**	11,118	23	**11,357**	**368**	10,125	369
Commercial and industrial	**3,036**	**2**	4,268	2	**3,008**	**4**	3,905	4
Residential real estate	**18,264**	**61**	17,787	66	**18,434**	**127**	17,959	135
Home equity	**5,068**	**6**	4,485	5	**5,098**	**11**	4,327	10
Consumer	**758**	**2**	733	1	**823**	**5**	737	3
Total impaired loans without a specific allowance	**38,130**	**94**	38,802	97	**39,066**	**515**	37,582	521
With a specific allowance recorded:								
Commercial real estate:								
Land and construction								
Improved Property	**1,052**		5,999		**1,403**		5,003	
Commercial and industrial							423	
Total impaired loans with a specific allowance	**1,052**		5,999		**1,403**		5,426	
Total impaired loans	**$ 39,182**	**$ 94**	$ 44,801	$ 97	**$ 40,469**	**$ 515**	$ 43,008	$ 521

Table of Contents

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

	Non-accrual Loans [1]	
(unaudited, in thousands)	**June 30, 2018**	**December 31, 2017**
Commercial real estate:		
Land and construction	**$**	$ 239
Improved property	**9,479**	13,318
Total commercial real estate	**9,479**	13,557
Commercial and industrial	**3,191**	2,958
Residential real estate	**13,951**	14,661
Home equity	**4,726**	4,762
Consumer	**634**	887
Total	**$ 31,981**	$ 36,825

(1) At June 30, 2018, there were two borrowers with loans greater than $1.0 million totaling $5.2 million, as compared to three borrowers with loans greater than $1.0 million totaling $6.8 million at December 31, 2017. Total non-accrual loans include loans that are also restructured. Such loans are also set forth in the following table as non-accrual TDRs.

	TDRs					
	June 30, 2018			**December 31, 2017**		
(unaudited, in thousands)	**Accruing**	**Non-Accrual**	**Total**	**Accruing**	**Non-Accrual**	**Total**
Commercial real estate:						
Land and construction	**$**	**$**	**$**	$	$ 3	$ 3
Improved property	**1,410**	**617**	**2,027**	1,650	428	2,078
Total commercial real estate	**1,410**	**617**	**2,027**	1,650	431	2,081
Commercial and industrial	**126**	**91**	**217**	128	97	225
Residential real estate	**4,428**	**1,516**	**5,944**	4,321	1,880	6,201
Home equity	**417**	**224**	**641**	407	337	744
Consumer	**79**	**66**	**145**	65	120	185
Total	**$ 6,460**	**$ 2,514**	**$ 8,974**	$ 6,571	$ 2,865	$ 9,436

As of June 30, 2018 and December 31, 2017, there were no TDRs greater than $1.0 million. The concessions granted in the majority of loans reported as accruing and non-accrual TDRs are extensions of the maturity date or the amortization period, reductions in the interest rate below the prevailing market rate for loans with comparable characteristics, and/or permitting interest-only payments for longer than three months. WesBanco had unfunded commitments to debtors whose loans were classified as impaired of $0.3 million and $0.1 million as of June 30, 2018 and December 31, 2017, respectively.

The following tables present details related to loans identified as TDRs during the three and six months ended June 30, 2018 and 2017, respectively:

	New TDRs (1) For the Three Months Ended					
	June 30, 2018			June 30, 2017		
(unaudited, dollars in thousands)	**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		**$**	**$**		$	$
Improved Property						
Total commercial real estate						
Commercial and industrial	**1**	**9**	**9**			
Residential real estate				1	11	10
Home equity	**1**	**20**	**20**	1	44	44
Consumer	**2**	**39**	**36**	2	22	20
Total	**4**	**$ 68**	**$ 65**	4	$ 77	$ 74

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

Table of Contents

	New TDRs (1) For the Six Months Ended					
	June 30, 2018			June 30, 2017		
(unaudited, dollars in thousands)	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		$	$		$	$
Improved Property						
Total commercial real estate						
Commercial and industrial	**1**	**10**	**9**	2	125	120
Residential real estate	**5**	**203**	**185**	2	22	18
Home equity	**1**	**20**	**20**	1	45	44
Consumer	**4**	**45**	**38**	3	34	29
Total	**11**	**$ 278**	**$ 252**	8	$ 226	$ 211

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

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the six months ended June 30, 2018 and 2017, respectively, that were restructured within the last twelve months prior to June, 2018 and 2017, respectively:

	Defaulted TDRs (1) For the Six Months Ended			
	June 30, 2018		June 30, 2017	
(unaudited, dollars in thousands)	Number of Defaults	Recorded Investment	Number of Defaults	Recorded Investment
Commercial real estate:				
Land and construction		$		$
Improved property	**1**	**145**		
Total commercial real estate	**1**	**145**		
Commercial and industrial				
Residential real estate	**1**	**121**		
Home equity	**1**	**7**		
Consumer				

Total	**3**	**$**	**273**	$

(1) Excludes loans that were either charged-off or cured by period end. The recorded investment is as of June 30, 2018 and 2017, respectively.

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

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

(unaudited, in thousands)	**June 30, 2018**	**December 31, 2017**
Other real estate owned	**$ 4,334**	$ 5,195
Repossessed assets	**50**	102
Total other real estate owned and repossessed assets	**$ 4,384**	$ 5,297

Residential real estate included in other real estate owned at June 30, 2018 and December 31, 2017 was $0.8 million and $1.5 million, respectively. At June 30, 2018 and December 31, 2017, formal foreclosure proceedings were in process on residential real estate loans totaling $5.7 million and $3.5 million, respectively.

Table of Contents

NOTE 6. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

WesBanco is exposed to certain risks arising from both its business operations and economic conditions. WesBanco principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. WesBanco manages economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, sources, and duration of its assets and liabilities. WesBanco s existing interest rate derivatives result from a service provided to certain qualifying customers and, therefore, are not used to manage interest rate risk in WesBanco s assets or liabilities. WesBanco manages a matched book with respect to its derivative instruments in order to minimize its net risk exposure resulting from such transactions. A matched book is when the Bank s assets and liabilities are equally distributed but also have similar maturities.

Loan Swaps

WesBanco executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that WesBanco executes with a third party, such that WesBanco minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements of ASC 815, changes in the fair value of both the customer swaps and the offsetting third-party swaps are recognized directly in earnings. As of June 30, 2018 and December 31, 2017, WesBanco had 42 and 39, respectively, interest rate swaps with an aggregate notional amount of $305.6 million and $298.2 million, respectively, related to this program. During the six months ended June 30, 2018 and 2017, WesBanco recognized net gains (net losses) of $0.2 million and $(0.3) million, respectively, related to the changes in fair value of these swaps. Additionally, WesBanco recognized $0.5 million and $1.1 million of income for the related swap fees for the six months ended June 30, 2018 and 2017, respectively.

Mortgage Loans Held for Sale and Loan Commitments

Certain residential mortgage loans are originated for sale in the secondary mortgage loan market. These loans are classified as held for sale and carried at fair value as WesBanco has elected the fair value option. Fair value is determined based on rates obtained from the secondary market for loans with similar characteristics. WesBanco sells loans to the secondary market on a mandatory or best efforts basis. The loans sold on a mandatory basis are not committed to an investor until the loan is closed with the borrower. WesBanco enters into forward TBA contracts to manage the interest rate risk between the loan commitment and the closing of the loan. The loans sold on a best efforts basis are committed to an investor simultaneous to the interest rate commitment with the borrower.

Fair Values of Derivative Instruments on the Balance Sheet

All derivatives are carried on the consolidated balance sheet at fair value. Derivative assets are classified in the consolidated balance sheet under other assets, and derivative liabilities are classified in the consolidated balance sheet under other liabilities. Changes in fair value are recognized in earnings. None of WesBanco s derivatives are designated in qualifying hedging relationships under ASC 815.

The table below presents the fair value of WesBanco s derivative financial instruments as well as their classification on the Balance Sheet as of June 30, 2018 and December 31, 2017:

(unaudited, in thousands)	June 30, 2018 Notional or Contractual Amount	June 30, 2018 Asset Derivatives	June 30, 2018 Liability Derivatives	December 31, 2017 Notional or Contractual Amount	December 31, 2017 Asset Derivatives	December 31, 2017 Liability Derivatives
Derivatives						
Loan Swaps:						
Interest rate swaps	**$ 305,642**	**$ 11,048**	**$ 10,832**	$ 298,223	$ 7,351	$ 7,345
Other contracts:						
Interest rate loan commitments	**29,505**	**143**		20,319	49	
Forward TBA contracts	**31,000**		**102**	31,750		23
Total derivatives		**$ 11,191**	**$ 10,934**		$ 7,400	$ 7,368

Effect of Derivative Instruments on the Income Statement

The table below presents the change in the fair value of the Company s derivative financial instruments reflected within the other non-interest income line item of the consolidated income statement for the three and six months ended June 30, 2018 and 2017, respectively.

Table of Contents

(unaudited, in thousands)	Location of Gain/(Loss)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Interest rate swaps	Other income	**$ 44**	$ (108)	**$ 211**	$ (303)
Interest rate loan commitments	Mortgage banking income	**7**		**143**	123
Forward TBA contracts	Mortgage banking income	**(11)**		**399**	
Total		**$ 40**	$ (108)	**$ 753**	$ (180)

Credit-risk-related Contingent Features

WesBanco has agreements with its derivative counterparties that contain a provision where if WesBanco defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then WesBanco could also be declared in default on its derivative obligations.

WesBanco also has agreements with certain of its derivative counterparties that contain a provision where if WesBanco fails to maintain its status as either a well or adequately capitalized institution, then the counterparty could terminate the derivative positions and WesBanco would be required to settle its obligations under the agreements.

WesBanco has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral with a market value of $2.3 million as of June 30, 2018. If WesBanco had breached any of these provisions at June 30, 2018, it could have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

NOTE 7. PENSION PLAN

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

(unaudited, in thousands)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Service cost benefits earned during year	**$ 707**	$ 643	**$ 1,406**	$ 1,279
Interest cost on projected benefit obligation	**1,228**	1,096	**2,442**	2,180
Expected return on plan assets	**(2,390)**	(1,907)	**(4,753)**	(3,793)
Amortization of prior service cost	**7**	6	**13**	12
Amortization of net loss	**758**	803	**1,508**	1,597
Net periodic pension cost	**$ 310**	$ 641	**$ 616**	$ 1,275

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 $5.1 million is due for 2018, which could be all or partially offset by the Plan s $56.9 million available credit balance. WesBanco made a voluntary contribution of $2.5 million to the Plan in June 2018.

WesBanco assumed YCB s obligation for a predecessor bank s participation in the Pentegra Defined Benefit Plan for Financial Institutions (Pentegra Plan). The participating employer plan has been frozen to new participants since 2002. WesBanco spun off the assets from the Pentegra Plan, contributing approximately $2.8 million to satisfy the estimated final costs to do so. This spin off had no impact on earnings as the liability was included in YCB s balance sheet as of the acquisition date. The distributed assets from the Pentegra Plan were transferred to a plan providing substantially the same benefits to the participants. The net periodic pension income for this plan for the three and six months ended June 30, 2018 was $62 thousand and $0.1 million, respectively, which was comprised of a $0.2 million and a $0.3 million expected return on plan assets and a $3 thousand and a $6 thousand recognized net actuarial gain partially offset by a $0.1 million and a $0.2 million interest cost on projected benefit obligation for the three and six months ended June 30, 2018, respectively.

No minimum contribution is due for this plan for fiscal year 2018; however, WesBanco made a voluntary contribution of $0.2 million to this plan in June 2018.

Table of Contents

NOTE 8. FAIR VALUE MEASUREMENT

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

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

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

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

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

WesBanco enters into forward TBA contracts to manage the interest rate risk between the loan commitments to the customer and the closing of the loan for loans that will be sold on a mandatory basis to secondary market investors. The forward TBA contract is reported at fair value in other assets and other liabilities on the consolidated balance sheet with any resulting gain or loss recorded in current period s earnings as mortgage banking income.

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

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

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

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

Loans held for sale: Loans held for sale are carried, in aggregate, at fair value as WesBanco has elected the fair value option as of October 1, 2017. The use of a valuation model using quoted prices of similar instruments are significant inputs in arriving at the fair value and therefore loans held for sale are classified within level 2 of the fair value hierarchy.

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The following tables set forth WesBanco s financial assets and liabilities that were accounted for at fair value on a recurring and nonrecurring basis by level within the fair value hierarchy as of June 30, 2018 and December 31, 2017:

Table of Contents

(unaudited, in thousands)	June 30, 2018	June 30, 2018 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)	Investments Measured at Net Asset Value
Recurring fair value measurements					
Equity securities	$ 13,494	$ 13,494	$	$	$
Debt securities - available-for-sale					
U.S. Treasury	9,913		9,913		
U.S. Government sponsored entities and agencies	100,682		100,682		
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	1,373,417		1,373,417		
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	140,647		140,647		
Obligations of state and political subdivisions	126,799		126,799		
Corporate debt securities	45,113		45,113		
Total debt securities - available-for-sale	$ 1,796,571	$	$ 1,796,571	$	$
Loans held for sale	12,053		12,053		
Other assets - interest rate derivatives agreements	11,048		11,048		
Total assets recurring fair value measurements	$ 1,833,166	$ 13,494	$ 1,819,672	$	$
Other liabilities - interest rate derivatives agreements	$ 10,832	$	$ 10,832	$	$
Total liabilities recurring fair value measurements	$ 10,832	$	$ 10,832	$	$
Nonrecurring fair value measurements					
Impaired loans	$	$	$	$	$
Other real estate owned and repossessed assets	4,384			4,384	
Total nonrecurring fair value measurements	$ 4,384	$	$	$ 4,384	$

Table of Contents

(unaudited, in thousands)	December 31, 2017	December 31, 2017 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)	Investments Measured at Net Asset Value
Recurring fair value measurements					
Equity securities	$ 13,457	$ 11,391	$	$	$ 2,066
Debt securities - available-for-sale					
U.S. Government sponsored entities and agencies	71,843		71,843		
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	934,922		934,922		
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	114,867		114,867		
Obligations of state and political subdivisions	104,830		104,830		
Corporate debt securities	35,403		35,403		
Total debt securities - available-for-sale	$ 1,261,865	$	$ 1,261,865	$	$
Loans held for sale	20,320		20,320		
Other assets - interest rate derivatives agreements	7,351		7,351		
Total assets recurring fair value measurements	$ 1,302,993	$ 11,391	$ 1,289,536	$	$ 2,066
Other liabilities - interest rate derivatives agreements	$ 7,345	$	$ 7,345	$	$
Total liabilities recurring fair value measurements	$ 7,345	$	$ 7,345	$	$
Nonrecurring fair value measurements					
Impaired loans	$ 1,717	$	$	$ 1,717	$
Other real estate owned and repossessed assets	5,297			5,297	
Total nonrecurring fair value measurements	$ 7,014	$	$	$ 7,014	$

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 significant transfers between level 1, 2 or 3 for the three and six months ended June 30, 2018 or for the year ended December 31, 2017.

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)**
June 30, 2018				
Impaired loans	**$**	Appraisal of collateral (1)	Appraisal adjustments (2)	
			Liquidation expenses (2)	
Other real estate owned and repossessed assets	**4,384**	Appraisal of collateral (1), (3)		
December 31, 2017:				
Impaired loans	$ 1,717	Appraisal of collateral (1)	Appraisal adjustments (2)	(4.8%) / (4.8%)
			Liquidation expenses (2)	(7.6%) / (7.6%)
Other real estate owned and repossessed assets	5,297	Appraisal of collateral (1), (3)		

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

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

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

Table of Contents

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

(unaudited, in thousands)	Carrying Amount	Fair Value Estimate	Fair Value Measurements at June 30, 2018 Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)	Investments Measured at Net Asset Value
Financial Assets						
Cash and due from banks	**$ 155,559**	**$ 155,559**	**$ 155,559**	**$**	**$**	**$**
Equity securities	**13,494**	**13,494**	**13,494**			
Debt securities available-for-sale	**1,796,571**	**1,796,571**		**1,796,571**		
Debt securities held-to-maturity	**1,019,746**	**1,016,111**		**1,015,540**	**571**	
Net loans	**6,745,261**	**6,647,280**			**6,647,280**	
Loans held for sale	**12,053**	**12,053**		**12,053**		
Other assets - interest rate derivatives	**11,048**	**11,048**		**11,048**		
Accrued interest receivable	**33,868**	**33,868**	**33,868**			
Financial Liabilities						
Deposits	**7,668,604**	**7,678,825**	**6,292,076**	**1,386,749**		
Federal Home Loan Bank borrowings	**1,248,406**	**1,240,239**		**1,240,239**		
Other borrowings	**258,067**	**258,057**	**256,069**	**1,988**		
Subordinated debt and junior subordinated debt	**165,420**	**153,405**		**153,405**		
Other liabilities - interest rate derivatives	**10,832**	**10,832**		**10,832**		
Accrued interest payable	**4,417**	**4,417**	**4,417**			

(unaudited, in thousands)	Carrying Amount	Fair Value Estimate	Fair Value Measurements at December 31, 2017 Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)	Investments Measured at Net Asset Value
Financial Assets						
Cash and due from banks	$ 117,572	$ 117,572	$ 117,572	$	$	$
Equity securities	13,457	13,457	11,391			2,066
	1,261,865	1,261,865		1,261,865		

Debt securities available-for-sale					
Debt securities held-to-maturity	1,009,500	1,023,784		1,023,191	593
Net loans	6,296,157	6,212,823			6,212,823
Loans held for sale	20,320	20,320		20,320	
Other assets - interest rate derivatives	7,351	7,351		7,351	
Accrued interest receivable	29,728	29,728	29,728		
Financial Liabilities					
Deposits	7,043,588	7,053,536	5,766,531	1,287,005	
Federal Home Loan Bank borrowings	948,203	944,706		944,706	
Other borrowings	184,805	184,814	182,785	2,029	
Subordinated debt and junior subordinated debt	164,327	146,484		146,484	
Other liabilities - interest rate derivatives	7,345	7,345		7,345	
Accrued interest payable	3,178	3,178	3,178		

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.

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

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

Table of Contents

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

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

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

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

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

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

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

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

Table of Contents

NOTE 9. REVENUE RECOGNITION

WesBanco adopted ASU 2014-09 as of January 1, 2018 under the modified retrospective approach and there was no material impact on WesBanco s Consolidated Financial statements. Interest income, net securities (losses) gains and bank-owned life insurance are not in scope of ASC 606. For the revenue streams in scope of ASC 606, including trust fees, service charges on deposits, electronic banking fees, net securities brokerage revenue, mortgage banking income and net gain or loss on sale of other real estate owned, there are no significant judgements related to the amount and timing of revenue recognition.

Trust fees: Fees are earned over a period of time between monthly and annually, per the related fee schedule. The fees are earned ratably over the period for investment, safekeeping and other services performed by WesBanco. The fees are accrued when earned based on the daily asset value on the last day of the quarter. In most cases, the fees are directly debited from the customer account.

Service charges on deposits: There are monthly service charges for both commercial and personal banking customers, which are earned over the month per the related fee schedule based on the customers deposits. There are also transaction-based fees, which are earned based on specific transactions or customer activity within the customers deposit accounts. These are earned at the time the transaction or customer activity occurs. The fees are debited from the customer account.

Electronic banking fees: Interchange and ATM fees are earned based on customer and ATM transactions. Revenue is recognized when the transaction is settled.

Net securities brokerage revenue: Commission income is earned based on customer transactions and management of investments. The commission income from customers transactions is recognized when the transaction is complete. The commission income from the management of investments is earned continuously over a quarterly period.

Mortgage banking income: Income is earned when WesBanco-originated loans are sold to an investor on the secondary market. The investor bids on the loans. If the price is accepted, WesBanco delivers the loan documents to the investor. Once received and approved by the investor, revenue is recognized and the loans are derecognized from the Consolidated Balance Sheet. Prior to the loans being sold, they are classified as loans held for sale. Additionally, the changes in the fair value of the loans held for sale, loan commitments and related derivatives are included in mortgage banking income.

Net gain or loss on sale of other real estate owned: Net gain or loss is recorded when other real estate is sold to a third party and the Bank collects substantially all of the consideration to which WesBanco is entitled in exchange for the transfer of the property.

The following table summarizes the point of revenue recognition and the income recognized for each of the revenue streams for the three and six months ended June 30, 2018:

(unaudited, in thousands)	**Point of Revenue Recognition**	**For the Three Months Ended June 30, 2018**	**For the Six Months Ended June 30, 2018**

Revenue Streams			
Trust fees			
Trust account fees	Over time	**$ 3,558**	**$ 7,850**
WesMark fees	Over time	**2,194**	**4,405**
Total trust fees		**5,752**	**12,255**
Service charges on deposits			
Commercial banking fees	Over time	**462**	**869**
Personal service charges	At a point in time & Over time	**4,684**	**9,100**
Total service charges on deposits		**5,146**	**9,969**
Net securities brokerage revenue			
Annuity commissions	At a point in time	**1,310**	**2,510**
Equity and debt security trades	At a point in time	**87**	**189**
Managed money	Over time	**163**	**304**
Trail commissions	Over time	**249**	**476**
Total net securities brokerage revenue		**1,809**	**3,479**
Electronic banking fees	At a point in time	**5,728**	**10,558**
Mortgage banking income	At a point in time	**1,670**	**2,776**
Net gain or loss on sale of other real estate owned	At a point in time	**229**	**491**

Table of Contents

NOTE 10. COMPREHENSIVE INCOME/(LOSS)

The activity in accumulated other comprehensive income for the three and six months ended June 30, 2018 and 2017 is as follows:

	Accumulated Other Comprehensive Income/(Loss) [1]			
(unaudited, in thousands)	**Defined Benefit Pension Plan**	**Unrealized Gains (Losses) on Debt Securities Available-for-Sale**	**Unrealized Gains on Debt Securities Transferred from Available-for-Sale to Held-to-Maturity**	**Total**
Balance at December 31, 2017	$ (18,626)	$ (13,250)	$ 381	$ (31,495)
Other comprehensive income before reclassifications		**(21,720)**		**(21,720)**
Amounts reclassified from accumulated other comprehensive income	**1,026**		**(100)**	**926**
Period change	**1,026**	**(21,720)**	**(100)**	**(20,794)**
Adoption of Accounting Standard ASU 2016-01 [2]		**(1,063)**		**(1,063)**
Balance at June 30, 2018	**$ (17,600)**	**$ (36,033)**	**$ 281**	**$ (53,352)**
Balance at December 31, 2016	$ (17,758)	$ (9,890)	$ 522	$ (27,126)
Other comprehensive income before reclassifications		3,932		3,932
Amounts reclassified from accumulated other comprehensive income	1,164	35	(123)	1,076
Period change	1,164	3,967	(123)	5,008
Balance at June 30, 2017	$ (16,594)	$ (5,923)	$ 399	$ (22,118)

[1] All amounts are net of tax. Related income tax expense or benefit is calculated using a combined Federal and State income tax rate approximating 23% in 2018 and 37% in all prior periods.

[2] See Note 1, Summary of Significant Accounting Policies for additional information about WesBanco s adoption of ASU 2016-01.

The following table provides details about amounts reclassified from accumulated other comprehensive income for the three and six months ended June 30, 2018 and 2017, respectively:

Details about Accumulated Other Comprehensive Income Components *(unaudited, in thousands)*	**For the Three Months Ended June 30, 2018**	**2017**	**For the Six Months Ended June 30, 2018**	**2017**	**Affected Line Item in the Statement of Net Income**
Securities available-for-sale [1]:					
Net securities gains/losses reclassified into earnings	**$**	$ 55	**$**	$ 55	Net securities gains (Non-interest income)
Related income tax benefit		(20)		(20)	Provision for income taxes
Net effect on accumulated other comprehensive income for the period		35		35	
Securities held-to-maturity [1]:					
Amortization of unrealized gain transferred from available-for-sale	**(66)**	(118)	**(131)**	(189)	Interest and dividends on securities (Interest and dividend income)
Related income tax expense	**15**	44	**31**	66	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	**(51)**	(74)	**(100)**	(123)	
Defined benefit pension plan [2]:					
Amortization of net loss and prior service costs	**764**	809	**1,520**	1,610	Employee benefits (Non-interest expense)
Related income tax benefit	**(175)**	(300)	**(494)**	(446)	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	**589**	509	**1,026**	1,164	
Total reclassifications for the period	**$ 538**	$ 470	**$ 926**	$ 1,076	

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

(2) Included in the computation of net periodic pension cost. See Note 7, Pension Plan for additional detail.

29

Table of Contents

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments In the normal course of business, WesBanco offers off-balance sheet credit arrangements to enable its customers to meet their financing objectives. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. WesBanco s exposure to credit losses in the event of non-performance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other lending. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The allowance for credit losses associated with commitments was $0.6 million as of June 30, 2018 and December 31, 2017, and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Letters of credit are considered guarantees. The liability associated with letters of credit was $0.2 million as of both June 30, 2018 and December 31, 2017.

Contingent obligations and other guarantees include affordable housing plan guarantees, credit card guarantees and obligations under the FHLB s loan purchasing program. 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 mortgages sold to FHLB obligate WesBanco to reimburse the FHLB for a portion of any loan balances that default.

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

(unaudited, in thousands)	**June 30, 2018**	**December 31, 2017**
Lines of credit	**$ 1,571,547**	$ 1,452,697
Loans approved but not closed	**354,696**	245,644
Overdraft limits	**126,101**	126,671
Letters of credit	**38,716**	31,951
Contingent obligations and other guarantees	**5,818**	6,700

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

Table of Contents

NOTE 12. 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 $4.0 billion and $3.8 billion at June 30, 2018 and 2017, 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:

(unaudited, in thousands)	Community Banking	Trust and Investment Services	Consolidated
For the Three Months ended June 30, 2018:			
Interest and dividend income	**$ 98,888**	**$**	**$ 98,888**
Interest expense	**16,541**		**16,541**
Net interest income	**82,347**		**82,347**
Provision for credit losses	**1,708**		**1,708**
Net interest income after provision for credit losses	**80,639**		**80,639**
Non-interest income	**17,656**	**5,752**	**23,408**
Non-interest expense	**60,026**	**3,517**	**63,543**
Income before provision for income taxes	**38,269**	**2,235**	**40,504**
Provision for income taxes	**6,865**	**470**	**7,335**
Net income	**$ 31,404**	**$ 1,765**	**$ 33,169**
For the Three Months ended June 30, 2017:			
Interest and dividend income	$ 82,160	$	$ 82,160
Interest expense	10,021		10,021
Net interest income	72,139		72,139
Provision for credit losses	2,383		2,383
Net interest income after provision for credit losses	69,756		69,756
Non-interest income	16,550	5,572	22,122
Non-interest expense	52,754	3,130	55,884

Income before provision for income taxes	33,552	2,442	35,994
Provision for income taxes	8,676	977	9,653
Net income	$ 24,876	$ 1,465	$ 26,341
For the Six Months ended June 30, 2018:			
Interest and dividend income	**$ 185,203**	**$**	**$ 185,203**
Interest expense	**29,667**		**29,667**
Net interest income	**155,536**		**155,536**
Provision for credit losses	**3,876**		**3,876**
Net interest income after provision for credit losses	**151,660**		**151,660**
Non-interest income	**35,236**	**12,255**	**47,491**
Non-interest expense	**110,920**	**7,194**	**118,114**
Income before provision for income taxes	**75,976**	**5,061**	**81,037**
Provision for income taxes	**13,276**	**1,063**	**14,339**
Net income	**$ 62,700**	**$ 3,998**	**$ 66,698**
For the Six Months ended June 30, 2017:			
Interest and dividend income	$ 162,084	$	$ 162,084
Interest expense	19,226		19,226
Net interest income	142,858		142,858
Provision for credit losses	5,094		5,094
Net interest income after provision for credit losses	137,764		137,764
Non-interest income	33,290	11,716	45,006
Non-interest expense	103,746	6,522	110,268
Income before provision for income taxes	67,308	5,194	72,502
Provision for income taxes	18,196	2,078	20,274
Net income	$ 49,112	$ 3,116	$ 52,228

Total non-fiduciary assets of the trust and investment services segment were $1.7 million and $1.6 million at June 30, 2018 and 2017, respectively. All other assets, including goodwill and other intangible assets, were allocated to the community banking segment.

Table of Contents

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

Management s Discussion and Analysis (MD&A) represents an overview of the results of operations and financial condition of WesBanco for the three and six months ended June 30, 2018. 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, 2017 and documents subsequently filed by WesBanco with the Securities and Exchange Commission (SEC), which are available at the SEC s website, www.sec.gov or at WesBanco s website, www.wesbanco.com. Investors are cautioned that forward-looking statements, which are not historical fact, involve risks and uncertainties, including those detailed in WesBanco s most recent Annual Report on Form 10-K filed with the SEC under Risk Factors in Part I, Item 1A. Such statements are subject to important factors that could cause actual results to differ materially from those contemplated by such statements, including, without limitation, that the businesses of WesBanco, FTSB and FFKT may not be integrated successfully or such integration may take longer to accomplish than expected; the expected cost savings and any revenue synergies from the merger of WesBanco, FTSB and FFKT may not be fully realized within the expected timeframes; disruption from the merger of WesBanco, FTSB and FFKT may make it more difficult to maintain relationships with clients, associates, or suppliers; the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the FDIC, the SEC, FINRA, the Municipal Securities Rulemaking Board, the Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; internet hacking; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco s operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

OVERVIEW

WesBanco is a multi-state bank holding company operating through 177 branches and 167 ATM machines in West Virginia, Ohio, western Pennsylvania, Kentucky, and southern Indiana, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco s businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment s effect upon WesBanco s business volumes. WesBanco s deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

On April 5, 2018, WesBanco completed its acquisition of FTSB, a bank holding company headquartered in Huntington, WV with approximately $706.1 million in assets, excluding goodwill, $590.0 million in deposits and $448.3 million in loans. FTSB s results were included in WesBanco s results from the date of the merger consummation.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

WesBanco s critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of June 30, 2018 have remained unchanged from the disclosures presented in WesBanco s Annual Report on Form 10-K for the year ended December 31, 2017 within the section Management s Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents

RESULTS OF OPERATIONS

EARNINGS SUMMARY

Net income for the three months ended June 30, 2018 was $33.2 million, with diluted earnings per share of $0.71, compared to $26.3 million and $0.60 per diluted share, respectively, for the second quarter of 2017. For the six months ended June 30, 2018, net income was $66.7 million, or $1.47 per diluted share, compared to $52.2 million, or $1.19 per diluted share, for the 2017 period. Excluding after-tax merger-related expenses (non-GAAP measure), net income for the three months ended June 30, 2018, increased 42.2% year-over-year to $37.4 million, or $0.80 per diluted share as compared to $0.60 per diluted share in the prior year quarter; and net income for the six months ended June 30, 2018 increased 35.4% year-over-year to $71.2 million, or $1.57 per diluted share versus $1.19 per diluted share in the prior year period.

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2018		2017		2018		2017	
(unaudited, dollars in thousands, except per share amounts)	**Net Income**	**Diluted Earnings Per Share**	**Net Income**	**Diluted Earnings Per Share**	**Net Income**	**Diluted Earnings Per Share**	**Net Income**	**Diluted Earnings Per Share**
Net income (Non-GAAP)[1]	**$ 37,445**	**$ 0.80**	$ 26,341	$ 0.60	**$ 71,167**	**$ 1.57**	$ 52,547	$ 1.19
Less: After tax merger-related expenses	**(4,276)**	**(0.09)**			**(4,469)**	**(0.10)**	(319)	
Net income (GAAP)	**$ 33,169**	**$ 0.71**	$ 26,341	$ 0.60	**$ 66,698**	**$ 1.47**	$ 52,228	$ 1.19

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

Net interest income increased $10.2 million or 14.2% during the second quarter of 2018 as compared to the same quarter of 2017 due to a 12.4% increase in average total earning assets, primarily driven by the acquisition of FTSB and related purchase accounting income. For the six months ended June 30, 2018, net interest income increased $12.7 million or 8.9% due to higher average total earning assets from a larger investment portfolio and the earning assets acquired from FTSB. Accretion from prior acquisitions benefited the second quarter net interest margin by approximately 12 basis points, as compared to 8 basis points in the prior year period.

The provision for credit losses decreased to $1.7 million in the second quarter of 2018, compared to $2.4 million in the second quarter of 2017, due to continued strength in the loan credit quality and minimal overall loan growth. Net charge-offs, as a percentage of average portfolio loans of 0.03% in the second quarter of 2018, were lower than the 0.09% in the second quarter of 2017.

For the second quarter of 2018, non-interest income of $23.4 million increased $1.3 million or 5.8% from the second quarter of 2017, driven by higher electronic banking fees and mortgage banking income. The $0.7 million increase in electronic banking fees was primarily driven by higher volumes and an ATM fee increase. Residential mortgage origination volumes increased 33% year-over-year during the second quarter, which was primarily responsible for the

$0.7 million increase in mortgage banking income. For the six months ended June 30, 2018, non-interest income increased $2.5 million or 5.5% primarily driven by increased bank-owned life insurance due to higher death benefits received during the first quarter of 2018 and increased electronic banking fees, as noted above.

Total operating expenses continued to be well-controlled in the second quarter. Excluding merger-related expenses, non-interest expense increased $2.2 million or 4.0% for the second quarter of 2018 as compared to second quarter of 2017. This increase is due to higher salaries and wages, which increased $3.3 million primarily due to the higher staffing levels from the acquisition of FTSB, normal salary increases and a reclassification of pension service cost from employee benefits due to the adoption of a new accounting standard as of January 1, 2018. Strong discretionary expense management across most other expense categories limited the impact of higher salaries to total expenses. Excluding merger-related expenses for the six months ended June 30, 2018, non-interest expense increased $2.7 million or 2.4% compared to the six months ended June 30, 2017, reflecting the acquisition of FTSB, partially offset by strong expense management.

The effective income tax rate and associated provision for income taxes for the second quarter of 2018 are reflective of the recently enacted Tax Cuts and Jobs Act , which lowered the statutory Federal income tax rate for corporations to 21%. During the second quarter, the effective tax rate was 18.1% as compared to 26.8% last year, while the provision for income taxes decreased $2.3 million to $7.3 million, despite higher year-over-year pre-tax income.

Table of Contents

NET INTEREST INCOME

TABLE 1. NET INTEREST INCOME

(unaudited, dollars in thousands)	For the Three Months Ended June 30, 2018	2017	For the Six Months Ended June 30, 2018	2017
Net interest income	**$ 82,347**	$ 72,139	**$ 155,536**	$ 142,858
Taxable equivalent adjustments to net interest income	**1,344**	2,619	**2,629**	5,253
Net interest income, fully taxable equivalent	**$ 83,691**	$ 74,758	**$ 158,165**	$ 148,111
Net interest spread, non-taxable equivalent	**3.15%**	3.18%	**3.13%**	3.17%
Benefit of net non-interest bearing liabilities	**0.23%**	0.15%	**0.22%**	0.14%
Net interest margin	**3.38%**	3.33%	**3.35%**	3.31%
Taxable equivalent adjustment	**0.05%**	0.12%	**0.06%**	0.12%
Net interest margin, fully taxable equivalent	**3.43%**	3.45%	**3.41%**	3.43%

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 of, 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 $10.2 million or 14.2% in the second quarter of 2018 compared to 2017, due to a 12.4% increase in average earning asset balances, primarily driven by the acquisition of FTSB and related purchase accounting income. For the first six months of 2018, net interest income increased $12.7 million or 8.9% for the same reasons along with higher securities balances. Average loan balances increased by 6.6% in the second quarter of 2018 from the acquisition of FTSB compared to the second quarter of 2017, as organic loan growth was roughly flat year-over-year from continued targeted reductions in the consumer portfolio to reduce its risk profile and elevated levels of commercial real estate loans moving to an aggressive secondary financing market. Total average deposits increased in the second quarter of 2018 by $585.3 million or 8.2% compared to the second quarter of 2017, while certificates of deposit, which have the highest overall interest cost among deposits, increased by only $11.4 million or 0.8% over the same time period. The effect of multiple increases in the Federal Reserve s target federal funds rate over the past year on the net interest margin were offset by lower tax equivalent yields on tax-exempt securities resulting from the decrease in the corporate tax rate to 21% for 2018. Due to this adjustment in tax-equivalency, the net interest margin decreased to 3.43% for the second quarter of 2018 compared to 3.45% in the second quarter of 2017. Yields increased for all earning asset categories in 2018 except for tax-exempt securities. The cost of interest bearing liabilities increased by 30 basis points from the second quarter of 2017 to the second quarter of 2018. The increase in the cost is primarily due to rate increases for larger balance customers in interest bearing demand deposits, which include public funds, and higher rates for certain medium-term Federal Home Loan Bank borrowings. Approximately 12 basis points of accretion from the FTSB and other prior acquisitions was included in the 2018 second quarter net interest margin compared to 8 basis points in the 2017 second quarter net interest margin.

Interest income increased $16.7 million or 20.4% in the second quarter of 2018 and $23.1 million or 14.3% in the first half of 2018 compared to the same periods of 2017 due to higher overall earning assets, particularly from the acquisition of FTSB, and higher yields in almost every earning asset category. Earning asset yields were influenced positively in the second quarter of 2018 compared to the second quarter of 2017 due to three federal funds rate increases occurring during the past twelve months. Average loan balances increased by $419.6 million or 6.6% in the second quarter of 2018 compared to the same period of 2017, due to the acquisition of FTSB. Loan yields increased by 40 basis points during this same period to 4.64% from the previously mentioned federal funds rate increases. Loans provide the greatest impact on interest income and the yield on earning assets as they have the largest balance and the highest yield within major earning asset categories. In the second quarter of 2018, average loans represented 69.4% of average earning assets, a decrease from 73.2% in the second quarter of 2017, primarily due to purchases of taxable securities exceeding average loan growth. Average taxable securities balances increased by $578.3 million or 37.3% from the second quarter of 2017, consistent with management s strategy of growing total assets above $10 billion, which occurred during the first quarter of 2018 to improve profitability. Total securities yields increased by 8 basis points in 2018 from the second quarter of 2017 due to higher market rates on all securities, but were offset somewhat by a lower tax-equivalency benefit on tax-exempt securities, resulting from the Tax Cuts and Jobs Act , which decreased the corporate tax rate from 35% to 21%. Tax-exempt securities yields decreased 74 basis points in the second quarter of 2018 from the second quarter of 2017 from the lower tax-equivalency benefit; however, this yield decrease had no effect on net interest income, as the tax effect is included in the provision for income taxes. The average balance of tax-exempt securities, which have the highest yields within securities, also decreased to 26.1% of total average securities in 2018 compared to 31.7% in the second quarter of 2017. Taxable securities yields increased by 25 basis points in the second quarter of 2018 as compared to the second quarter of 2017 due to the previously mentioned purchases at higher current rates.

Total portfolio loans increased $402.5 million or 6.3% over the last twelve months, while total commercial loans increased $333.9 million or 8.0%. Loan growth was achieved through $1.9 billion in total loan originations, led by $1.2 billion in business loan originations for the past twelve months. Loan growth was driven by the acquisition of FTSB, expanded market areas and additional commercial personnel in our core markets, partially offset by significant loan paydowns or payoffs as some loans moved into the secondary lending market by customers who refinanced their mortgages, and targeted reductions of the consumer portfolio to reduce the risk profile of the loan portfolio.

Interest expense increased $6.5 million or 65.1% in the second quarter of 2018 and $10.4 million or 54.3% year-to-date compared to the same periods of 2017, due primarily to increases in the balances of interest bearing liabilities from the acquisition of FTSB and increases in the rates paid on all interest bearing liability categories. The cost of interest bearing liabilities increased by 30 basis points from the second quarter of 2017 to 0.91% in the first quarter of 2018. Average interest bearing deposits increased by $360.8 million or 6.8% from the second quarter of 2017, due primarily to the acquisition of FTSB and organic deposit growth, which offset a $247.3 million or 17.6% decrease in certificates of deposit, excluding those acquired from FTSB. The rate on interest bearing deposits increased by 17 basis points from the second quarter of 2017, primarily from increases in rates on

Table of Contents

interest bearing public funds. Average non-interest bearing demand deposits increased from the second quarter of 2017 to the second quarter of 2018 by $224.5 million or 12.4% and are now 26.4% of total average deposits, compared to 25.4% in 2017, reflecting customers preferences and marketing strategies. Organic average non-interest bearing demand deposits increased $99.4 million or 5.5% during this same time period. The increase in non-interest bearing deposits reflect positively in the net interest margin, as the benefit of non-interest bearing liabilities increased by 8 basis points from the second quarter of 2017 to the second quarter of 2018. Average other borrowings and subordinated debt balances increased by $127.4 million or 40.1% from the second quarter of 2017, due to the acquisition of FTSB, and their average rates paid increased by 75 and 66 basis points, respectively, over this same time period due to increases in LIBOR, the index upon which most of this variable-rate type of borrowing is priced. The average balance of FHLB borrowings increased by $233.6 million from the second quarter of 2017, and their average rate paid increased by 69 basis points to 2.02% over this same time period due to higher interest rates and the replacement of some maturing shorter-term borrowings with those of a medium-term length throughout 2017 and the first half of 2018 to improve asset sensitivity and liquidity measures.

TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

	For the Three Months Ended June 30,				**For the Six Months Ended June 30,**			
	2018		**2017**		**2018**		**2017**	
(unaudited, dollars in thousands)	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**
ASSETS								
Due from banks interest bearing	**$ 53,896**	**2.09%**	$ 12,875	0.75%	**$ 31,436**	**2.08%**	$ 13,398	0.63%
Loans, net of unearned income [(1)]	**6,785,550**	**4.64%**	6,365,965	4.24%	**6,563,782**	**4.54%**	6,322,582	4.22%
Securities: [(2)]								
Taxable	**2,128,446**	**2.67%**	1,550,114	2.42%	**1,959,828**	**2.63%**	1,576,578	2.41%
Tax-exempt [(3)]	**750,138**	**3.41%**	720,561	4.15%	**733,970**	**3.41%**	723,593	4.15%
Total securities	**2,878,584**	**3.05%**	2,270,675	2.97%	**2,693,798**	**2.84%**	2,300,171	2.95%
Other earning assets	**57,259**	**5.72%**	46,525	4.62%	**53,843**	**5.86%**	46,774	4.52%
Total earning assets [(3)]	**9,775,289**	**4.11%**	8,696,040	3.91%	**9,342,859**	**4.05%**	8,682,925	3.88%
Other assets	**1,143,442**		1,132,435		**1,115,743**		1,122,181	
Total Assets	**$ 10,918,731**		$ 9,828,475		**$ 10,458,602**		$ 9,805,106	
LIABILITIES AND SHAREHOLDERS EQUITY								
Interest bearing demand deposits	**$ 1,849,035**	**0.68%**	$ 1,634,305	0.37%	**$ 1,773,813**	**0.64%**	$ 1,585,564	0.33%
Money market accounts	**1,035,567**	**0.42%**	1,014,682	0.25%	**1,020,486**	**0.39%**	1,026,567	0.24%
Savings deposits	**1,367,193**	**0.07%**	1,253,444	0.06%	**1,327,875**	**0.06%**	1,240,390	0.06%
Certificates of deposit	**1,415,259**	**0.84%**	1,403,818	0.71%	**1,328,724**	**0.84%**	1,428,892	0.69%
Total interest bearing deposits	**5,667,054**	**0.53%**	5,306,249	0.36%	**5,450,898**	**0.50%**	5,281,413	0.35%
Federal Home Loan Bank borrowings	**1,180,939**	**2.02%**	947,346	1.33%	**1,109,586**	**1.90%**	948,168	1.27%

Other borrowings	**272,208**	**1.43%**	153,565	0.68%	**238,707**	**1.29%**	175,341	0.64%
Junior subordinated debt	**172,972**	**5.03%**	164,184	4.37%	**168,677**	**4.91%**	164,050	4.43%
Total interest bearing liabilities [1]	**7,293,173**	**0.91%**	6,571,344	0.61%	**6,967,868**	**0.86%**	6,568,972	0.59%
Non-interest bearing demand deposits	**2,030,649**		1,806,144		**1,950,581**		1,793,897	
Other liabilities	**77,873**		73,721		**80,681**		74,748	
Shareholders equity								