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**



2

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.

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 | 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.

## 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 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** |