

# WesBanco, Inc. **2011** Annual Report



## FINANCIAL HIGHLIGHTS

(in thousands, except shares and per share amounts)

	December 31,		% Change
	2011	2010	
<b>FOR THE YEAR</b>			
Earnings per common share—diluted	\$ 1.65	\$ 1.34	23.13
Dividends per common share	0.62	0.56	10.71
Net income available to common shareholders	43,809	35,611	23.02
Average common shares outstanding—diluted	26,615,281	26,580,293	0.13
Period end common shares outstanding	26,629,360	26,586,953	0.16
<b>AT YEAR END</b>			
Securities	\$ 1,609,265	\$ 1,426,191	12.84
Total loans, net of unearned income	3,239,368	3,288,676	(1.50)
Total assets	5,536,030	5,361,458	3.26
Deposits	4,393,866	4,172,423	5.31
Total FHLB and other borrowings	365,073	440,991	(17.22)
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,066	106,034	0.03
Shareholders' equity	633,790	606,863	4.44
<b>TRUST ASSETS AT MARKET VALUE<sup>(1)</sup></b>	<b>\$ 2,973,352</b>	<b>\$ 2,943,786</b>	<b>1.00</b>
<b>KEY RATIOS</b>			
Return on average assets	0.81%	0.66%	22.73
Return on average tangible assets <sup>(2)</sup>	0.88	0.73	20.55
Return on average equity	7.01	5.88	19.22
Return on average tangible equity <sup>(2)</sup>	13.32	11.72	13.65
Average loans to average deposits	76.32	82.14	(7.09)
Allowance for loan losses to total loans	1.69	1.86	(9.14)
Allowance for loan losses to total non-performing loans	63.07	63.39	(0.50)
Non-performing assets to total assets	1.62	1.95	(16.92)
Net loan charge-offs to average loans	1.30	1.28	1.56
Dividend payout ratio	37.58	41.79	(10.07)
Non-interest income as a percentage of total revenues	26.12	26.41	(1.10)
Efficiency ratio <sup>(3)</sup>	59.50	60.89	(2.28)
Net interest margin <sup>(3)</sup>	3.66	3.60	1.67
<b>CAPITAL RATIOS AT YEAR END</b>			
Shareholders' equity to total assets	11.45	11.32	1.15
Tangible equity to tangible assets <sup>(2)</sup>	6.68	6.33	5.53
Tier 1 leverage ratio	8.71	8.35	4.31
Tier 1 capital to risk-weighted assets	12.68	11.94	6.20
Total capital to risk-weighted assets	13.93	13.20	5.53
<b>PER COMMON SHARE</b>			
Closing common stock price	\$ 19.47	\$ 18.96	2.69
Book value at year end	23.80	22.83	4.25
Tangible book value at year-end <sup>(2)</sup>	13.17	12.09	8.93

<sup>(1)</sup> These assets are held by WesBanco in fiduciary or agency capacities for its customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

<sup>(2)</sup> Non-GAAP financial measures exclude goodwill and other intangible assets from the calculation and adds back the tax-equivalent amortization of intangibles.

<sup>(3)</sup> Taxable-equivalent basis.

## TO OUR SHAREHOLDERS:

We are pleased to present our 2011 Annual Report. WesBanco's 2011 financial performance reflects improved core earnings and a lower provision for credit losses. Net income for the year ended December 31, 2011 was \$43.8 million as compared to \$35.6 million for the same period in 2010, representing an increase of 23%, while diluted earnings per share were \$1.65, as compared to \$1.34 per share for 2010.

These results are especially noteworthy given the headwinds that financial institutions have encountered over the past four years. In spite of a wide variety of challenges, WesBanco has performed better than most banks of comparable size. Investors recognized this performance, providing stock price appreciation in 2011 while bank stock indices were negative. For 2011, WesBanco common stock realized a 6% total return, including price appreciation and dividend yield. In comparison, the NASDAQ Bank Index ended the year down 12.4%.

As a result of our well-capitalized balance sheet and strong earnings, the WesBanco Board of Directors recently approved a dividend increase for 2012. The WesBanco Board of Directors, on February 23, 2012, declared the first quarter 2012 dividend of \$0.17 per share on our common stock that represents a 6.3% increase in the quarterly dividend compared to the fourth quarter 2011. This represents an annualized cash dividend of \$0.68 and a 9.7% increase over the cash dividends paid during 2011. WesBanco offers a current dividend yield of approximately 3.4% based upon the market price of WesBanco common stock on February 24, 2012. WesBanco previously increased its quarterly dividend to \$0.15 per share in February, 2011 and to \$0.16 per share in August, 2011, representing a cumulative 14.3% increase over the 2010 quarterly dividend rate.

Our performance in 2011 was again recognized nationally by the financial press, helping us stand out as compared to peer banks. Forbes magazine recently recognized WesBanco in its list of "America's 100 Best Banks", ranking WesBanco 46th in the 2011 listing. An informative and positive article was published in November, 2011 by the stock market news & financial analysis internet site, Seeking Alpha. It presented "20 High Dividend Yield Stocks Undervalued by Graham Number". Benjamin Graham, a widely recognized value investor, created an equation that calculates the fair value of stocks based on two fundamental data points: current earnings per share and current book value per share. In the list of high-dividend yield stocks screened for their potential upside implied by Graham number, WesBanco was ranked first.

Our community development programs received industry-wide recognition in 2011 and WesBanco closed the year in the national spotlight. In March, 2011, WesBanco Bank, Inc. was the recipient of the ABA Community Bank Award Certificate of Recognition. The ABA annually honors institutions throughout the country that take an innovative, creative and effective approach to community development and revitalization. In June, 2011, the Federal Deposit Insurance Corporation honored WesBanco as one of three recipients of the 2011 Chairman's Award for Excellence, which recognizes the work of individuals or small groups at FDIC-insured financial institutions who are instrumental in creating and promoting programs that meet the credit and deposit needs of low- and moderate-income consumers. On November 29, 2011, at the NASDAQ MarketSite in New York City's Times Square, WesBanco was honored as Chairman, James C. Gardill, President & CEO, Paul M. Limbert, and Executive Vice President & CFO, Robert H. Young, participated in the official ringing of The NASDAQ Stock Market closing bell.



Photo courtesy of NASDAQ

WesBanco officials, James C. Gardill, Chairman of the Board, Paul M. Limbert, President & CEO, and Robert H. Young, Executive Vice President & CFO, visited the NASDAQ MarketSite in New York City's Times Square on November 29, 2011. In honor of the occasion, Paul Limbert, center, officially rang The NASDAQ Stock Market Closing Bell.

Please review the financial statements included in this Annual Report filed with the Securities and Exchange Commission on Form 10-K for complete details of WesBanco's financial performance during 2011.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law in July, 2009 contained more than 2,300 pages of financial reform. To date, only a few of the many required new regulations have been implemented. The Durbin Amendment, a last-minute addition to the Dodd-Frank Act, became effective on October 1, 2011. The Durbin Amendment imposed federal limitations on interchange fees for processing debit card transactions and mandated that each debit card should be able to be processed on at least two independent networks. The Durbin Amendment carved out an exemption for banks under \$10 billion, establishing a competitive advantage for WesBanco. In spite of the implementation of this legislation, WesBanco has seen an improvement in debit card income, although our competitive advantage may be tenuous at best.

Yet, in spite of all of the negative news and specter of international financial stress, the U.S. economy continues to show signs of improvement and we are beginning to see increased business activity in our market regions. We are especially encouraged by this as shown in our ability to improve our basic operating earnings to 1.76% ROAA on a pre-tax, pre-provision basis. Even though pre-tax, pre-provision income is a non-GAAP performance metric, we feel that it presents a realistic view of operating basics and proves useful in analyzing underlying performance trends, particularly in times of economic stress.

To position WesBanco for future growth, we continue to strengthen our regulatory capital ratios with Tier 1 leverage at 8.71%, Tier 1 risk-based capital at 12.68% and total risk-based capital at 13.93%, all of which improved in each of the last nine consecutive quarters. Both consolidated and bank-level regulatory capital ratios are well above the applicable "well-capitalized" standards promulgated by bank regulators. The increase in shareholders' equity was due to improved operating results net of dividends declared.

Total assets at December 31, 2011 increased 3.3% or \$174.6 million from the prior year-end resulting primarily from increased investments in securities, funded by increases in deposits. Portfolio loan production increased significantly in 2011 with new loan volume at the highest level since before the recession. Categories with increases in loan production included commercial, commercial real estate, retail mortgage and personal loans with commensurate improvement in fee income for the year. Total deposits increased 5.3% or \$221.4 million as compared to December 31, 2010, due to an increase in all deposit categories other than CDs, which decreased 6.4% due to planned reductions through lower offered rates for new and rollover CDs. This growth included deposits received from customers participating in Marcellus and Utica shale gas activity, which exceeded \$125 million in initial deposits for the year.

We view the integration of all business lines in a seamless delivery of services to customers as critical in our plan to manage for the long-term success of WesBanco, its shareholders, employees and customers. While regulatory requirements may restrict some of our product development programs, we remain committed to providing best-in-class service to our customers. We plan to improve our electronic banking product through the development of online deposit and lending services, actively make funds available to lend to qualified businesses and individuals and support our communities by committing the necessary financial and human resources.

As we continue to work through the recessionary cycle, our focus on credit quality has resulted in significant decreases in non-performing assets, classified, criticized and past due loans, and real estate owned in 2011. Total non-performing loans decreased \$9.4 million or 9.8% and classified and criticized loans decreased \$62.0 million or 19.4% compared to December 31, 2010. This improvement in credit quality enabled us to reduce the provision for credit losses \$9.3 million for 2011 compared to 2010. WesBanco has also outperformed a group of national peers from \$2 to \$10 billion in size for both non-performing asset and net charge-off ratios during the entirety of the recession.

In 2011, we made significant progress in the integration of our wealth management services. The development of Private Client and Licensed Banker Service groups will allow for more specialized and personalized development of wealth, retirement and investment strategies for our customers. Improvements in non-interest income in 2011 included trust fee growth of 8.5%. Our trust department has always been a significant source of income for WesBanco and growth in new business and improved market conditions contributed to continued success and recognition in 2011.

Our wealth management business in 2011 benefited from the energy industry's interest in natural gas. As activity in the Marcellus Shale progresses into its seventh year, a rock layer below the Marcellus Shale received additional attention during 2011, especially in our eastern Ohio markets. Known as the Utica Shale, it is located under portions of Kentucky, Maryland, New York, Ohio, Pennsylvania, Tennessee, West Virginia and Virginia. The Utica Shale is thicker than the Marcellus and it has already proven its ability to support commercial production. During 2011, most of the drilling activity in the Utica shale occurred in eastern Ohio due to its relatively shallow depth below the Marcellus region as well as its richness in oil and natural gas liquids, worth significantly more than dry natural gas.

A publicly-traded company most active in Marcellus and Utica activity in WesBanco's markets recently released an estimate that their Utica Shale assets added over \$15-20 billion in value to the company. We are optimistic that Marcellus and Utica Shale activity will have a material long-term economic impact on our markets through increased wealth management business as well as increased commercial and retail banking activity. In 2011, we successfully partnered with attorneys and gas industry experts to provide information programs to individuals and businesses regarding the Marcellus and Utica Shales and their economic impact.

WesBanco's business plan for 2012 focuses on the control of those revenue and expense elements that we can actively manage to improve profitability and the accompanying increase in capital that this strategy provides. Growth, both internal and through acquisition, that will contribute to WesBanco's long-term success will be strategically evaluated. Continued improvement in credit quality, loan growth, non-interest bearing demand deposit growth, pricing discipline, balance sheet management discipline, wealth management services integration and retail services initiatives will provide a foundation to maximize income potential in a year that we view as challenging. Regulatory requirements are unending and economic conditions will continue to challenge us. Congressional mandates, the continued implementation of Dodd-Frank, the new Consumer Protection Agency pronouncements and the low rate environment coming from the Federal Reserve System will significantly impact what we have the ability to control. However, we are optimistic that we will see improved shareholder value in 2012 coming from a balance of strategic growth, diligent revenue enhancement and expense control in a low growth environment.



Photo courtesy of NASDAQ

Left to Right: President & CEO, Paul M. Limbert, and Chairman of the Board, James C. Gardill, at the NASDAQ MarketSite in New York City's Times Square.

WesBanco's positive performance during 2011 could not have been accomplished without the continued support of our customers, our shareholders, our board of directors and each of our dedicated officers and employees, whom we thank for a job well done. We believe that we have prepared ourselves for 2012. We acknowledge the challenges ahead and pledge our best efforts to our shareholders, customers, employees and communities.

We wish to acknowledge Dennis G. Powell, Executive Vice President & Chief Operating Officer, who retired at year-end, for his seven years of service to WesBanco. We thank him for his leadership and the improvement in retail delivery and the sales and service culture that he directed during his tenure at WesBanco.

We would like to invite you to the Annual Meeting of the Shareholders that will be held on Wednesday, April 18, 2012 at 12:00 noon at Oglebay Park, Wheeling, West Virginia. A reservation card is included with the proxy material. Please respond promptly to your invitation to assist us in our planning for the meeting.

Paul M. Limbert  
President and Chief  
Executive Officer

James C. Gardill  
Chairman of the Board

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2011

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

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

Commission File Number 000-08467

**WESBANCO, INC.**

(Exact name of Registrant as specified in its charter)

**WEST VIRGINIA**  
(State or other jurisdiction of  
incorporation or organization)

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

**55-0571723**  
(IRS Employer  
Identification No.)

**26003**  
(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Name of each Exchange on which registered</u>
Common Stock \$2.0833 Par Value	NASDAQ Global Select Market

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

The aggregate market value of the registrant's outstanding voting common stock held by non-affiliates on June 30, 2011, determined using a per share closing price on that date of \$19.66, was \$488,957,569.

As of February 27, 2012, there were 26,628,181 shares of WesBanco, Inc. common stock \$2.0833 par value per share, outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Certain specifically designated portions of WesBanco, Inc.'s definitive proxy statement which will be filed by April 29, 2012 for its 2011 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

**WESBANCO, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
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## **PART I**

### **ITEM 1. BUSINESS**

#### **GENERAL**

WesBanco, Inc. (“WesBanco”), a bank holding company incorporated in 1968 and headquartered in Wheeling, West Virginia, offers a full range of financial services including retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco offers these services through two reportable segments, community banking and trust and investment services. For additional information regarding WesBanco’s business segments, please refer to Note 23, “Business Segments” in the Consolidated Financial Statements.

At December 31, 2011, WesBanco operated one commercial bank, WesBanco Bank, Inc., (“WesBanco Bank” or the “Bank”) through 112 offices, one loan production office and 122 ATM machines located in West Virginia, Ohio, and Western Pennsylvania. Total assets of WesBanco Bank as of December 31, 2011 approximated \$5.5 billion. WesBanco Bank also offers trust and investment services and various alternative investment products including mutual funds and annuities. The market value of assets under management of the trust and investment services segment was approximately \$3.0 billion as of December 31, 2011. These assets are held by WesBanco Bank in fiduciary or agency capacities for its customers and therefore are not included as assets on WesBanco’s Consolidated Balance Sheets.

WesBanco offers additional services through its non-banking subsidiaries, WesBanco Insurance Services, Inc. (“WesBanco Insurance”), a multi-line insurance agency specializing in property, casualty and life insurance, and benefit plan sales and administration for personal and commercial clients; and WesBanco Securities, Inc. (“WesBanco Securities”), a full service broker-dealer, which also offers discount brokerage services.

WesBanco Asset Management, Inc., which was incorporated in 2002, holds certain investment securities in a Delaware-based subsidiary.

WesBanco Properties, Inc. holds certain commercial real estate properties. The commercial property is leased to WesBanco Bank and to non-related third parties.

WesBanco, Inc. has eight capital trusts, which are all wholly-owned trust subsidiaries of WesBanco formed for the purpose of issuing trust preferred securities (“Trust Preferred Securities”) and lending the proceeds to WesBanco. For more information regarding WesBanco’s issuance of trust preferred securities please refer to Note 12, “Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts” in the Consolidated Financial Statements.

WesBanco Bank’s Investment Department also serves as investment adviser to a family of mutual funds, namely the “WesMark Funds”. The fund family is composed of the WesMark Growth Fund, the WesMark Balanced Fund, the WesMark Small Company Growth Fund, the WesMark Government Bond Fund, and the WesMark West Virginia Municipal Bond Fund.

As of December 31, 2011, none of WesBanco’s subsidiaries were engaged in any operations in foreign countries, and none had transactions with customers in foreign countries.

#### **EMPLOYEES**

There were 1,368 full-time equivalent employees employed by WesBanco and its subsidiaries at December 31, 2011. None of the employees were represented by collective bargaining agreements. WesBanco believes its employee relations to be satisfactory.

## **WEB SITE ACCESS TO WESBANCO'S FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION**

All of WesBanco's electronic filings for 2011 filed with the Securities and Exchange Commission (the "SEC"), including this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are made available at no cost on WesBanco's website, [www.wesbanco.com](http://www.wesbanco.com), in the "About Us" section through the "Investor Relations" link as soon as reasonably practicable after WesBanco files such material with, or furnishes it to, the SEC. WesBanco's SEC filings are also available through the SEC's website at [www.sec.gov](http://www.sec.gov).

Upon written request of any shareholder of record on December 31, 2011, WesBanco will provide, without charge, a printed copy of its 2011 Annual Report on Form 10-K, including financial statements and schedules, as required to be filed with the SEC. To obtain a copy of the 2011 Annual Report on Form 10-K, contact: Linda Woodfin, WesBanco, Inc., 1 Bank Plaza, Wheeling, WV 26003 (304) 234-9201.

## **COMPETITION**

Competition in the form of price and service from other banks, including local, regional and national banks and financial companies such as savings and loans, internet banks, credit unions, finance companies, brokerage firms and other non-banking companies providing various regulated and non-regulated financial services and products, is intense in most of the markets served by WesBanco and its subsidiaries. WesBanco's trust and investment services segment receives competition from commercial banks, trust companies, mutual fund companies, investment advisory firms, law firms, brokerage firms and other financial services companies. As a result of consolidation within the financial services industry, mergers between, and the expansion of, financial institutions both within and outside West Virginia have provided significant competitive pressure in WesBanco's major markets. Some of WesBanco's competitors have greater resources and, as such, may have higher lending limits and may offer other products and services that are not provided by WesBanco. WesBanco generally competes on the basis of customer service and responsiveness to customer needs, available loan and deposit products, rates of interest charged on loans, rates of interest paid for deposits, and the availability and pricing of trust, brokerage and insurance services. As WesBanco has expanded into new, larger Ohio metropolitan markets, it faces entrenched large bank competitors with an already existing customer base that may far exceed WesBanco's initial entry position into those markets. As a result, WesBanco may be forced to compete more aggressively for loans, deposits, trust and insurance products in order to grow its market share, potentially reducing its current and future profit potential from such markets.

## **SUPERVISION AND REGULATION**

As a bank holding company and a financial holding company under federal law, WesBanco is subject to supervision and examination by the Board of Governors of the Federal Reserve System ("Federal Reserve Board") under the Bank Holding Company Act of 1956 (the "BHCA"), as amended, and is required to file with the Federal Reserve Board reports and other information regarding its business operations and the business operations of its subsidiaries. WesBanco also is required to obtain Federal Reserve Board approval prior to acquiring, directly or indirectly, ownership or control of certain voting shares of other banks, as described below. Since WesBanco is both a bank holding company and a financial holding company, WesBanco can offer customers virtually any type of service that is financial in nature or incidental thereto, including banking and activities closely related to banking, securities underwriting, insurance (both underwriting and agency) and merchant banking.

As indicated above, WesBanco presently operates one bank subsidiary, WesBanco Bank. The Bank is a West Virginia banking corporation and is not a member bank of the Federal Reserve System. It is subject to examination and supervision by the Federal Deposit Insurance Corporation (the "FDIC") and the West Virginia Division of Banking. The deposits of WesBanco Bank are insured by the Deposit Insurance Fund of the FDIC.



WesBanco's nonbank subsidiaries are subject to examination and supervision by the Federal Reserve Board and examination by other federal and state agencies, including, in the case of certain securities activities, regulation by the SEC, the Financial Institution Regulatory Authority ("FINRA"), Municipal Securities Rulemaking Board and the Securities Investors Protection Corporation. WesBanco Bank maintains one designated financial subsidiary, WesBanco Insurance Services, Inc., which, as indicated above, is a multi-line insurance agency specializing in property, casualty and life insurance, and benefit plan sales and administration, for personal and commercial clients.

WesBanco is also under the jurisdiction of the SEC and certain state securities commissions for matters relating to the offering and sale of its securities. WesBanco is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. WesBanco is listed on the NASDAQ Global Select Market (the "NASDAQ") under the trading symbol "WSBC" and is subject to the rules of the NASDAQ for listed companies.

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act"), as amended, a bank holding company may acquire banks in states other than its home state, subject to certain limitations. The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate banking. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), banks are also permitted to establish de novo branches across state lines to the same extent that a state-chartered bank in each host state would be permitted to open branches.

Under the BHCA, prior Federal Reserve Board approval is required for WesBanco to acquire more than 5% of the voting stock of any bank. In determining whether to approve a proposed bank acquisition, federal banking regulators will consider, among other factors, the effect of the acquisition on competition, the public benefits expected to be received from the acquisition, the projected capital ratios and levels on a post-acquisition basis, and the acquiring institution's record of addressing the credit needs of the communities it serves, including the needs of low and moderate income neighborhoods, consistent with safe and sound operation of the bank, under the Community Reinvestment Act (the "CRA") and its amendments.

## **HOLDING COMPANY REGULATIONS**

As indicated above, WesBanco has one state bank subsidiary, WesBanco Bank, as well as nonbank subsidiaries, which are described further in "Item 1. Business—General" section of this Annual Report on Form 10-K. The subsidiary bank is subject to affiliate transaction restrictions under federal law, which limit "covered transactions" by the subsidiary bank with the parent and any nonbank subsidiaries of the parent, which are referred to in the aggregate in this paragraph as "affiliates" of the subsidiary bank. "Covered transactions" include loans or extensions of credit to an affiliate (including repurchase agreements), purchases of or investments in securities issued by an affiliate, purchases of assets from an affiliate, the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit, the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate, certain transactions that involve borrowing or lending securities, and certain derivative transactions with an affiliate. Such covered transactions between the subsidiary bank and any single affiliate are limited in amount to 10% of the subsidiary bank's capital and surplus, respectively, and, with respect to covered transactions with all affiliates in the aggregate, are limited in amount to 20% of the subsidiary bank's capital and surplus, respectively. Furthermore, such loans or extensions of credit, guarantees, acceptances and letters of credit, and any credit exposure resulting from securities borrowing or lending transactions or derivatives transactions, are required to be secured by collateral at all times in amounts specified by law. In addition, all covered transactions must be conducted on terms and conditions that are consistent with safe and sound banking practices.

The Dodd-Frank Act requires a bank holding company to act as a source of financial strength to its subsidiary bank. Under this source of strength requirement, the Federal Reserve Board may require a bank holding company to make capital infusions into a troubled subsidiary bank, and may charge the bank holding

company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. A capital infusion conceivably could be required at a time when WesBanco may not have the resources to provide it.

## **PAYMENT OF DIVIDENDS**

Dividends from the subsidiary bank are a significant source of funds for payment of dividends to WesBanco's shareholders. For the year ended December 31, 2011, WesBanco declared cash dividends to its common shareholders of approximately \$16.5 million.

As of December 31, 2011, WesBanco Bank was "well capitalized" under the definition in Section 325.103 of the FDIC Regulations. Therefore, as long as the Bank remains "well capitalized" or even becomes "adequately capitalized," there would be no basis under Section 325.105 to limit the ability of the Bank to pay dividends because it had not become undercapitalized, significantly undercapitalized or critically undercapitalized.

All financial institutions are subject to the prompt corrective action provisions set forth in Section 38 of the Federal Deposit Insurance Act (the "FDI Act") and the provisions set forth in Section 325.105 of the FDIC Regulations. Immediately upon a state non-member bank receiving notice, or being deemed to have notice, that the bank is undercapitalized, significantly undercapitalized, or critically undercapitalized, as defined in Section 325.103 of the FDIC Regulations, the bank is precluded from being able to pay dividends to its shareholders based upon the requirements in Section 38(d) of the FDI Act, 12. U.S.C. § 1831o(d).

In addition, with respect to possible dividends by the Bank, under Section 31A-4-25 of the West Virginia Code, the prior approval of the West Virginia Commissioner of Banking would be required if the total of all dividends declared by the Bank in any calendar year would exceed the total of the Bank's net profits for that year combined with its retained net profits of the preceding two years. In addition, Section 31A-4-25 limits the ability of a West Virginia banking institution to pay dividends until the surplus fund of the banking institution equals the common stock of the banking institution and if certain specified amounts of recent profits of the banking institution have not been carried to the surplus fund.

If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice which, depending on the financial condition of the bank, could include the payment of dividends, such authority may require, after notice and hearing, that such bank cease and desist from such practice. The Federal Reserve Board has issued policy statements which provide that insured banks and bank holding companies should generally only pay dividends out of current operating earnings. Additional information regarding dividend restrictions is set forth in Note 21, "Regulatory Matters" in the Consolidated Financial Statements.

On February 24, 2009 the Federal Reserve Division of Banking Supervision and Regulation issued a letter providing direction to bank holding companies on the payment of dividends, capital repurchases and capital redemptions. Although the letter largely reiterates longstanding Federal Reserve supervisory policies, it emphasizes the need for a bank holding company to review various factors when considering the declaration of a dividend or taking action that would reduce regulatory capital provided by outstanding financial instruments. These factors include the potential need to increase loan loss reserves, write down assets and reflect declines in asset values in equity. In addition, the bank holding company should consider its past and anticipated future earnings, the dividend payout ratio in relation to earnings, and adequacy of regulatory capital before any action is taken. The consideration of capital adequacy should include a review of all known factors that may affect capital in the future.

In certain circumstances, defined by regulation relating to levels of earnings and capital, advance notification to, and in some circumstances, approval by the regulator could be required to declare a dividend or repurchase or redeem capital instruments.

## **FDIC INSURANCE**

FDIC insurance premiums are assessed by the FDIC using a risk-based approach by placing insured institutions into categories based on capital and risk profile. In 2011, WesBanco Bank paid deposit insurance premiums that were significantly less than those paid in 2010. The decrease was largely due to the FDIC changing how deposit insurance premiums are calculated effective April 1, 2011 as required by the Dodd-Frank Act. The assessment base was expanded to include all liabilities (i.e. all assets minus tangible equity) rather than deposits only and the assessment rates were reduced. This change was advantageous to WesBanco Bank as assessments dropped from \$6.2 million in 2010 to \$4.4 million in 2011.

In May 2009, the FDIC imposed its final rule on a special assessment as of June 30, 2009. This special assessment was collected September 30, 2009 and impacted the Bank's 2009 second quarter expenses by \$2.6 million.

In November 2009, the FDIC adopted a final rule requiring banks to prepay their estimated quarterly assessments for the fourth quarter of 2009, as well as all of 2010, 2011 and 2012, on December 30, 2009 along with their regular third quarter assessment. The assessment rate was based on the bank's total base assessment rate as of September 30, 2009. The rate was increased for 2011 and 2012, and a 5% annual growth rate in the deposit base was assumed. WesBanco Bank paid \$24.1 million on December 30, 2009 to satisfy the requirements of this rule, with the portion related to the years 2010 – 2012 recorded as a prepaid expense, to be amortized on an actual, pro rata basis over those three years. Although the actual assessments corresponding to 2010 of \$6.2 million did not materially differ from the prepaid estimates, the 2011 actual assessments were \$3.6 million less due to the new calculation requirements enacted by the Dodd-Frank Act.

WesBanco's prepaid assessment balance at December 31, 2011 was approximately \$12.1 million which is \$3.7 million greater than that of the 2009 estimation model. The difference is expected to increase throughout 2012. Any unused prepaid assessment is expected to be refunded in the second quarter of 2013 or utilized to pay assessments in the first half of 2013.

## **CAPITAL REQUIREMENTS**

The Federal Reserve Board has issued risk-based capital ratio and leverage ratio guidelines for bank holding companies. The risk-based capital ratio guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations, takes off-balance sheet exposures into explicit account in assessing capital adequacy, and minimizes disincentives to holding liquid, low-risk assets. Under the guidelines and related policies, bank holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and a leverage ratio test on a consolidated basis. The risk-based ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher weightings being assigned to categories perceived as representing greater risk. A bank holding company's capital is then divided by total risk-weighted assets to yield the risk-based ratio. The leverage ratio is determined by relating core capital to total assets adjusted as specified in the guidelines. The bank is subject to substantially similar capital requirements.

Generally, under the applicable guidelines, a financial institution's capital is divided into three tiers. "Tier 1," or core capital, includes common equity, noncumulative perpetual preferred stock excluding auction rate issues, and minority interests in equity accounts of consolidated subsidiaries, less goodwill and, with certain limited exceptions, all other intangible assets. Certain bank holding companies, however, may include certain trust preferred securities that underlie junior subordinated debt in their Tier 1 capital. (See below within this section for more information regarding the capital treatment of trust preferred securities.) In addition, bank holding companies may include cumulative preferred stock in their Tier 1 capital, up to a limit of 25% of such Tier 1 capital.

"Tier 2," or supplementary capital, includes, among other things, portions of trust preferred securities and cumulative preferred stock not otherwise counted in Tier 1 capital, as well as limited-life preferred stock, hybrid

capital instruments, mandatory convertible securities, qualifying subordinated debt, and the allowance for loan and lease losses, subject to certain limitations. Institutions that must incorporate market risk exposure into their risk-based capital requirements may also have a third tier of capital in the form of restricted short-term unsecured subordinated debt.

“Tier 3 capital” consists of subordinated debt that meets certain conditions, including being unsecured, being fully paid up, having an original maturity of at least two years, and not being redeemable before maturity without prior Federal Reserve Board approval. The Federal Reserve Board requires bank holding companies that engage in trading activities to adjust their risk-based capital ratios to take into consideration market risks that may result from movements in market prices of covered trading positions in trading accounts, or from foreign exchange or commodity positions, whether or not in trading accounts, including changes in interest rates, equity prices, foreign exchange rates or commodity prices. Any capital required to be maintained under these provisions may consist of new “Tier 3 capital.” “Total capital” is the sum of Tier 1, Tier 2 and Tier 3 capital.

The Federal Reserve Board and the other federal banking regulators require that all intangible assets, with certain limited exceptions, be deducted from Tier 1 capital. Under the Federal Reserve Board’s rules, the only types of intangible assets that may be included in (i.e., not deducted from) a bank holding company’s capital are originated or purchased mortgage servicing rights, non-mortgage servicing assets, and purchased credit card relationships, provided that, in the aggregate, the amount of these items included in capital does not exceed 100% of Tier 1 capital.

Under the risk-based guidelines, financial institutions are required to maintain a risk-based ratio, which is total capital to risk-weighted assets, of at least 8%, of which at least 4% must be Tier 1 capital. The appropriate regulatory authority may set higher capital requirements when an institution’s circumstances warrant.

The Federal Reserve Board has established a minimum ratio of Tier 1 capital to total assets of 3.0% for strong bank holding companies rated composite “1” under the RFI/C (D) (“Risk Management,” “Financial Condition,” “Impact,” “Composite Rating” and “Depository Institution”) components rating system for bank holding companies, and for certain bank holding companies that have implemented the Federal Reserve Board’s risk-based capital measure for market risk. For all other bank holding companies, the minimum ratio of Tier 1 capital to total assets is 4.0%. Banking organizations with supervisory, financial, operational, or managerial weaknesses, as well as organizations that are anticipating or experiencing significant growth are expected to maintain capital ratios well above the minimum levels. Moreover, higher capital ratios may be required for any bank holding company if warranted by its particular circumstances or risk profile. In all cases, bank holding companies should hold capital commensurate with the level and nature of the risks, including the volume and severity of problem loans, to which they are exposed. The Federal Reserve Board has also indicated that it will consider a “tangible Tier 1 capital ratio” (deducting all intangibles) and other indications of capital strength in evaluating proposals for expansion or new activities. More recently, in its February 24, 2009 supervisory letter, the Federal Reserve Board noted that a bank holding company’s predominant form of tangible capital should be common equity.

The bank regulatory agencies have established special minimum capital requirements for equity investments in nonfinancial companies. The requirements consist of a series of marginal capital charges that increase within a range from 8% to 25% of the adjusted carrying value of the equity investments as a financial institution’s overall exposure to equity investments increases as a percentage of its Tier 1 capital. At December 31, 2011, capital charges relating to WesBanco’s equity investments in nonfinancial companies were immaterial.

Failure to meet applicable capital guidelines could subject a financial institution to a variety of enforcement remedies available to the federal regulatory authorities, including limitations on the ability to pay dividends, the issuance by the regulatory authority of a capital directive to increase capital, and the termination of deposit insurance by the FDIC, as well as to the measures described below under “Prompt Corrective Action” as applicable to undercapitalized institutions.

As of December 31, 2011, WesBanco's Tier 1 and total capital to risk-adjusted assets ratios were 12.68% and 13.93%, respectively. As of December 31, 2011, WesBanco Bank also had capital in excess of the minimum requirements. Neither WesBanco nor the Bank had been advised by the appropriate federal banking regulator of any specific leverage ratio applicable to it. As of December 31, 2011, WesBanco's leverage ratio was 8.71%.

As of December 31, 2011, WesBanco had \$106.1 million in junior subordinated debt on its Consolidated Balance Sheets presented as a separate category of long-term debt. For regulatory purposes, Trust Preferred Securities totaling \$103.0 million underlying such junior subordinated debt were included in Tier 1 capital as of December 31, 2011, in accordance with regulatory reporting requirements. On March 1, 2005, the Federal Reserve Board adopted a rule retaining trust preferred securities in Tier 1 capital, but with stricter quantitative limits and clearer qualitative standards. Under this rule, after a transition period initially set to expire on March 31, 2009 but extended to March 31, 2011, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25 percent of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 capital, subject to restrictions.

The Dodd-Frank Act requires the federal banking agencies to develop consolidated capital requirements applicable to bank holding companies and banks. These new requirements must be at least as stringent as those currently applicable to banks, meaning that trust preferred securities will generally be excluded from Tier 1 capital. A grandfather provision, however, will permit bank holding companies with consolidated assets of less than \$15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature. WesBanco currently believes all of its Trust Preferred Securities will remain in Tier 1 capital. For more information regarding trust preferred securities, please refer to Note 12, "Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts" in the Consolidated Financial Statements.

The risk-based capital standards of the Federal Reserve Board and the FDIC specify that evaluations by the banking agencies of a bank's capital adequacy will include an assessment of the exposure to declines in the economic value of the bank's capital due to changes in interest rates. These banking agencies issued a joint policy statement on interest rate risk describing prudent methods for monitoring such risk that rely principally on internal measures of exposure and active oversight of risk management activities by senior management.

The federal regulatory authorities' risk-based capital guidelines are based upon agreements reached by the Basel Committee on Banking Supervision (the "Basel Committee"). The Basel Committee is a committee of central banks and bank supervisors and regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. In December 2010, the Basel Committee issued a strengthened set of international capital and liquidity standards for banks and bank holding companies, known as "Basel III." The Basel III reforms are supported by the U.S. federal banking agencies and will increase both the quantity and quality of capital banks and bank holding companies are required to hold. Regulators in each participating country will be expected to implement Basel III beginning January 1, 2013.

When Basel III is fully phased-in on January 1, 2019, banks and bank holding companies will be required to maintain: (i) a minimum Tier 1 common equity ratio of at least 4.5 percent, (ii) a minimum Tier 1 capital ratio of at least 6 percent, (iii) a minimum total capital ratio (Tier 1 and Tier 2 capital) of at least 8 percent; and (iv) a non-risk-based minimum leverage ratio (Tier 1 capital to average consolidated assets) of 3 percent. Although not presented as a minimum requirement, banks and bank holding companies will not be able to pay dividends unless they have an additional "capital conservation buffer" equal to a Tier 1 common equity ratio of 2.5 percent. Adding the capital conservation buffer on top of the minimums, banks and bank holding companies will generally need a Tier 1 common equity ratio of 7 percent, a Tier 1 capital ratio of 8.5 percent, and a total capital ratio of 10.5 percent. Under Basel III, regulators would also be able to impose a "countercyclical capital buffer" during periods of excessive credit growth. The countercyclical capital buffer would be an additional Tier 1 common equity ratio of up to 2.5 percent. Under Basel III, regulatory adjustments to common equity

will generally be eliminated by January 1, 2018, although an exception will permit a portion of mortgage servicing rights to continue being treated as common equity.

WesBanco cannot predict the precise timing or final form of forthcoming capital regulations that could be applicable to WesBanco or their impact on WesBanco. Capital requirements that may arise from regulations issued under the Dodd-Frank Act, Basel III, or some other initiative could increase the minimum capital requirements applicable to WesBanco and its subsidiaries.

## **PROMPT CORRECTIVE ACTION**

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) requires federal banking regulatory authorities to take “prompt corrective action” with respect to depository institutions that do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

An institution is deemed to be “well-capitalized” if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be “adequately capitalized” if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and generally a Tier 1 leverage ratio of 4% or greater and the institution does not meet the definition of a “well-capitalized” institution. An institution that does not meet one or more of the “adequately capitalized” tests is deemed to be “undercapitalized.” If the institution has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3%, or a Tier 1 leverage ratio that is less than 3%, it is deemed to be “significantly undercapitalized.” Finally, an institution is deemed to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%. At December 31, 2011, WesBanco Bank had capital levels that met the “well-capitalized” standards under FDICIA and its implementing regulations.

FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend, or paying any management fee to its holding company, if the depository institution would thereafter be undercapitalized. Undercapitalized institutions are subject to growth limitations and are required to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan by the appropriate federal banking agency. If an undercapitalized institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. Significantly undercapitalized institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions may not, beginning 60 days after becoming critically undercapitalized, make any payment of principal or interest on their subordinated debt and/or trust preferred securities. In addition, critically undercapitalized institutions are subject to appointment of a receiver or conservator within 90 days of becoming critically undercapitalized.

## **GRAMM-LEACH-BLILEY ACT**

Under the Gramm-Leach-Bliley Act (the “GLB Act”), banks are no longer prohibited from associating with, or having management interlocks with, a business organization engaged principally in securities activities. By qualifying as a “financial holding company,” as authorized under the GLB Act, which WesBanco has done, a bank holding company acquires new powers not otherwise available to it. As indicated above, WesBanco has elected to become a financial holding company under the GLB Act. It also has qualified a subsidiary of the Bank as a financial subsidiary under the GLB Act.

Financial holding company powers relate to “financial activities” that are determined by the Federal Reserve Board, in coordination with the Secretary of the Treasury, to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity, provided that the complementary activity does not pose a safety and soundness risk. The GLB Act itself defines certain activities as financial in nature, including but not limited to: underwriting insurance or annuities; providing financial or investment advice; underwriting, dealing in, or making markets in securities; merchant banking, subject to significant limitations; insurance company portfolio investing, subject to significant limitations; and any activities previously found by the Federal Reserve Board to be closely related to banking.

National and state banks are permitted under the GLB Act, subject to capital, management, size, debt rating, and CRA qualification factors, to have “financial subsidiaries” that are permitted to engage in financial activities not otherwise permissible. However, unlike financial holding companies, financial subsidiaries may not engage in insurance or annuity underwriting; developing or investing in real estate; merchant banking (for at least five years); or insurance company portfolio investing.

## **DODD-FRANK ACT**

On July 21, 2010, President Obama signed into law the Dodd-Frank Act, which contains numerous and wide-ranging reforms to the structure of the U.S. financial system. Portions of the Dodd-Frank Act are effective at different times, and many of the provisions are general statements directing regulators to draft more detailed rules. Although the full scope of the Dodd-Frank Act’s impact remains somewhat unclear, management expects that it will, over time, reduce revenue and increase expenses.

As a bank holding company, WesBanco will be subjected to increased capital requirements (discussed above under “Item 1. Business—Capital Requirements”). A provision known as the Volcker Rule will limit WesBanco’s ability to engage in proprietary trading, as well as its ability to sponsor or invest in hedge funds or private equity funds. A provision known as the Lincoln Rule will prevent WesBanco Bank from engaging in certain swap transactions unless they are carried out through a separately capitalized affiliate. Increased restrictions also will apply to transactions with and among WesBanco subsidiaries (discussed above under “Item 1. Business—Holding Company Regulations”), and the Federal Reserve Board will have increased authority to examine and take enforcement action against WesBanco and its subsidiaries that are not banks.

The Dodd-Frank Act makes several changes affecting the securitization markets, which may affect WesBanco’s ability or desire to use those markets to meet funding or liquidity needs. One of these changes calls for federal regulators to adopt regulations requiring the sponsor of a securitization to retain at least 5 percent of the credit risk, with exceptions for “qualified residential mortgages.”

As a publicly traded company, WesBanco is required to give shareholders an advisory vote on executive compensation, and, in some cases, golden parachute arrangements. The Dodd-Frank Act also calls for regulators to issue new rules relating to compensation committee independence, incentive-based compensation arrangements deemed excessive, and proxy access by shareholders.

WesBanco Bank and other insured depository institutions will have increased authority to open new branches across state lines (discussed above under “Item 1. Business—Supervision and Regulation”). A provision authorizing insured depository institutions to pay interest on checking accounts will likely increase WesBanco’s interest expenses. A new government agency, the Bureau of Consumer Financial Protection (the “Consumer Bureau”), will have the authority to write rules implementing numerous consumer protection laws applicable to all banks (discussed below under “Item 1. Business—Consumer Protection Laws”).

## **CONSUMER PROTECTION LAWS**

In connection with its lending and leasing activities, WesBanco Bank is subject to a number of federal and state laws designed to protect consumers and promote lending and other financial services to various sectors of

the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Electronic Fund Transfer Act, and, in some cases, their respective state law counterparts. The new Consumer Bureau created by the Dodd-Frank Act now has consolidated authority to write regulations implementing these and other laws. WesBanco's other subsidiaries that provide services relating to consumer financial products and services will also be subject to the Consumer Bureau's regulations. As an institution with assets of less than \$10 billion, WesBanco Bank will continue to be examined by the FDIC for compliance with these rules. Relating to mortgage lending, the Dodd-Frank Act requires new disclosures, verification, and restrictions, some of which are expected to limit the creation of variable-rate mortgages. In addition, the Dodd-Frank Act required the Federal Reserve Board to write rules to limit debit card interchange fees to those "reasonable and proportional" to the cost of transactions, which were implemented on October 1, 2011. Even though the limits on debit card interchange fees apply only to institutions with more than \$10 billion in assets, market forces may over time limit debit card interchange fees as a source of revenue for all banks, including smaller banks like WesBanco Bank.

Federal law currently contains extensive customer privacy protection provisions. Under these provisions, a financial institution must provide to its customers, at the inception of the customer relationship and annually thereafter, the institution's policies and procedures regarding the handling of customers' nonpublic personal financial information. These provisions also provide that, except for certain limited exceptions, an institution may not provide such personal information to unaffiliated third parties unless the institution discloses to the customer that such information may be so provided and the customer is given the opportunity to opt out of such disclosure. Federal law makes it a criminal offense, except in limited circumstances, to obtain or attempt to obtain customer information of a financial nature by fraudulent or deceptive means.

The CRA requires WesBanco Bank's primary federal bank regulatory agency, the FDIC, to assess WesBanco Bank's record in meeting the credit needs of the communities served by the bank, including low and moderate-income neighborhoods and persons. Institutions are assigned one of four ratings: "Outstanding," "Satisfactory," "Needs to Improve" or "Substantial Noncompliance." This assessment is reviewed when a bank applies to merge or consolidate with or acquire the assets or assume the liabilities of an insured depository institution, or to open or relocate a branch office. WesBanco Bank's current CRA rating is "Outstanding."

## **SECURITIES REGULATION**

WesBanco's full service broker-dealer subsidiary, WesBanco Securities, is registered as a broker-dealer with the SEC and in the states in which it does business. WesBanco Securities also is a member of FINRA. WesBanco Securities is subject to regulation by the SEC, FINRA and the securities administrators of the states in which it is registered. WesBanco Securities is a member of the Securities Investor Protection Corporation, which in the event of the liquidation of a broker-dealer, provides protection for customers' securities accounts held by WesBanco Securities of up to \$500,000 for each eligible customer, subject to a limitation of \$250,000 for claims for cash balances.

In addition, WesBanco Bank's Investment Department serves as an investment adviser to a family of mutual funds and is registered as an investment adviser with the SEC and in some states.

## **ANTI-MONEY LAUNDERING INITIATIVES AND THE USA PATRIOT ACT**

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the "USA Patriot Act") substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued various implementing regulations which apply various requirements of the USA Patriot Act to financial institutions, such as WesBanco Bank and WesBanco's broker-dealer subsidiary. These regulations impose obligations on financial institutions to



maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of WesBanco and its subsidiaries to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for WesBanco and its subsidiaries.

## **ITEM 1A. RISK FACTORS**

The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed.

### **DUE TO INCREASED COMPETITION, WESBANCO MAY NOT BE ABLE TO ATTRACT AND RETAIN BANKING CUSTOMERS AT CURRENT LEVELS.**

WesBanco operates in a highly competitive banking and financial industry that could become even more competitive as a result of legislative, regulatory and technological changes. WesBanco faces banking competition in all the markets it serves from the following:

- local, regional and national banks;
- savings and loans;
- internet banks;
- credit unions;
- finance companies; and
- brokerage firms serving WesBanco's market areas.

In particular, WesBanco Bank's competitors include several major national financial companies whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and mount extensive promotional and advertising campaigns. Additionally, banks and other financial institutions may have products and services not offered by WesBanco, which may cause current and potential customers to choose those institutions. Areas of competition include interest rates for loans and deposits, efforts to obtain deposits and range and quality of services provided. If WesBanco is unable to attract new and retain current customers, loan and deposit growth could decrease, causing WesBanco's results of operations and financial condition to be negatively impacted.

### **WESBANCO MAY NOT BE ABLE TO EXPAND ITS TRUST AND INVESTMENT SERVICES SEGMENT AND RETAIN ITS CURRENT CUSTOMERS.**

WesBanco may not be able to attract new and retain current investment management clients due to competition from the following:

- commercial banks and trust companies;
- mutual fund companies;
- investment advisory firms;
- law firms;
- brokerage firms; and
- other financial services companies.

Its ability to successfully attract and retain investment management clients is dependent upon its ability to compete with competitors' investment products, level of investment performance, client services and marketing and distribution capabilities. Due to changes in economic conditions, the performance of the trust and investment services segment may be negatively impacted by the financial markets in which investment clients' assets are invested, causing clients to seek other alternative investment options. If WesBanco is not successful, its results from operations and financial position may be negatively impacted.

**CUSTOMERS MAY DEFAULT ON THE REPAYMENT OF LOANS WHICH COULD SIGNIFICANTLY IMPACT RESULTS OF OPERATIONS THROUGH INCREASES IN THE PROVISION AND ALLOWANCE FOR LOAN LOSSES.**

The Bank's customers may default on the repayment of loans, which may negatively impact WesBanco's earnings due to loss of principal and interest income. Increased operating expenses may result from the allocation of management time and resources to the collection and work-out of the loan. Collection efforts may or may not be successful causing WesBanco to write off the loan or repossess the collateral securing the loan, which may or may not exceed the balance of the loan.

WesBanco maintains an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expense, to provide for probable incurred losses in our loan portfolio. Management evaluates the adequacy of the allowance for loan losses at least quarterly, which includes testing certain individual loans as well as collective pools of loans for impairment. This evaluation includes an assessment of actual loss experience within each category of the portfolio, individual commercial and commercial real estate loans that exhibit credit weakness; current economic events, including employment statistics, trends in bankruptcy filings, and other pertinent factors; industry or geographic concentrations; and regulatory guidance.

WesBanco's regulatory agencies periodically review the allowance for loan losses. Based on their assessment the regulatory agencies may require WesBanco to adjust the allowance for loan losses. These adjustments could negatively impact WesBanco's results of operations or financial position.

**ECONOMIC CONDITIONS IN WESBANCO'S MARKET AREAS COULD NEGATIVELY IMPACT EARNINGS.**

WesBanco Bank serves both individuals and business customers throughout West Virginia, Ohio and Western Pennsylvania. The substantial majority of WesBanco's loan portfolio is to individuals and businesses in these markets. As a result, the financial condition, results of operations and cash flows of WesBanco are affected by local and regional economic conditions. A downturn in these economies could have a negative impact on WesBanco and the ability of the Bank's customers to repay their loans. The value of the collateral securing loans to borrowers may also decline as the economy declines. As a result, deteriorating economic conditions in these markets could cause a decline in the overall quality of WesBanco's loan portfolio requiring WesBanco to charge-off a higher percentage of loans and/or increase its allowance for loan losses. A decline in economic conditions in these markets may also force customers to utilize deposits held by WesBanco Bank in order to pay current expenses causing the Bank's deposit base to shrink. As a result the Bank may have to borrow funds at higher rates in order to meet liquidity needs. These events may have a negative impact on WesBanco's earnings and financial condition.

**CURRENT MARKET INTEREST RATES AND COST OF FUNDS MAY NEGATIVELY IMPACT WESBANCO'S BANKING BUSINESS.**

Fluctuations in interest rates may negatively impact the business of the Bank. The Bank's main source of income from operations is net interest income, which is equal to the difference between the interest income received on interest-bearing assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (usually deposits and borrowings). These rates are highly sensitive to

many factors beyond WesBanco's control, including general economic conditions, both domestic and foreign, and the monetary and fiscal policies of various governmental and regulatory authorities. WesBanco Bank's net interest income can be affected significantly by changes in market interest rates. Changes in relative interest rates may reduce the Bank's net interest income as the difference between interest income and interest expense decreases. As a result, the Bank has adopted asset and liability management policies to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments and funding sources. However, even with these policies in place, WesBanco cannot be certain that changes in interest rates or the shape of the interest rate yield curve will not negatively impact its results of operations or financial position.

WesBanco's cost of funds for banking operations may not decrease at the same pace as asset yields, particularly in the current very low interest rate environment, where certain rates are subject to artificial floors or are approaching 0%. Cost of funds also may increase as a result of future general economic conditions, interest rates and competitive pressures. The Bank has traditionally obtained funds principally through deposits and wholesale borrowings. As a general matter, deposits are a cheaper source of funds than borrowings because interest rates paid for deposits are typically less than interest rates charged for borrowings. If, as a result of general economic conditions, market interest rates, competitive pressures or otherwise, the value of deposits at the Bank decreases relative to its overall banking operations, the Bank may have to rely more heavily on borrowings as a source of funds in the future.

#### **SIGNIFICANT DECLINES IN U.S. AND FOREIGN MARKETS COULD HAVE A NEGATIVE IMPACT ON WESBANCO'S EARNINGS.**

The capital and credit markets have experienced extreme disruption in recent years. These conditions resulted in less liquidity, greater volatility, widening of credit spreads and a lack of price transparency in certain asset types. In many cases, the markets have exerted downward pressure on stock prices, security prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. Sustained weakness in business and economic conditions in any or all of the domestic or foreign financial markets could result in credit deterioration in investment securities held by us, rating agency downgrades for such securities or other market factors that could result in us having to recognize other-than-temporary impairment in the value of such investment securities, with a corresponding charge against earnings. Furthermore, our pension assets are primarily invested in equity and debt securities, and weakness in capital and credit markets could result in deterioration of these assets, and changes in certain key pension assumptions based on current interest rates, long-term rates of return and other economic or actuarial assumptions may increase minimum funding contributions and future pension expense. If the markets deteriorate further, these conditions may be material to WesBanco's ability to access capital and may adversely impact results of operations.

Further, WesBanco's trust and investment services income could be impacted by fluctuations in the securities market. A portion of this revenue is based on the value of the underlying investment portfolios. If the values of those investment portfolios decline, the Bank's revenue could be negatively impacted.

#### **WESBANCO MAY BE REQUIRED TO WRITE DOWN GOODWILL AND OTHER INTANGIBLE ASSETS, CAUSING ITS FINANCIAL CONDITION AND RESULTS TO BE NEGATIVELY AFFECTED.**

When WesBanco acquires a business, a portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price which is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. Under current accounting standards, if WesBanco determines goodwill or intangible assets are impaired, it is required to write down the carrying value of these assets. WesBanco conducts an annual review to determine whether goodwill and other identifiable intangible assets are impaired. WesBanco completed such an impairment analysis in 2011 and concluded that no impairment charge was necessary for the year ended December 31, 2011. WesBanco cannot provide assurance that it will not be required to take an impairment charge in the future. Any impairment charge would have a negative effect on its stockholders' equity and financial results and may cause a decline in our stock price.

## **ACQUISITION OPPORTUNITIES MAY NOT BE AVAILABLE TO WESBANCO IN THE FUTURE.**

WesBanco continually evaluates opportunities to acquire other businesses. However, WesBanco may not have the opportunity to make suitable acquisitions on favorable terms in the future, which could negatively impact the growth of its business. WesBanco expects that other banking and financial companies, many of which have significantly greater resources, will compete to acquire compatible businesses. This competition could increase prices for acquisitions that WesBanco would likely pursue, and its competitors may have greater resources than it does. Also, acquisitions of regulated businesses such as banks are subject to various regulatory approvals. If WesBanco fails to receive the appropriate regulatory approvals, it will not be able to consummate an acquisition that it believes is in its best interests.

## **WESBANCO IS SUBJECT TO EXTENSIVE GOVERNMENT REGULATION AND SUPERVISION.**

WesBanco is subject to extensive federal and state regulation, supervision and examination. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect WesBanco's lending practices, capital structure, investment practices, dividend policy, operations and growth, among other things. These regulations also impose obligations to maintain appropriate policies, procedure and controls. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect WesBanco in substantial and unpredictable ways. Such changes could subject WesBanco to additional costs, limit the types of financial services and products that could be offered, and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil penalties and /or reputation damage, which could have a material adverse effect on WesBanco's business, financial condition and result of operations.

As of December 31, 2011, WesBanco had \$106.1 million in junior subordinated debt presented as a separate category of long-term debt on its Consolidated Balance Sheets. For regulatory purposes, Trust Preferred Securities totaling \$103.0 million underlying such junior subordinated debt are included in Tier 1 capital in accordance with regulatory reporting requirements. On March 1, 2005, the Federal Reserve Board adopted a rule that retains trust preferred securities in Tier 1 capital, but with stricter quantitative limits and clearer qualitative standards. Under the rule, after a transition period that was originally set to end on March 31, 2009 but has since been extended to March 31, 2011, the aggregate amount of trust preferred securities and certain other capital elements will be limited to 25 percent of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit can be included in Tier 2 capital, subject to restrictions. The Dodd-Frank Act requires the federal banking agencies to develop new consolidated capital requirements applicable to bank holding companies and banks. These rules will generally exclude trust preferred securities from Tier 1 capital. A grandfather provision will permit bank holding companies with consolidated assets of less than \$15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature.

The rule is not expected to have an impact on WesBanco's Tier 1 capital; but if WesBanco issued additional trust preferred securities, they would not count as Tier 1 capital. Furthermore, if WesBanco incurs material operating losses, WesBanco's Tier 1 capital ratio may be negatively impacted. WesBanco's earnings may also be negatively impacted due to prepayment penalties associated with the redemption of certain of the trust preferred securities.

In addition, new international capital standards known as Basel III are expected to further increase the minimum capital requirements applicable to WesBanco and WesBanco Bank, which may negatively impact WesBanco and the Bank. Additional information about these and other expected changes in capital requirements are described above in "Item 1. Business—Capital Requirements."

Regulation of WesBanco and its subsidiaries is expected to continue to expand in scope and complexity in the future. These laws are expected to have the effect of increasing WesBanco's costs of doing business, reducing its revenues, and may limit its ability to pursue business opportunities or otherwise adversely affect its business and financial condition. The Dodd-Frank Act and other laws, as well as rules implementing or related to them, may adversely affect WesBanco. Specifically, any governmental or regulatory action having the effect of requiring WesBanco to obtain additional capital could reduce earnings and have a material dilutive effect on current shareholders, including the Dodd-Frank Act source of strength requirement that bank holding companies make capital infusions into a troubled subsidiary bank. Legislation and regulation of debit card fees, credit cards and other bank services, as well as changes in WesBanco's practices relating to those and other bank services, may affect WesBanco's revenue and other financial results. Additional information about increased regulation is provided in "Item 1. Business" under the headings "Supervision and Regulation," "Holding Company Regulations," "Capital Requirements," "Dodd-Frank Act," and "Consumer Protection Laws."

WesBanco is also subject to tax laws and regulations promulgated by the United States government and the states in which it operates. Changes to these laws and regulations or the interpretations of such laws and regulations by taxing authorities could impact future tax expense and the value of deferred tax assets.

#### **LIMITED AVAILABILITY OF BORROWINGS AND LIQUIDITY FROM THE FEDERAL HOME LOAN BANK SYSTEM AND OTHER SOURCES COULD NEGATIVELY IMPACT EARNINGS.**

WesBanco Bank is currently a member bank of the Federal Home Loan Bank ("FHLB") of Pittsburgh, and retains certain short-term borrowings from the FHLB of Cincinnati from prior bank acquisitions, but is no longer considered a member bank of such FHLB. Membership in this system of quasi-governmental, regional home-loan oriented agency banks allows us to participate in various programs offered by the FHLB. We borrow funds from the FHLB, which are secured by a blanket lien on certain residential mortgage loans or securities with collateral values in excess of the outstanding balances. Current and future earnings shortfalls and minimum capital requirements of the FHLB may impact the collateral necessary to secure borrowings and limit the borrowings extended to their member banks, as well as require additional capital contributions by member banks. Should this occur, WesBanco's short-term liquidity needs could be negatively impacted. Should WesBanco be restricted from using FHLB advances due to weakness in the system or with the FHLB of Pittsburgh, WesBanco may be forced to find alternative funding sources. If WesBanco is required to rely more heavily on higher cost funding sources, revenues may not increase proportionately to cover these costs, which would adversely affect WesBanco's results of operations and financial position.

On February 22, 2012, the FHLB of Pittsburgh announced that it would pay a dividend on the average capital stock balance held during the three month period ended December 31, 2011 at an annualized rate of 0.10% for the first time since late 2008. They also will continue to partially repurchase certain amounts of excess stock held by member banks. Such repurchase was also suspended in late 2008 and partially restored five quarters ago. However, the FHLB also noted future dividend payments and capital stock repurchases will continue to be reviewed on a quarterly basis. The FHLB of Pittsburgh stock owned by WesBanco totaled \$20.4 million and \$25.0 million at December 31, 2011 and 2010, respectively. If the financial condition of the FHLB of Pittsburgh were to further deteriorate, the corresponding FHLB stock owned by WesBanco may be deemed a non-earning asset and could potentially be evaluated for impairment with any loss recognized through earnings.

#### **WESBANCO'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS DEPEND ON THE SUCCESSFUL GROWTH OF ITS SUBSIDIARIES.**

WesBanco's primary business activity for the foreseeable future will be to act as the holding company of its banking and other subsidiaries. Therefore, WesBanco's future profitability will depend on the success and growth of these subsidiaries. In the future, part of WesBanco's growth may come from buying other banks and buying or establishing other companies. Such entities may not be profitable after they are purchased or established, and they may lose money or be dilutive to earnings per share, particularly for the first few years. A new bank or company may bring with it unexpected liabilities, bad loans, or poor employee relations, or the new bank or company may lose customers and the associated revenue.

**WESBANCO'S ABILITY TO PAY DIVIDENDS IS LIMITED, AND COMMON STOCK DIVIDENDS MAY HAVE TO BE REDUCED OR ELIMINATED.**

Holders of shares of WesBanco's common stock are entitled to dividends if, when, and as declared by WesBanco's Board of Directors out of funds legally available for that purpose. Although the Board of Directors has declared cash dividends in the past, the current ability to pay dividends is largely dependent upon the receipt of dividends from the Bank. Federal and state laws impose restrictions on the ability of the Bank to pay dividends, which restrictions are more fully described in "Item 1. Business—Payment of Dividends." In general, future dividend policy is subject to the discretion of the Board of Directors and will depend upon a number of factors, including WesBanco's and the Bank's future earnings, liquidity and capital requirements, regulatory constraints and financial condition.

**WESBANCO MAY ENCOUNTER INTEGRATION DIFFICULTIES OR MAY FAIL TO REALIZE THE ANTICIPATED BENEFITS OF ACQUISITIONS.**

WesBanco may not be able to integrate any new acquisitions without encountering difficulties including, without limitation, the loss of key employees and customers, the disruption of ongoing businesses or possible inconsistencies in standards, controls, procedures and policies. Any future acquisitions may also result in other unforeseen difficulties, including integration of the combined companies, which could require significant time and attention from our management that would otherwise be directed at developing our existing business and expenses may be higher than initially projected. In addition, we could discover undisclosed liabilities resulting from any acquisitions for which we may become responsible. Further, benefits such as enhanced earnings that we anticipate from these acquisitions may not develop and future results of the combined companies may be materially lower from those estimated.

**HIGHER FDIC DEPOSIT INSURANCE PREMIUMS AND ASSESSMENTS COULD ADVERSELY AFFECT WESBANCO'S FINANCIAL CONDITION.**

Since 2008, the economic environment caused higher levels of bank failures, which dramatically increased FDIC resolution costs and led to a significant reduction in the deposit insurance fund. In order to restore reserve ratios of the deposit insurance fund, the FDIC has in the past few years significantly increased the assessment rates paid by financial institutions for deposit insurance. In addition, in May 2009, the FDIC imposed a special assessment on all insured institutions, and in November 2009, it adopted a rule requiring banks to prepay their FDIC assessments for years through 2012 which accompanied a rate increase beginning in 2011. While the Deposit Insurance Fund balance has improved recently, and a new assessment base that reduced rates for smaller community banks was adopted in 2011, the FDIC has indicated that future special assessments are possible, although it has not determined the magnitude or timing of any future assessments. Additional increases in FDIC insurance premiums and future special assessments may adversely affect WesBanco's results of operations and financial condition.

**INTERRUPTION TO OUR INFORMATION SYSTEMS COULD ADVERSELY AFFECT WESBANCO'S OPERATIONS.**

WesBanco relies on information systems and communications for operating and monitoring all major aspects of business, as well as internal management functions. Any failure, interruption, intrusion or breach in security of these systems could result in failures or disruptions in the WesBanco customer relationship, management, general ledger, deposit, loan and other systems. While WesBanco has policies, procedures and technical safeguards designed to prevent or limit the effect of any failure, interruption, intrusion or security breach of its information systems, there can be no assurance that the above-noted issues will not occur or, if they do occur, that they will be adequately addressed. Any disruption in the operation of WesBanco's information systems could damage WesBanco's reputation, result in a loss of customer business, subject WesBanco to additional regulatory scrutiny, and expose WesBanco to civil litigation and possible financial liability, any of which could have a material effect on WesBanco's business, results of operations and financial condition.

**LOSS OF KEY EMPLOYEES COULD IMPACT GROWTH AND EARNINGS AND MAY HAVE AN ADVERSE IMPACT ON BUSINESS.**

Our operating results and ability to adequately manage our growth are highly dependent on the services, managerial abilities and performance of our key employees, including executive officers and senior management. Our success depends upon our ability to attract and retain highly skilled and qualified management, loan origination, finance, administrative, marketing and technical personnel and upon the continued contributions of this management and personnel. The loss of services, or the inability to successfully complete planned transitions of key personnel approaching normal retirement age, could have an adverse impact on WesBanco's business, operating results and financial condition because of their skills, knowledge of the local markets, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

**WESBANCO IS SUBJECT TO LENDING CONCENTRATION RISKS.**

As of December 31, 2011, approximately 65% of WesBanco's loan portfolio consisted of commercial loans including commercial real estate. Commercial loans are generally viewed as having more inherent risk of default than residential mortgage or consumer loans. The repayment of these loans often depends on the successful operation of a business or the sale or development of the underlying property and as a result, is more likely to be adversely affected by adverse conditions in the real estate market or the economy in general. Also, the commercial loan balance per borrower is typically larger than that for residential mortgage loans and consumer loans, inferring higher potential losses on an individual loan basis. The deterioration of one or a few of these loans could cause a significant increase in nonperforming loans and a reduction in interest income. An increase in nonperforming loans could result in an increase in the provision for loan losses and an increase in loan charge-offs, both of which could have a material adverse effect on WesBanco's financial condition and results of operations.

**WESBANCO MAY NEED TO RAISE CAPITAL IN THE FUTURE, BUT CAPITAL MAY NOT BE AVAILABLE WHEN NEEDED OR AT ACCEPTABLE TERMS.**

Federal and state banking regulators require WesBanco and its banking subsidiary, WesBanco Bank, to maintain adequate levels of capital to support its operations. In addition, in the future WesBanco may need to raise additional capital to support its business or to finance acquisitions, if any, or WesBanco may otherwise elect to raise additional capital in anticipation of future growth opportunities. Many financial institutions have sought to raise considerable amounts of capital over the last few years in response to deterioration in their results of operations and financial condition arising from the turmoil in the mortgage loan market, deteriorating economic conditions, declines in real estate values and other factors, including capital requirements that have been or are anticipated to be imposed by new regulations, such as the Basel III reforms or the Dodd-Frank Act. Such overall market demand for capital may diminish WesBanco's ability to raise additional capital if and when it is needed. Future growth in WesBanco's earning assets at rates in excess of the rate at which its capital is increased through retained earnings would result in a reduction of WesBanco's regulatory capital ratios. Also, future unexpected losses, whether resulting from loan losses or other causes, would reduce total capital.

WesBanco's ability to raise additional capital for parent company or banking subsidiary needs will depend on conditions at that time in the capital markets, overall economic conditions, WesBanco's financial performance and condition, and other factors, many of which are outside our control. There is no assurance that, if needed, WesBanco will be able to raise additional capital on favorable terms or at all. An inability to raise additional capital may have a material adverse effect on our ability to expand operations, and on our financial condition, results of operations and future prospects.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

WesBanco's subsidiaries generally own their respective offices, related facilities and any unimproved real property held for future expansion. At December 31, 2011, WesBanco operated 112 banking offices in West Virginia, Ohio and Western Pennsylvania, and one loan production office, of which 87 were owned and 26 were leased under long-term operating leases. These leases expire at various dates through October 2027 and generally include options to renew. The Bank also owns several regional headquarters buildings in various markets that may also house certain back office functions.

The main office of WesBanco is located at 1 Bank Plaza, Wheeling, West Virginia, in a building owned by the Bank. The building contains approximately 100,000 square feet and serves as the main office for both WesBanco's community banking segment and its trust and investment services segment. The Bank's back office operations currently occupy approximately 80% of the space available in an office building adjacent to the main office, which is owned by WesBanco Properties, Inc., a subsidiary of WesBanco, with the remainder of the building leased to unrelated businesses.

At various building locations, WesBanco rents or looks to provide commercial office space to unrelated businesses. Rental income totaled \$0.6 million for both 2011 and 2010. For additional disclosures related to WesBanco's properties, other fixed assets and leases, please refer to Note 6, "Premises and Equipment" in the Consolidated Financial Statements.

## **ITEM 3. LEGAL PROCEEDINGS**

WesBanco is involved in lawsuits, claims, investigations and proceedings which arise in the ordinary course of business. There are no such matters pending that WesBanco expects to be material in relation to its business, financial condition or results of operations.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not Applicable.



## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

WesBanco's common stock is quoted on the NASDAQ Global Stock Market under the symbol WSBC. The approximate number of holders of WesBanco's \$2.0833 par value common stock as of February 27, 2012 was 4,858, not including shares held in nominee positions. The number of holders does not include WesBanco employees who have had stock allocated to them through WesBanco's KSOP. All WesBanco employees who meet the eligibility requirements of the KSOP are included in the Plan.

The table below presents for each quarter in 2011 and 2010, the high and low sales price per share as reported by NASDAQ and cash dividends declared per share.

	2011			2010		
	High	Low	Dividend Declared	High	Low	Dividend Declared
Fourth quarter . . . . .	<b>\$21.19</b>	<b>\$16.06</b>	<b>\$0.160</b>	\$19.98	\$15.92	\$0.140
Third quarter . . . . .	<b>20.78</b>	<b>16.34</b>	<b>0.160</b>	17.90	14.15	0.140
Second quarter . . . . .	<b>21.44</b>	<b>18.45</b>	<b>0.150</b>	20.18	16.04	0.140
First quarter . . . . .	<b>20.99</b>	<b>17.76</b>	<b>0.150</b>	17.40	11.90	0.140

WesBanco, Inc. has eight capital trusts, which are all wholly-owned trust subsidiaries of WesBanco formed for the purpose of issuing Trust Preferred Securities and lending the proceeds to WesBanco. The debentures and trust preferred securities issued by the trusts provide that WesBanco has the right to elect to defer the payment of interest on the debentures and trust preferred securities for up to an aggregate of 20 quarterly periods. However, if WesBanco should defer the payment of interest or default on the payment of interest, it may not declare or pay any dividends on its common stock during any such period.

Federal and state laws impose restrictions on the ability of the Bank to pay dividends, which restrictions are more fully described in Item 1. "Business—Payment of Dividends."

For additional disclosure relating to WesBanco Trust Preferred Securities, refer to Note 12, "Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts" in the Consolidated Financial Statements.

As of December 31, 2011, WesBanco had a stock repurchase plan in which up to one million shares can be acquired. The plan was originally approved by the Board of Directors on March 21, 2007 and provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time. There were no general open market repurchases in 2011, other than those for KSOP and dividend reinvestment plans. At December 31, 2011, there were 584,325 shares remaining to be purchased under the plan.

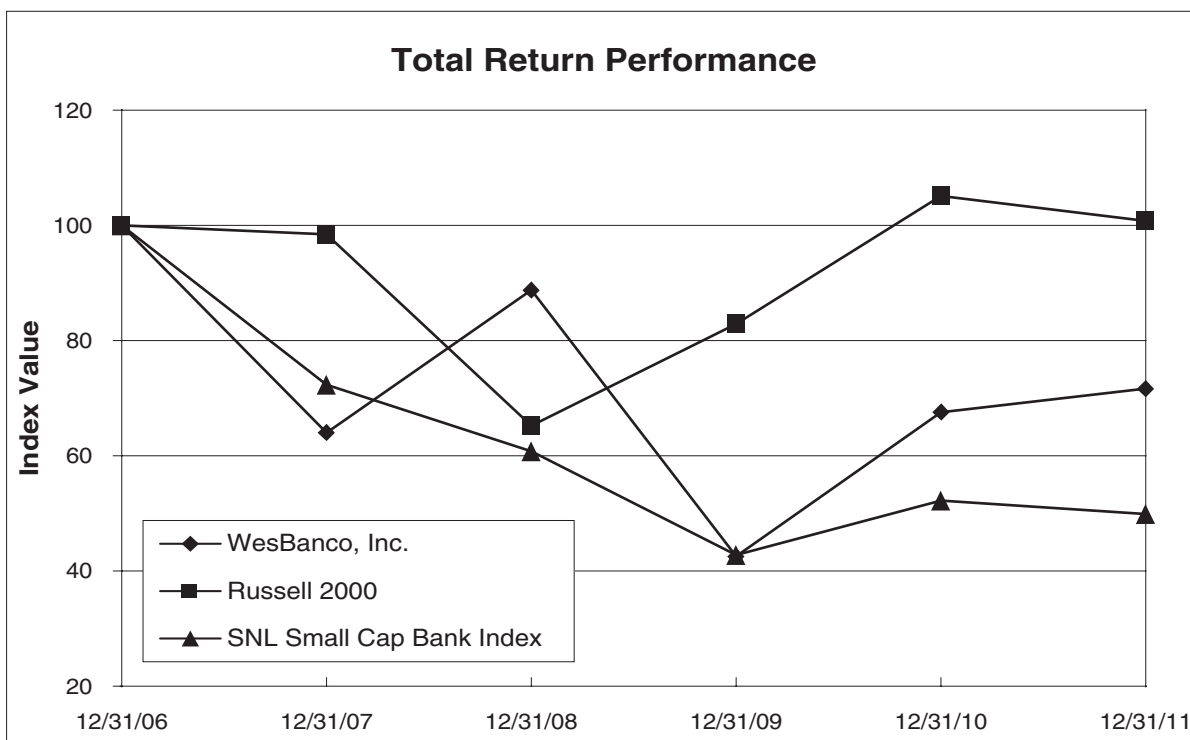
Certain information relating to securities authorized for issuance under equity compensation plans is set forth under the heading "Equity Compensation Plan Information" in Part III, Item 12. "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

The following table shows the activity in WesBanco's stock repurchase plan and other purchases for the quarter ended December 31, 2011:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans</u>
Balance at September 30, 2011 .....				584,325
<b>October 1, 2011 to October 31, 2011</b>				
Open market repurchases .....	—	\$ —	—	584,325
Other transactions (1) .....	23,476	17.51	N/A	N/A
<b>November 1, 2011 to November 30, 2011</b>				
Open market repurchases .....	—	—	—	584,325
Other transactions (1) .....	6,226	19.34	N/A	N/A
<b>December 1, 2011 to December 31, 2011</b>				
Open market repurchases .....	—	—	—	584,325
Other transactions (1) .....	<u>2,149</u>	<u>19.63</u>	<u>N/A</u>	<u>N/A</u>
<b>Fourth Quarter 2011</b>				
Open market repurchases .....	—	—	—	584,325
Other transactions (1) .....	<u>31,851</u>	<u>18.01</u>	<u>N/A</u>	<u>N/A</u>
<b>Total</b> .....	<u><u>31,851</u></u>	<u><u>\$18.01</u></u>	<u><u>—</u></u>	<u><u>584,325</u></u>

(1) Consists of open market purchases transacted in the KSOP and dividend reinvestment plans.  
N/A—Not applicable

The following graph shows a comparison of cumulative total shareholder returns for WesBanco, the Russell 2000 Index, and the SNL Small Cap Bank Index. The total shareholder return assumes a \$100 investment in the common stock of WesBanco and each index since December 31, 2006 with reinvestment of dividends.



<i>Index</i>	December 31,					
	2006	2007	2008	2009	2010	2011
WesBanco, Inc. ....	\$100.00	\$64.03	\$88.74	\$42.55	\$ 67.60	\$ 71.66
Russell 2000 .....	100.00	98.43	65.18	82.89	105.14	100.75
SNL Small Cap Bank Index .....	100.00	72.30	60.78	42.72	52.19	49.84

## ITEM 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from WesBanco's audited financial statements as of and for the five years ended December 31, 2011. The following consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") and the Consolidated Financial Statements and related notes included elsewhere in this report. WesBanco's acquisitions during the five years ended December 31, 2011, which include Oak Hill Financial, Inc., on November 30, 2007 and five former AmTrust branches on March 27, 2009, are included in results of operations since their respective dates of acquisition.

<i>(dollars in thousands, except shares and per share amounts)</i>	For the years ended December 31,				
	2011	2010	2009	2008	2007
<b>PER COMMON SHARE INFORMATION</b>					
Earnings per common share—basic	\$ 1.65	\$ 1.34	\$ 0.70	\$ 1.42	\$ 2.09
Earnings per common share—diluted	1.65	1.34	0.70	1.42	2.09
Dividends per common share	0.62	0.56	0.84	1.12	1.10
Book value at year end	23.80	22.83	22.16	24.82	21.86
Tangible book value at year end (1)	13.17	12.09	11.31	14.74	11.44
Average common shares outstanding—basic	26,614,697	26,579,735	26,566,133	26,551,467	21,359,935
Average common shares outstanding—diluted	26,615,281	26,580,293	26,567,291	26,563,320	21,392,010
<b>SELECTED BALANCE SHEET INFORMATION</b>					
Securities	\$ 1,609,265	\$ 1,426,191	\$ 1,263,254	\$ 935,588	\$ 937,084
Loans held for sale	6,084	10,800	9,441	3,874	39,717
Net portfolio loans	3,184,558	3,227,625	3,409,786	3,554,506	3,682,006
Total assets	5,536,030	5,361,458	5,397,352	5,222,041	5,384,326
Deposits	4,393,866	4,172,423	3,974,233	3,503,916	3,907,930
Total FHLB and other borrowings	365,073	440,991	684,915	894,695	735,313
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,066	106,034	111,176	111,110	111,024
Shareholders' equity	633,790	606,863	588,716	659,371	580,319
<b>SELECTED RATIOS</b>					
Return on average assets	0.81%	0.66%	0.43%	0.73%	1.09%
Return on average tangible assets (1)	0.88%	0.73%	0.49%	0.82%	1.17%
Return on average equity	7.01%	5.88%	3.73%	6.42%	10.63%
Return on average tangible equity (1)	13.32%	11.72%	7.26%	12.58%	17.48%
Return on average common equity	7.01%	5.88%	3.16%	6.48%	10.63%
Allowance for loan losses to total loans	1.69%	1.86%	1.76%	1.38%	1.03%
Allowance for loan losses to total non-performing loans	0.63x	0.63x	0.76x	1.37x	1.94x
Non-performing assets to total assets	1.62%	1.95%	1.65%	0.74%	0.44%
Net loan charge-offs to average loans	1.30%	1.28%	1.10%	0.58%	0.28%
Shareholders' equity to total assets	11.45%	11.32%	10.91%	12.63%	10.78%
Tangible equity to tangible assets (1)	6.68%	6.33%	5.88%	7.90%	5.94%
Tangible common equity to tangible assets (1)	6.68%	6.33%	5.88%	6.44%	5.94%
Tier 1 leverage ratio	8.71%	8.35%	7.86%	10.27%	9.90%
Tier 1 capital to risk-weighted assets	12.68%	11.94%	11.12%	13.21%	10.43%
Total capital to risk-weighted assets	13.93%	13.20%	12.37%	14.46%	11.41%
Dividend payout ratio	37.58%	41.79%	120.00%	78.87%	52.63%
Trust assets at market value (2)	\$ 2,973,352	\$ 2,943,786	\$ 2,668,610	\$ 2,400,211	\$ 3,084,145

- (1) See non-GAAP Measures with this Item 6. "Selected Financial Data" for additional information relating to the calculation of this item.
- (2) Trust assets are held by the Bank, in fiduciary or agency capacities for its customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

<i>(dollars in thousands, except per share amounts)</i>	For the years ended December 31,				
	2011	2010	2009	2008	2007
<b>SUMMARY STATEMENTS OF INCOME</b>					
Interest income	\$224,167	\$236,528	\$257,364	\$281,766	\$236,393
Interest expense	54,802	70,436	98,992	121,229	117,080
Net interest income	169,365	166,092	158,372	160,537	119,313
Provision for credit losses	35,311	44,578	50,372	32,649	8,516
Net interest income after provision for credit losses	134,054	121,514	108,000	127,888	110,797
Non-interest income	59,888	59,599	64,589	57,346	52,939
Non-interest expense	140,295	141,152	149,648	142,624	111,046
Income before income taxes	53,647	39,961	22,941	42,610	52,690
Provision for income taxes	9,838	4,350	(992)	4,493	8,021
Net income	\$ 43,809	\$ 35,611	\$ 23,933	\$ 38,117	\$ 44,669
Preferred dividends	—	—	5,233	293	—
Net income available to common shareholders	\$ 43,809	\$ 35,611	\$ 18,700	\$ 37,824	\$ 44,669
Earnings per common share—basic	\$ 1.65	\$ 1.34	\$ 0.70	\$ 1.42	\$ 2.09
Earnings per common share—diluted	\$ 1.65	\$ 1.34	\$ 0.70	\$ 1.42	\$ 2.09

### Non-GAAP Measures

The following non-GAAP financial measures used by WesBanco provide information that WesBanco believes is useful to investors in understanding WesBanco's operating performance and trends, and facilitates comparisons with the performance of WesBanco's peers. The following tables summarize the non-GAAP financial measures derived from amounts reported in WesBanco's financial statements.

<i>(dollars in thousands)</i>	For the year ended December 31,				
	2011	2010	2009	2008	2007
<b>Tangible equity to tangible assets:</b>					
Total shareholders' equity	\$ 633,790	\$ 606,863	\$ 588,716	\$ 659,371	\$ 580,319
Less: goodwill and other intangible assets	(283,150)	(285,559)	(288,292)	(267,883)	(276,730)
Tangible equity	350,640	321,304	300,424	391,488	303,589
Total assets	5,536,030	5,361,458	5,397,352	5,222,041	5,384,326
Less: goodwill and other intangible assets	(283,150)	(285,559)	(288,292)	(267,883)	(276,730)
Tangible assets	5,252,880	5,075,899	5,109,060	4,954,158	5,107,596
Tangible equity to tangible assets	6.68%	6.33%	5.88%	7.90%	5.94%
<b>Tangible common equity to tangible assets:</b>					
Total shareholders' equity	\$ 633,790	\$ 606,863	\$ 588,716	\$ 659,371	\$ 580,319
Less: goodwill and other intangible assets	(283,150)	(285,559)	(288,292)	(267,883)	(276,730)
Less: preferred shareholders' equity	—	—	—	(72,332)	—
Tangible common equity	350,640	321,304	300,424	319,156	303,589
Total assets	5,536,030	5,361,458	5,397,352	5,222,041	5,384,326
Less: goodwill and other intangible assets	(283,150)	(285,559)	(288,292)	(267,883)	(276,730)
Tangible assets	5,252,880	5,075,899	5,109,060	4,954,158	5,107,596
Tangible common equity to tangible assets	6.68%	6.33%	5.88%	6.44%	5.94%

<i>(dollars in thousands)</i>	For the year ended December 31,				
	2011	2010	2009	2008	2007
<b>Tangible book value:</b>					
Total shareholders' equity .....	\$ 633,790	\$ 606,863	\$ 588,716	\$ 659,371	\$ 580,319
Less: goodwill and other intangible assets .....	(283,150)	(285,559)	(288,292)	(267,883)	(276,730)
Tangible equity .....	350,640	321,304	300,424	391,488	303,589
Common shares outstanding .....	26,629,360	26,586,953	26,567,653	26,560,889	26,547,073
Tangible book value at year end .....	\$ 13.17	\$ 12.09	\$ 11.31	\$ 14.74	\$ 11.44
<b>Return on average tangible equity:</b>					
Net income .....	\$ 43,809	\$ 35,611	\$ 23,933	\$ 38,117	\$ 44,669
Plus: amortization of intangibles, net of tax .....	1,566	1,774	2,022	2,477	1,615
Net income before amortization of intangibles .....	45,375	37,385	25,955	40,594	46,284
Average total shareholder's equity .....	625,061	605,742	641,537	594,001	420,232
Less: average goodwill and other intangibles .....	(284,304)	(286,875)	(283,963)	(271,396)	(155,511)
Average tangible equity .....	340,757	318,867	357,574	322,605	264,721
Return on average tangible equity .....	13.32%	11.72%	7.26%	12.58%	17.48%
<b>Return on average tangible assets:</b>					
Net income .....	\$ 43,809	\$ 35,611	\$ 23,933	\$ 38,117	\$ 44,669
Plus: amortization of intangibles, net of tax .....	1,566	1,774	2,022	2,477	1,615
Net income before amortization of intangibles .....	45,375	37,385	25,955	40,594	46,284
Average total assets .....	5,440,243	5,416,470	5,566,183	5,224,442	4,100,797
Less: average goodwill and other intangibles .....	(284,304)	(286,875)	(283,963)	(271,396)	(155,511)
Average tangible assets .....	5,155,939	5,129,595	5,282,220	4,953,046	3,945,286
Return on average tangible assets .....	0.88%	0.73%	0.49%	0.82%	1.17%

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Management's Discussion and Analysis represents an overview of the results of operations and financial condition of WesBanco, Inc. 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-Qs for the prior quarters ended March 31, 2011, June 30, 2011 and September 30, 2011 and documents subsequently filed by WesBanco with the SEC which are available at the SEC's website, [www.sec.gov](http://www.sec.gov) or at WesBanco's website, [www.wesbanco.com](http://www.wesbanco.com). Investors are cautioned that forward-looking statements, which are not historical fact, involve risks and uncertainties, including those detailed under "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K. Such statements are subject to important factors that could cause actual results to differ materially from those contemplated by such statements, including without limitation, the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the FDIC, the SEC, FINRA, Municipal Securities Rulemaking Board, 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.

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

WesBanco's Consolidated Financial Statements are prepared in accordance with GAAP and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported.

The most significant accounting policies followed by WesBanco are included in Note 1, "Summary of Significant Accounting Policies," of the Consolidated Financial Statements. These policies, along with other Notes to the Consolidated Financial Statements and this MD&A, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management has identified securities valuation, the allowance for loan losses and the evaluation of goodwill and other intangible assets for impairment to be the accounting estimates that require the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

**Allowance for Credit Losses**—The allowance for credit losses represents management's estimate of probable losses inherent in the loan portfolio and future advances against loan commitments. Determining the amount of the allowance requires significant judgment about the collectability of loans and the factors that

deserve consideration in estimating probable credit losses. The allowance is increased by a provision charged to operating expense and reduced by charge-offs, net of recoveries. Management evaluates the adequacy of the allowance at least quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period.

The evaluation includes an assessment of quantitative factors such as actual loss experience within each category of loans and testing of certain loans for impairment. The evaluation also considers qualitative factors such as economic trends and conditions, which includes levels of unemployment, real estate values and the impact on specific industries and geographical markets, changes in lending policies and underwriting standards, delinquency and other credit quality trends, concentrations of credit risk if any, the results of internal loan reviews and examinations by bank regulatory agencies, and regulatory guidance pertaining to the allowance for credit losses. Management relies on observable data from internal and external sources to the extent it is available to evaluate each of these factors and adjusts the actual historical loss rates to reflect the impact these factors may have on probable losses in the portfolio.

Commercial real estate and commercial and industrial loans greater than \$1 million that are reported as non-accrual or a troubled debt restructuring (“TDR”) are tested individually for impairment. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan or the estimated realizable value of the collateral, if any.

General reserves are established for loans that are not individually tested for impairment based on historical loss rates adjusted for the impact of qualitative factors as discussed above. Historical loss rates for commercial real estate and commercial and industrial loans are determined for each internal risk grade using a migration analysis that categorizes each charged off loan based on its risk grade twelve months prior to the charge-off. Historical loss rates for residential real estate, home equity and consumer loans that are not risk graded are determined for the total of each of those categories of loans. Historical loss rates for deposit account overdrafts are based on actual losses in relation to average overdrafts for the period.

Management has determined that historical loss rates for the most recent twelve month period are generally the most indicative of probable losses in the portfolio. However, management calculates annualized historical loss rates for multiple periods ranging from the most recent three months to the last five years and periodically evaluates the loss rates for each of the periods to assess trends in loss rates over time. In the event that loss rates for a period other than the most recent twelve months is considered more appropriate due to observable data, the loss rates used in the determination of the allowance for credit losses is adjusted.

Management may also adjust its assumptions to account for differences between estimated and actual incurred losses from period to period. While WesBanco continually refines and enhances the loss estimation models and techniques it uses to determine the appropriateness of the allowance for credit losses, there have been no material substantive changes to such models and techniques compared to prior periods. The variability of management’s estimates and assumptions could alter the level of the allowance for credit losses and may have a material impact on WesBanco’s future results of operations and financial condition.

**Securities Valuation**—An investment security is considered impaired if its fair value is less than its cost or amortized cost basis. If WesBanco intends to sell or will be required to sell the investment prior to recovery of cost, the entire impairment will be recognized in the Consolidated Statement of Income. If WesBanco does not intend to sell, nor is it more likely than not that it will be required to sell, impaired securities prior to the recovery of their cost, a review is conducted each quarter to determine if the impairment is other-than-temporary due to credit impairment. In estimating other-than-temporary impairment losses, WesBanco considers the financial condition and near-term prospects of the issuer, evaluating any credit downgrades or other indicators of a potential credit problem, the extent and duration of the decline in fair value, the type of security, either fixed or equity, and the receipt of principal and interest according to the contractual terms. If the impairment is to be considered temporary, the impairment is recognized in other comprehensive income in the Consolidated Balance



Sheet. If the impairment is to be considered other-than-temporary based on management's review of the various factors that indicate credit impairment, the impairment must be separated into credit and non-credit portions. The credit portion is recognized in the Consolidated Statement of Income. The non-credit portion is calculated as the difference between the present value of the future cash flows and the fair value of the security and is recognized in other comprehensive income.

**Goodwill and Other Intangible Assets**—WesBanco accounts for business combinations using the acquisition method of accounting. Accordingly, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest of an acquired business are recorded at their estimated fair values as of the date of acquisition with any excess of the cost of the acquisition over the fair value recorded as goodwill. At December 31, 2011, the carrying value of goodwill and other intangible assets was approximately \$274.1 million and \$9.1 million, respectively, which represents approximately 43.2% and 1.4% of total shareholders' equity, respectively. At December 31, 2011, WesBanco had two reporting units, community banking and insurance services, with goodwill balances of \$272.6 million and \$1.5 million, respectively.

Goodwill and intangible assets with indefinite useful lives are not amortized. Intangible assets with finite useful lives, consisting primarily of core deposit and customer list intangibles, are amortized using straight-line or accelerated methods over their estimated useful lives, ranging from ten to sixteen years.

The carrying value of goodwill is tested at least annually for impairment on November 30<sup>th</sup> or more frequently if indicators of potential impairment are present. The evaluation for impairment involves comparing the estimated current fair value of each reporting unit to its carrying value, including goodwill. If the estimated current fair value of a reporting unit exceeds its carrying value, no additional testing is required and an impairment loss is not recorded. Otherwise, additional testing is performed and to the extent such additional testing results in a conclusion that the carrying value of goodwill exceeds its implied fair value, an impairment loss is recognized.

WesBanco uses market capitalization, multiples of tangible book value, a discounted cash flow model, and various other market-based methods to estimate the current fair value of its reporting units. The resulting fair values of each method are then weighted based on the relevance and reliability of each respective method in light of the current economic environment to arrive at a weighted average fair value. Negative trends in economic growth and challenges specific to the banking industry in recent years have resulted in fewer comparable acquisitions of healthy banks and has depressed average transaction multiples. As a result, more reliance has been placed on the discounted cash flow model. The discounted cash flow model includes various estimates including assumptions regarding an investors' required rate of return on WesBanco common stock, future loan loss provisions, future net interest margins, along with various growth and economic recovery and stabilization assumptions of the economy as a whole. As the volume and level of activity of mergers and acquisitions of healthy banks increase, more reliance may be placed on market-based methods such as price paid to tangible book value and earnings, and less reliance may be placed on discounted cash flow projections.

WesBanco's internal evaluation concluded that goodwill was not impaired as of November 30, 2011 for both reporting units. Based on the evaluation as of November 30, 2011, management believes that the fair value of the community banking reporting unit could decline by approximately 33% before further analysis of goodwill for impairment would be required.

As of December 31, 2011, there were no significant changes in market conditions, WesBanco operating results, or forecasted future results from November 30, 2011, the date of the most recent goodwill impairment evaluation. Therefore, WesBanco has concluded that goodwill is not impaired as of December 31, 2011.

Intangible assets with finite useful lives (primarily core deposit and customer list intangibles) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an intangible asset with a finite

useful life is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the fair value of the asset. Intangible assets with finite useful lives at December 31, 2011 are comprised of \$8.6 million in core deposit intangibles held at the Bank and customer list intangibles of \$0.4 million and \$0.1 million held at WesBanco Securities and Insurance Services, respectively. At December 31, 2011 there were no indicators of impairment related to intangible assets with finite useful lives.

## **EXECUTIVE OVERVIEW**

Financial performance improved in 2011 for the second year as WesBanco continued to strengthen after the recession. Net income increased 23.0%, in spite of the continuation of a challenging economic environment of high unemployment, depressed housing prices and low interest rates. Improvement in net interest income and a lower provision for credit losses combined to provide the improved results, while non-interest income and expense both improved slightly in 2011. Somewhat offsetting this improvement was an increase in the provision for income taxes due to higher pre-tax income. Return on average tangible assets<sup>(1)</sup> increased to 0.88% from 0.73% in 2010, return on average tangible equity<sup>(1)</sup> was 13.32% compared to 11.72% in the prior year, and the efficiency ratio improved to 59.50% in 2011 from 60.89% in the prior year. WesBanco increased its quarterly dividend to \$0.15 per share in February and to \$0.16 per share in August, representing a cumulative 14.3% increase over the prior year rate.

Net interest income increased through disciplined pricing of rates for lending and for deposits, through balance sheet management strategies to minimize risk and reduce higher cost interest bearing liabilities, primarily certain certificates of deposit and borrowings, and due to the benefits of reduced interest expense from the lower interest rate environment. Although interest rates again remained low throughout the year, which limited the opportunity for acquiring reasonably priced loans and investments, new and repriced deposits were also significantly less expensive. Lower cost deposits combined with the maturity of higher cost FHLB borrowings significantly reduced interest expense to a greater extent than reductions in interest income, resulting in the 2.0% increase in net interest income. Liquidity provided by increases in low cost deposits was used to avoid replacement of the maturing higher-cost borrowings. As a result, FHLB borrowings decreased by 33.7% in 2011 from December 31, 2010.

Loan quality continued to improve this year which resulted in a significant decline in the 2011 provision for credit losses, which decreased 20.8% compared to 2010. Charge-offs decreased 2.3% during the year, and non-performing assets decreased by 13.8%, including a 9.8% decrease in non-performing loans, from December 31, 2010 to the end of 2011. Criticized and classified loans decreased 19.4% and loans past due 30 days or more and accruing interest decreased 22.9% in 2011. These achievements were the result of initiatives to continue to improve lending practices, loan monitoring, workout strategies, and loss recovery programs, as well as from the sale of similar sized portfolios of non-performing loans in both 2011 and 2010.

Continued increases in trust fees and electronic banking fees, and a significant reduction in losses on other real estate reflecting prior year write-downs on a specific owned hotel property, contributed to non-interest income in 2011. These increases were partially offset by decreases in service charges on deposits due to regulatory changes in 2010 and reduced net securities gains, which provided an overall stable total non-interest income for 2011 compared to 2010. Non-interest expense decreased \$0.9 million in 2011. Lower insurance rates from a new calculation by the FDIC, effective in April 2011, and the benefit of a continued organization-wide effort to reduce expense in many categories, more than covered increased salaries and wages from normal annual increases in compensation and increased marketing costs to implement various deposit, wealth management and retail loan campaigns.

Portfolio loan production increased significantly in 2011 with new loan volume at the highest level in the last five years. Categories with increases in loan production included commercial, commercial real estate and consumer loans. In addition, the Bank began retaining more residential real estate loans in the portfolio during the year, rather than selling them to the secondary market. However, total portfolio loans decreased slightly in

2011 primarily due to the third quarter non-performing loan sale of \$17.2 million in commercial loan book value, payoffs of performing commercial real estate loans that were refinanced in the secondary market or as a result of borrowers selling properties, and pay-downs on commercial lines of credit driven by the low interest rate environment and steep competition for quality credits.

In 2011, WesBanco continued to strengthen its regulatory capital ratios with Tier 1 leverage at 8.71%, Tier 1 risk-based capital at 12.68%, and total risk-based capital at 13.93%, all of which improved in each of the last nine consecutive quarters. Both consolidated and bank-level regulatory capital ratios are well above the applicable “well-capitalized” standards promulgated by bank regulators. Total tangible equity to tangible assets<sup>(1)</sup> was 6.68% at December 31, 2011, a 35 basis point increase from 6.33% at December 31, 2010, primarily due to a \$26.9 million increase in shareholders’ equity. The increase in shareholders’ equity was due to improved operating results net of dividends declared.

(1) See non-GAAP Measures within Item 6. “Selected Financial Data” for additional information relating to the calculation of this item.

## **RESULTS OF OPERATIONS**

### **EARNINGS SUMMARY**

Net income for 2011 increased 23.0% to \$43.8 million from \$35.6 million for 2010, while diluted earnings per common share were \$1.65, compared to \$1.34 per common share for the prior year. The growth in net income was achieved through a 20.8% lower provision for credit losses, a 2.0% improvement in net interest income, higher revenues from trust and electronic banking fees totaling \$2.9 million, reduced losses on other real estate owned of \$2.8 million, lower FDIC insurance costs from a 2011 revised assessment calculation, and continued cost control throughout the organization resulting in lower expenses in many categories. These improvements were somewhat offset by lower service charges on deposits, reduced net securities gains and increased salaries and wages expenses primarily through normal annual increases.

Net interest income increased \$3.3 million or 2.0% in 2011 compared to 2010 due to increases in the net interest margin on relatively flat average earning assets. The margin improvement resulted from WesBanco’s disciplined pricing of loans and deposits and significant improvements in the funding mix through increases in lower cost deposit categories and decreases in higher cost CDs and FHLB borrowings. The net interest margin increased 6 basis points in 2011 to 3.66%, compared to the prior year, due to decreases in the average rates on interest bearing liabilities, while rates on earning assets declined at a slower pace. The average rate on interest bearing liabilities decreased by 35 basis points in 2011, while the rate on earning assets declined by 27 basis points. Rates earned on the securities and loan portfolios have declined through reinvestment at current lower interest rates, with competitive pressures resulting in decreasing rates on high quality loans. The improvement in the cost of funds for the year was due to lower offered rates on maturing certificates of deposit, an increase in balances of lower-cost products including checking, money market and savings accounts, and lower balances of higher-cost FHLB borrowings. Average total deposits increased 3.5% in 2011 compared to 2010. The average balance for FHLB borrowings, which have the highest average interest cost at 3.42% representing 13.1% of interest expense, decreased 41.4% in 2011 through scheduled maturities. The FHLB maturities were funded primarily by the increase in deposits. Improvements in the mix of deposit accounts also contributed to the improved cost of funds, with average CDs decreasing to 38.4% of total average deposits from 42.6% in 2010, while total transaction account types increased to 61.6% of total deposits.

For 2011, the provision for credit losses decreased \$9.3 million compared to 2010. Net charge-offs decreased \$1.0 million, while classified and criticized loans decreased \$62.0 million or 19.4% compared to December 31, 2010, of which \$17.2 million was attributable to the sale of non-performing loans in the third quarter with the remainder of the decrease resulting from improvements in credit quality, principal reductions or

other orderly exits of certain loans, and other charge-offs. Loans past due 30 days or more and accruing interest at December 31, 2011 decreased 22.9% compared to December 31, 2010. Total non-performing loans at December 31, 2011 decreased \$9.4 million or 9.8% from December 31, 2010, primarily due to the loan sale. The allowance for loan losses decreased by 10.2% compared to December 31, 2010 due primarily to the reduction in classified and criticized loans, lower delinquency, and the elimination of reserves attributable to loans that were charged-off during the year, including loans that were sold in the third quarter. The allowance for loan losses was 1.69% of total loans at December 31, 2011, compared to 1.86% at December 31, 2010.

Non-interest income increased \$0.3 million or 0.5% for the year ended December 31, 2011, primarily due to \$1.6 million increase in electronic banking fees due to increased transaction volume, a \$1.3 million or 8.5% increase in trust fees through new business and fee increases, and a decrease in losses on other real estate owned of \$2.8 million. These improvements were partially offset by a \$2.4 million decrease in net securities gains, and a decrease in service charges on deposits of \$2.0 million due to regulatory changes effective in the third quarter of last year. Service charges on deposits stabilized in the second half of 2011 compared to both the second half of 2010 and the first six months of 2011. Non-interest expense decreased \$0.9 million or 0.6% for 2011 compared to 2010. FDIC insurance decreased \$1.9 million due to a new calculation by the FDIC effective in 2011, and equipment expense decreased \$1.2 million due to lower service agreement and depreciation expense. These decreases were partially offset by a \$1.6 million or 2.9% increase in salaries and wages due to routine annual adjustments to compensation, and a \$1.0 million increase in marketing, primarily from customer incentives that were part of promotions focused on growing demand deposits and home equity loans. WesBanco's efficiency ratio was 59.5% for 2011, down from 60.9% for 2010.

The provision for income taxes increased \$5.5 million due to the significant increase in pre-tax income and an effective tax rate in 2011 of 18.3% compared to 10.9% in 2010. The higher effective rate was due primarily to a lower percentage of tax-exempt income to total income due to the increase in pre-tax income.

**TABLE 1. NET INTEREST INCOME**

<i>(dollars in thousands)</i>	For the years ended December 31,		
	2011	2010	2009
Net interest income . . . . .	<b>\$169,365</b>	\$166,092	\$158,372
Taxable-equivalent adjustments to net interest income . . . . .	<b>6,520</b>	6,142	7,544
Net interest income, fully taxable-equivalent . . . . .	<b>\$175,885</b>	\$172,234	\$165,916
Net interest spread, non-taxable-equivalent . . . . .	<b>3.34%</b>	3.27%	2.93%
Benefit of net non-interest bearing liabilities . . . . .	<b>0.18%</b>	0.20%	0.28%
Net interest margin . . . . .	<b>3.52%</b>	3.47%	3.21%
Taxable-equivalent adjustment . . . . .	<b>0.14%</b>	0.13%	0.15%
Net interest margin, fully taxable-equivalent . . . . .	<b>3.66%</b>	3.60%	3.36%

Net interest income, which is WesBanco's largest source of revenue, is the difference between interest income on earning assets, primarily loans and securities, and interest expense on liabilities (deposits and short and long-term borrowings). Net interest income is affected by the general level and changes in interest rates, the steepness and shape of the yield curve, changes in the amount and composition of interest earning assets and interest bearing liabilities, as well as the frequency of repricing of those assets and liabilities. Net interest income increased \$3.3 million or 2.0% in 2011 compared to 2010 due to increases in the net interest margin on relatively flat average earning assets. The margin improvement resulted from WesBanco's disciplined pricing of loans and deposits and significant improvements in the funding mix through increases in lower cost deposit categories and decreases in higher cost CDs and FHLB borrowings. In addition, interest income from the investment portfolio has increased by 2.9% in 2011 due to a 15.0% increase in average outstanding balances partially offset by a decrease in the average rates earned as market rates decreased. The net interest margin increased 6 basis points in 2011 to 3.66%, compared to the prior year due to decreases in the average rates on interest bearing liabilities,

while rates on earning assets declined at a slower pace. Lower rates on new deposits, maturities of higher rate certificates of deposit, and an increase in lower-cost transaction account deposits all contributed to the improvement in the cost of funds. In addition, the average balance in 2011 for FHLB borrowings, which have the highest average interest cost at 3.42% representing 13.1% of interest expense, decreased by \$148.5 million or 41.4% from 2010 through planned reductions utilizing the liquidity obtained through increased deposits. The margin has also benefited from a 13.7% increase in average non-interest bearing deposit balances in 2011 as a result of marketing campaigns, customer incentives, additional wealth management deposits, and treasury management and other business banking initiatives for commercial customers. However, the low interest rate environment has reduced the opportunities to improve the net interest margin.

Interest income decreased \$12.4 million or 5.2% in 2011 compared to 2010 due to lower yields while average earning assets increased only 0.5%. The yield on total average earning assets decreased 27 basis points to 4.80% in 2011 from 5.07% in 2010. Rates decreased on all earning asset categories from reduced rates on new and repriced assets due to the lower interest rate environment throughout the last three years. In addition, the mix of earning assets invested in lower-yielding securities increased, compared to typically higher-yielding loans. Average loans decreased \$129.0 million in 2011, primarily due to payoffs and workouts of commercial real estate loans, while total average securities increased \$192.4 million for the year, resulting in higher-yielding average loans comprising 67.7% of earning assets in 2011 compared to 70.8% in 2010. Repricing of loans and the competitive necessity of offering lower rates on quality credits in an increasingly competitive and lower interest rate environment caused a decline in loan yields of 19 basis points in 2011. In addition, proceeds from loan maturities, payoffs and principal reductions, have been reinvested at lower yields, thus reducing the overall yield of earning assets. Securities yields decreased 41 basis points in 2011, primarily due to the reinvestment of funds from investment maturities and calls, and from loan prepayments, at current lower available interest rates. Taxable securities yields decreased 42 basis points while tax-exempt securities yields declined only 26 basis points due to the longer average life of tax-exempts. In addition, rate spread opportunities were available in taxable mortgage-backed and collateralized mortgage securities, offsetting significant calls of other government agencies and resulting in an increase in average taxable securities for the year.

Average loan balance decreases were primarily due to payoffs of performing commercial real estate loans that were refinanced in the secondary market or as a result of bank sales or charge-offs of non-performing loans, borrowers selling properties, and pay-downs on commercial lines of credit. Partially offsetting these reductions, portfolio loan production increased significantly in 2011 with new loan volume at the highest level in the last five years. Categories with increases in loan production included commercial, commercial real estate and personal loans. In addition, the Bank began retaining more residential mortgage loans in the portfolio during the year, rather than selling them to the secondary market. As a result, excluding the effect of the loan sale in the third quarter of 2011, period end portfolio loans decreased only 1.0% for the year.

In 2011 interest expense decreased \$15.6 million or 22.2% compared to 2010 due to decreases in rates paid, decreases in average interest bearing liability balances, and a change in the liability mix towards less expensive sources of funding. The average rate paid on interest bearing liabilities decreased 35 basis points to 1.32% in 2011, while interest bearing liabilities decreased 1.7%. Rates paid on deposits declined by 29 basis points due to declines in rates paid in all deposit categories. These declines were due to management reducing offered interest rates in all categories, including maturing and new CDs, to realize a lower cost of funds during a period of declining loan yields. Improvements in the deposit funding mix also lower the cost of funds, with average CDs decreasing to 38.4% of total average deposits from 42.6% in 2010, while all other account types increased to 61.6%. The overall reduction in average interest bearing liabilities is primarily due to the decrease in FHLB borrowings, partially offset by increases in average interest bearing deposits of \$68.1 million or 1.9% in 2011 compared to 2010. In addition, average non-interest bearing demand deposits increased by \$77.1 million. Balance sheet liquidity from the deposit increases was used to pay down higher-cost maturing FHLB borrowings, significantly contributing to the reduced cost of funds. FHLB borrowings were 5.1% of average interest bearing liabilities in 2011 compared to 8.5% in 2010. Average deposits increased significantly in every product category

other than CDs, including lower cost checking, money market and savings accounts, even as offered rates were reduced. CDs decreased by \$118.1 million due to reductions in rate offerings, a focus on customers with multiple banking relationships as opposed to single service CD customers and customer demand for other shorter-term deposit products.

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

<i>(dollars in thousands)</i>	For the years ended December 31,								
	2011			2010			2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<b>ASSETS</b>									
Due from banks-interest bearing	\$ 48,723	\$ 101	0.21%	\$ 82,380	\$ 198	0.24%	\$ 44,565	\$ 87	0.19%
Loans, net of unearned income (1)	3,256,887	175,818	5.40%	3,385,928	189,380	5.59%	3,547,122	204,317	5.76%
Securities: (2)									
Taxable	1,179,458	36,034	3.06%	1,015,643	35,375	3.48%	991,434	38,651	3.90%
Tax-exempt (3)	299,357	18,629	6.22%	270,759	17,550	6.48%	326,735	21,554	6.60%
Total securities	1,478,815	54,663	3.70%	1,286,402	52,925	4.11%	1,318,169	60,205	4.57%
Federal funds sold	—	—	—	—	—	—	2,060	5	0.24%
Other earning assets	25,030	105	0.42%	29,838	167	0.56%	31,849	294	0.92%
Total earning assets (3)	4,809,455	230,687	4.80%	4,784,548	242,670	5.07%	4,943,765	264,908	5.36%
Other assets	630,788			631,922			622,418		
Total Assets	\$5,440,243			\$5,416,470			\$5,566,183		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
Interest bearing demand deposits	\$ 528,109	\$ 1,814	0.34%	\$ 474,979	\$ 2,561	0.54%	\$ 455,151	\$ 2,921	0.64%
Money market accounts	892,493	5,148	0.58%	817,272	7,529	0.92%	629,520	6,687	1.06%
Savings deposits	570,093	1,505	0.26%	512,289	2,242	0.44%	470,737	2,385	0.51%
Certificates of deposit	1,636,753	31,054	1.90%	1,754,805	36,817	2.10%	1,887,051	52,827	2.80%
Total interest bearing deposits	3,627,448	39,521	1.09%	3,559,345	49,149	1.38%	3,442,459	64,820	1.88%
Federal Home Loan Bank borrowings	210,506	7,199	3.42%	359,010	12,721	3.54%	570,008	21,849	3.83%
Other borrowings	194,768	4,823	2.48%	183,542	4,774	2.60%	224,649	6,971	3.10%
Junior subordinated debt	106,050	3,259	3.07%	109,552	3,792	3.46%	111,152	5,352	4.82%
Total interest bearing liabilities	4,138,772	54,802	1.32%	4,211,449	70,436	1.67%	4,348,268	98,992	2.28%
Non-interest bearing demand deposits	639,837			562,763			524,167		
Other liabilities	36,573			36,516			52,211		
Shareholders' equity	625,061			605,742			641,537		
Total Liabilities and Shareholders' Equity	\$5,440,243			\$5,416,470			\$5,566,183		
Net interest spread			3.48%			3.40%			3.08%
Taxable equivalent net interest margin (3)		\$175,885	3.66%		\$172,234	3.60%		\$165,916	3.36%

- (1) Total loans are gross of the allowance for loan losses, net of unearned income and include loans held for sale. Non-accrual loans were included in the average volume for the entire period. Loan fees included in interest income on loans totaled \$4.3 million, \$4.2 million and \$4.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.
- (2) Average yields on securities available-for-sale have been calculated based on amortized cost.
- (3) The yield on earning assets and the net interest margin are presented on a fully taxable-equivalent (FTE) and annualized basis. The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35% for each period presented. WesBanco believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

**TABLE 3. RATE/VOLUME ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE (1)**

<i>(in thousands)</i>	2011 Compared to 2010			2010 Compared to 2009		
	Volume	Rate	Net Increase (Decrease)	Volume	Rate	Net Increase (Decrease)
<b>Increase (decrease) in interest income:</b>						
Due from banks-interest bearing . . . . .	\$ (72)	\$ (25)	\$ (97)	\$ 86	\$ 25	\$ 111
Loans, net of unearned income . . . . .	(7,086)	(6,476)	(13,562)	(9,121)	(5,816)	(14,937)
Taxable securities . . . . .	5,308	(4,649)	659	925	(4,201)	(3,276)
Tax-exempt securities (2) . . . . .	1,801	(721)	1,080	(3,634)	(370)	(4,004)
Federal funds sold . . . . .	—	—	—	(3)	(2)	(5)
Other earning assets . . . . .	(24)	(38)	(62)	(18)	(109)	(127)
Total interest income change (2) . . . . .	<u>(73)</u>	<u>(11,909)</u>	<u>(11,982)</u>	<u>(11,765)</u>	<u>(10,473)</u>	<u>(22,238)</u>
<b>Increase (decrease) in interest expense:</b>						
Interest bearing demand deposits . . . . .	262	(1,009)	(747)	123	(483)	(360)
Money market . . . . .	642	(3,023)	(2,381)	1,811	(969)	842
Savings deposits . . . . .	231	(968)	(737)	199	(342)	(143)
Certificates of deposit . . . . .	(2,379)	(3,384)	(5,763)	(3,499)	(12,511)	(16,010)
Federal Home Loan Bank borrowings . . . . .	(5,093)	(429)	(5,522)	(7,580)	(1,548)	(9,128)
Other borrowings . . . . .	284	(235)	49	(1,166)	(1,031)	(2,197)
Junior subordinated debt . . . . .	(118)	(415)	(533)	(76)	(1,484)	(1,560)
Total interest expense change . . . . .	<u>(6,171)</u>	<u>(9,463)</u>	<u>(15,634)</u>	<u>(10,188)</u>	<u>(18,368)</u>	<u>(28,556)</u>
Net interest income increase (decrease) (2) . . . . .	<u>\$ 6,098</u>	<u>\$ (2,446)</u>	<u>\$ 3,652</u>	<u>\$ (1,577)</u>	<u>\$ 7,895</u>	<u>\$ 6,318</u>

- (1) Changes to rate/volume are allocated to both rate and volume on a proportionate dollar basis.
- (2) The yield on earning assets and the net interest margin are presented on a fully taxable-equivalent (FTE) and annualized basis. The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory tax rate of 35% for each period presented. WesBanco believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts.

**PROVISION FOR CREDIT LOSSES**

The provision for credit losses is the amount to be added to the allowance for credit losses after net charge-offs have been deducted to bring the allowance to a level considered appropriate to absorb probable losses in the loan portfolio. The provision for credit losses for the year ended December 31, 2011 decreased \$9.3 million or 20.8% to \$35.3 million compared to \$44.6 million for the year ended December 31, 2010. Although declining, the provision remains elevated compared to previous historical levels due to the ongoing impact of the weakened economy and resulting recognition of charge-offs on all categories of the portfolio. The decrease in the provision for 2011 compared to 2010 reflects a reduction in non-performing, past due, classified and criticized loans, lower unemployment in the Bank's markets, a 15% reduction in the historical loss rate for commercial real estate loans other than land and construction, and a moderate decline in the historical loss rate for residential real estate, home equity and consumer loans. The provision for 2011 and 2010 includes \$5.5 million and \$6.6 million, respectively to charge-down certain non-performing loans that were sold in each year, less previously recorded reserves against those loans. The provision for 2011 was \$7.2 million less than net charge-offs for the year due to the recognition of losses in the current year that were provided for in prior years. The provision exceeded net charge-offs by approximately \$11 million in both 2008 and 2009 due to observable data during those years that indicated a higher level of probable losses than the amount of net charge-offs in those years. The provision approximated net charge-offs in 2010 as economic conditions were somewhat more stable than the two prior years. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).

**TABLE 4. NON-INTEREST INCOME**

<i>(dollars in thousands)</i>	For the Years Ended December 31,			
	2011	2010	\$ Change	% Change
Trust fees	\$17,173	\$15,835	\$ 1,338	8.4%
Service charges on deposits	18,629	20,645	(2,016)	(9.8)%
Electronic banking fees	10,088	8,482	1,606	18.9%
Net securities brokerage revenue	4,413	4,563	(150)	(3.3)%
Bank-owned life insurance	3,566	4,505	(939)	(20.8)%
Net gains on sales of mortgage loans	1,977	2,885	(908)	(31.5)%
Net securities gains	963	3,362	(2,399)	(71.4)%
Net losses on other real estate owned and other assets	(1,290)	(4,128)	2,838	68.8%
<i>Other income:</i>				
Net insurance services revenue	2,442	2,352	90	3.8%
Other	1,927	1,098	829	75.5%
Total non-interest income	<u>\$59,888</u>	<u>\$59,599</u>	<u>\$ 289</u>	<u>0.5%</u>

Non-interest income is a significant source of revenue and an important part of WesBanco's results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. Non-interest income for the year ended December 31, 2011 increased \$0.3 million or 0.5% compared to 2010. The increase was primarily due to a \$1.6 million increase in electronic banking fees due to increased transaction volume, a \$1.3 million increase in trust fees through new business and fee increases, increases in miscellaneous fees and insurance services revenue included in other income, and a decrease in losses on other real estate owned of \$2.8 million. These improvements were partially offset by a \$2.4 million decrease in net securities gains, a \$0.9 million decrease in bank-owned life insurance due to a benefit claim recognized in 2010, and a decrease in service charges on deposits of \$2.0 million due to regulatory changes effective in late 2010. Also for the year, net gains on sale of mortgage loans decreased \$0.9 million as more loans with terms of 15 years and less were being retained in 2011.

Trust fees improved 8.4% compared to 2010, due to new business and the implementation of a fee increase in October of 2010. Higher average trust assets during 2011 also contributed to the improved fees as the market value of trust assets increased to \$3.0 billion as of December 31, 2011. At December 31, 2011, trust assets include managed assets of \$2.4 billion and non-managed (custodial) assets of \$0.6 billion. Assets managed for the WesMark funds, a proprietary group of mutual funds that are advised by WesBanco's trust and investment services group, were \$748.0 million as of December 31, 2011 and are included in trust managed assets.

Electronic banking fees, which include debit card interchange fees, increased \$1.6 million compared to 2010, due to a higher volume of debit card transactions during the period which have continued to grow as customers move more towards electronic transactions from checks and other forms of payment. Marketing campaigns aimed at rewarding customers for debit card transactions have also increased electronic transactions. Regulatory changes, which became effective October 1, 2011 for issuers with more than \$10 billion in assets, place a cap on debit card interchange fees. WesBanco anticipates some market-related long-term impact on its electronic banking fees in the future from these changes even though it is not directly subject to the new regulations.

Service charges on deposits, which are primarily customer overdraft fees, were 9.8% lower in 2011 compared to 2010 due to changes in customer behavior and recent regulatory changes that include requirements for customers to opt-in for overdraft coverage of certain types of electronic banking activities. Preceding the



August 15, 2010 implementation of the new rules on existing accounts, WesBanco experienced lower daily and monthly overdraft usage patterns as average retail demand deposit balances were higher. While an overwhelming majority of WesBanco's heaviest overdraft users have opted-in to continue such coverage, low response rates from infrequent users may have some impact on our ability to earn associated fees, as does continuing higher average customer deposit account balances. Service charges on deposits were relatively unchanged in the second half of 2011 compared to the same period in 2010 as the regulatory changes went into effect in the third quarter of 2010.

Net losses on the sale of other real estate owned and other assets decreased by \$2.8 million for the year compared to 2010 due to ongoing property liquidation efforts and a prior year loss taken on a large hospitality-owned property. As a result, real estate owned balances have been reduced by more than 50% over the last year.

Gains on the sale of mortgage loans decreased by 31.5% for the year compared to the same period in 2010 primarily from a strategic effort initiated early in 2011 to retain more residential mortgage loans, with terms of 15 years or less, in the portfolio instead of selling most of these originations to the secondary market.

**TABLE 5. NON-INTEREST EXPENSE**

<i>(dollars in thousands)</i>	For the Years Ended December 31,			
	2011	2010	\$ Change	% Change
Salaries and wages .....	\$ 56,045	\$ 54,452	\$ 1,593	2.9%
Employee benefits .....	17,949	18,315	(366)	(2.0)%
Net occupancy .....	11,255	10,728	527	4.9%
Equipment .....	8,745	9,914	(1,169)	(11.8)%
Marketing .....	5,142	4,187	955	22.8%
FDIC Insurance .....	4,768	6,681	(1,913)	(28.6)%
Amortization of intangible assets .....	2,410	2,729	(319)	(11.7)%
<i>Other operating expenses:</i>				
Miscellaneous, franchise, and other taxes .....	5,334	5,784	(450)	(7.8)%
Postage .....	3,201	3,516	(315)	(9.0)%
Consulting, regulatory, accounting and advisory fees .....	3,599	3,423	176	5.1%
Other real estate owned and foreclosure expenses .....	3,188	3,262	(74)	(2.3)%
Legal fees .....	2,888	2,749	139	5.1%
Communications .....	2,600	2,731	(131)	(4.8)%
ATM and interchange expenses .....	2,921	2,669	252	9.4%
Supplies .....	2,440	2,402	38	1.6%
Other .....	7,810	7,610	200	2.6%
Total other operating expenses .....	33,981	34,146	(165)	(0.5)%
Total non-interest expense .....	\$140,295	\$141,152	\$ (857)	(0.6)%

Non-interest expense decreased \$0.9 million or 0.6% for 2011 compared to 2010 primarily due to lower FDIC insurance, equipment and employee benefit expenses. FDIC insurance decreased \$1.9 million due to a new calculation and lower overall rate imposed by the FDIC effective in 2011 and equipment expense decreased \$1.2 million due to lower service agreement and depreciation expense, while employee benefits decreased \$0.4 million due to lower healthcare expenses. These decreases were partially offset by a \$1.6 million or 2.9% increase in salaries and wages due to routine annual adjustments to compensation, and a \$1.0 million increase in marketing. WesBanco's efficiency ratio improved to 59.5% for 2011, down from 60.9% for 2010. Non-interest expense decreased in each of the last two consecutive years, resulting from effective cost saving strategies.

Salaries and wages increased 2.9% for the year ended December 31, 2011 compared to 2010, primarily due to regular employee compensation increases and higher incentive compensation accruals. Full-time equivalent employees declined slightly from 1,377 at December 31, 2010 to 1,368 at December 31, 2011. Employee benefits decreased 2.0% primarily due to lower employee health care costs and pension expense.

Marketing expenses increased \$1.0 million for the year compared to 2010 primarily due to increased customer cash incentives and free checking promotions focused on growing home equity loans, demand deposits and increased debit card usage throughout the year.

Net occupancy for the year increased due to higher depreciation. Equipment declined primarily from depreciation decreases combined with a decline in service agreement expenses.

Miscellaneous taxes decreased 7.8% primarily due to a 7 basis point decrease in West Virginia franchise tax rates in 2011 compared to 2010 and certain filed return adjustments during the year.

Postage decreased 9.0% primarily due to successful marketing campaigns aimed at promoting our online and mobile banking services and electronic bank statements.

ATM and interchange expenses, which include debit card processing fees, increased \$0.3 million or 9.4% compared to 2010, due to a higher volume of debit card transactions during the period which have continued to grow as customers move more towards electronic transactions from checks and other forms of payment.

## **INCOME TAXES**

The provision for federal and state income taxes increased to \$9.8 million in 2011 compared to 2010. The increase in income tax expense was due to a \$13.7 million increase in pre-tax income, and a higher effective tax rate of 18.3% compared to 10.9% for 2010, partially offset by a \$0.2 million reduction in income expense related to the elimination of an uncertain tax position in 2011 and certain 2009 filed return adjustments that increased 2010 income tax expense by \$0.1 million. The increase in the effective tax rate was due primarily to higher pre-tax income resulting in a lower percentage of tax-exempt income to total income.

## **FINANCIAL CONDITION**

Total assets increased 3.3% in 2011, while total deposits and shareholders' equity increased 5.3% and 4.4%, respectively, compared to December 31, 2010. Total borrowings decreased 13.9% in 2011. The increase in total assets was primarily the result of a \$183.1 million or 12.8% increase in investment securities, which was funded by the increase in deposits. Portfolio loans decreased \$49.3 million or 1.5% in 2011 primarily as a result of the sale or charge-off of certain non-performing loans, payoffs of performing commercial real estate loans that were refinanced in the secondary market or as a result of borrowers selling properties, and pay-downs on commercial lines of credit. The increase in deposits resulted from a 19.6% increase in demand deposits, a 12.4% increase in savings deposits and a 6.5% increase in money market deposits, which more than offset the 6.4% decrease in certificates of deposit due to planned reductions through lower offered rates for new and rollover certificates of deposit. The increase in demand, savings and money market deposits are primarily a result of marketing campaigns, customer incentives, additional wealth management deposits, and treasury management and other business banking initiatives for commercial customers. The liquidity provided by the increase in deposits and decrease in the loan portfolio was partially utilized to pay down higher cost FHLB advances by \$85.4 million or 33.7% compared to December 31, 2010. Total shareholders' equity increased by \$26.9 million primarily due to net income exceeding dividends paid to common shareholders by \$27.3 million for the year, which was partially offset by a \$1.0 million decrease in accumulated other comprehensive income. The decrease in accumulated other comprehensive income resulted from unrealized losses in the defined pension plan, which were mostly offset by unrealized gains recorded in the available-for-sale securities portfolio. The tangible equity to tangible assets ratio (non-GAAP measure) increased to 6.68% at December 31, 2011 from 6.33% at December 31, 2010,

primarily as a result of the increase in shareholders' equity somewhat offset by an increase in tangible assets. See non-GAAP Measures within Item 6. "Selected Financial Data" for additional information relating to the calculation of this item.

## SECURITIES

**TABLE 6. COMPOSITION OF SECURITIES (1)**

<i>(dollars in thousands)</i>	December 31,		2011-2010		2009
	2011	2010 (3)	\$ Change	% Change	
Available-for-sale (at fair value)					
Other government agencies . . . . .	\$ 198,720	\$ 363,135	\$(164,415)	(45.3)%	\$ 190,726
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	588,092	353,345	234,747	66.4%	698,138
Other residential collateralized mortgage obligations . . . . .	—	—	—	—	2,591
Obligations of states and political subdivisions . . . . .	180,433	210,808	(30,375)	(14.4)%	363,619
Corporate debt securities . . . . .	44,066	25,583	18,483	72.2%	2,932
Total debt securities . . . . .	1,011,311	952,871	58,440	6.1%	1,258,006
Equity securities . . . . .	5,029	4,610	419	9.1%	3,798
Total available-for-sale securities . . . . .	\$1,016,340	\$ 957,481	\$ 58,859	6.1%	\$1,261,804
Held-to-maturity (at amortized cost)					
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	247,938	202,062	45,876	22.7%	—
Other residential collateralized mortgage obligations . . . . .	783	1,224	(441)	(36.0)%	—
Obligations of states and political subdivisions . . . . .	342,752	263,973	78,779	29.8%	—
Corporate debt securities . . . . .	1,452	1,451	1	0.1%	1,450
Total held-to-maturity securities . . . . .	592,925	468,710	124,215	26.5%	1,450
Total securities . . . . .	\$1,609,265	\$1,426,191	\$ 183,074	12.8%	\$1,263,254
Available-for-sale securities:					
Weighted average yield at the respective year end (2) . . . . .	2.86%	3.46%			4.57%
As a % of total securities . . . . .	63.2%	67.1%			99.9%
Weighted average life (in years) . . . . .	2.8	4.0			3.7
Held-to-maturity securities:					
Weighted average yield at the respective year end (2) . . . . .	4.62%	4.84%			9.71%
As a % of total securities . . . . .	36.8%	32.9%			0.1%
Weighted average life (in years) . . . . .	5.3	6.8			20.3
Total securities:					
Weighted average yield at the respective year end (2) . . . . .	3.51%	3.91%			4.58%
As a % of total securities . . . . .	100.0%	100.0%			100.0%
Weighted average life (in years) . . . . .	3.7	4.9			3.7

- (1) At December 31, 2011, 2010 and 2009, there were no holdings of any one issuer, other than the U.S. government and certain federal or federally-related agencies, in an amount greater than 10% of WesBanco's shareholders' equity.
- (2) Weighted average yields have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%.
- (3) In April 2010, available-for-sale securities with a fair value of \$426.7 million were transferred to the held-to-maturity portfolio.

Total investment securities, which represent a source of liquidity for WesBanco as well as a contributor to interest income, increased \$183.1 million, or 12.8% from December 31, 2010 to December 31, 2011. The increase in securities in 2011 was funded primarily from increases in deposits. The overall securities increase for the year was primarily due to increases in the mortgage-backed, collateralized mortgages and municipal

categories, partially offset by a decrease in government agencies, primarily due to calls. WesBanco does not have any material investments in private mortgage-backed securities or those that are collateralized by sub-prime mortgages, nor does WesBanco have any exposure to collateralized debt obligations or government-sponsored enterprise preferred stocks.

The investment portfolio's tax-equivalent yield, combining both the held-to-maturity and available-for-sale portfolios, decreased from 3.91% at December 31, 2010, to 3.51% at December 31, 2011. The decrease in the portfolio yield is directly attributable to the prolonged lower interest rate environment which is affecting the repricing of most fixed income securities. Cash flows from the portfolio due to calls, maturities and prepayments increased in 2011 by 15.6% to \$564.7 million, from \$488.3 million for 2010. Higher prepayment speeds on mortgage-backed securities in the second half of 2011, coupled with a higher volume of calls on both government agencies and municipal securities in the lower rate environment led to the increased cash flows.

Total gross unrealized securities losses decreased by \$11.9 million, from \$13.8 million at December 31, 2010 to \$1.9 million at December 31, 2011. WesBanco had \$192.0 million in investment securities in an unrealized loss position for less than twelve months at December 31, 2011, which was a 63.8% decrease from the \$530.8 million for the same category at December 31, 2010. This decrease was due to the lower interest rate environment in 2011. In addition, at December 31, 2011, WesBanco had \$15.8 million in investment securities in an unrealized loss position for more than twelve months which was an increase from the \$1.0 million for the same category at December 31, 2010, particularly due to increased unrealized losses in corporate debt securities. WesBanco believes that all of the unrealized securities losses at December 31, 2011, were temporary impairment losses. Please refer to Note 3, "Securities," of the Consolidated Financial Statements for additional information.

Net unrealized pre-tax gains on available-for-sale securities were \$18.0 million at December 31, 2011, compared to \$7.8 million at December 31, 2010. These net unrealized pre-tax gains represent temporary fluctuations resulting from changes in market rates in relation to fixed yields in the available-for-sale portfolio, and on an after-tax basis are accounted for as an adjustment to other comprehensive income in shareholders' equity. Net unrealized pre-tax gains on the held-to-maturity portfolio, not accounted for in other comprehensive income, increased to \$28.5 million at December 31, 2011 from (\$2.8) million at December 31, 2010 for similar reasons as those securities accounted for in the available-for-sale category.

**TABLE 7. MATURITY DISTRIBUTION AND YIELD ANALYSIS OF SECURITIES**

The following table presents the amortized cost and tax equivalent yields of available-for-sale and held-to-maturity securities by contractual maturity at December 31, 2011. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

<i>(dollars in thousands)</i>	December 31, 2011							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)
Available-for-sale (at amortized cost):								
Other government agencies . . . . .	\$ —	—	\$ 17,516	2.11%	\$ 25,585	1.95%	\$154,797	2.44%
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (2) . . . . .	13,065	4.52%	549,403	2.05%	15,735	2.96%	1,227	5.60%
Obligations of states and political subdivisions (3) . . . . .	5,627	4.71%	51,397	6.16%	69,529	6.10%	45,229	5.40%
Corporate debt securities . . . . .	5,353	1.18%	32,649	1.63%	2,000	6.00%	5,000	3.62%
Equity securities . . . . .	—	—	—	—	—	—	4,179	6.53%
Total available-for-sale securities . . . . .	<u>\$24,045</u>	<u>3.82%</u>	<u>\$650,965</u>	<u>2.36%</u>	<u>\$112,849</u>	<u>4.72%</u>	<u>\$210,432</u>	<u>3.21%</u>
Held-to-maturity (at amortized cost)								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (2) . . . . .	5,543	4.48%	194,348	3.15%	47,929	3.76%	118	2.55%
Other residential collateralized mortgage obligations (2) . . . . .	—	—	783	4.58%	—	—	—	—
Obligations of states and political subdivisions (3) . . . . .	5,183	6.33%	7,406	5.33%	46,446	5.44%	283,717	5.49%
Corporate debt securities . . . . .	—	—	—	—	—	—	1,452	9.71%
Total held-to-maturity securities . . . . .	<u>\$10,726</u>	<u>5.37%</u>	<u>\$202,537</u>	<u>3.24%</u>	<u>\$ 94,375</u>	<u>4.59%</u>	<u>\$285,287</u>	<u>5.51%</u>
Total securities . . . . .	<u>\$34,771</u>	<u>4.30%</u>	<u>\$853,502</u>	<u>2.56%</u>	<u>\$207,224</u>	<u>4.66%</u>	<u>\$495,719</u>	<u>4.53%</u>

- (1) Yields are determined based on the lower of the yield-to-call or yield-to-maturity.
- (2) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are assigned to maturity categories based on current estimated average lives.
- (3) Average yields on obligations of states and political subdivisions have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%.

Cost-method investments consist primarily of FHLB of Pittsburgh and FHLB of Cincinnati stock totaling \$21.9 million and \$28.0 million at December 31, 2011 and December 31, 2010, respectively, and are included in other assets in the Consolidated Balance Sheets.

On February 22, 2012, the FHLB of Pittsburgh announced that it would pay a dividend on the average capital stock balance held during the three month period ended December 31, 2011 at an annualized rate of 0.10% for the first time since late 2008. They also will continue to partially repurchase certain amounts of excess stock held by member banks. Such repurchase was also suspended in late 2008 and partially restored five quarters ago. However, the FHLB also noted future dividend payments and capital stock repurchases will continue to be reviewed on a quarterly basis. The FHLB of Pittsburgh stock owned by WesBanco totaling \$20.4 million and \$25.0 million at December 31, 2011 and 2010, respectively, does not have a readily determinable fair value, and is held primarily to serve as collateral on FHLB borrowings. Although the FHLB of Pittsburgh did not pay a dividend in 2011 and only partially lifted the suspension on the repurchase of excess capital stock, they are meeting their current debt obligations, have continued to exceed all required capital ratios, announced the

payment of a dividend in 2012, and have remained in compliance with statutory and regulatory requirements. Accordingly, as of December 31, 2011, WesBanco believes that sufficient evidence exists to conclude that its investment in FHLB stock was not impaired. At December 31, 2011, WesBanco held excess capital stock of \$5.8 million that remains to be repurchased by the FHLB of Pittsburgh. The FHLB of Pittsburgh stock balance declined from December 31, 2010 to December 31, 2011 due to stock repurchases of \$4.6 million.

WesBanco has not recognized any dividend income on FHLB of Pittsburgh stock for the years ended December 31, 2011 or 2010. Additionally, the Bank owned \$1.6 million and \$2.9 million of FHLB of Cincinnati stock at December 31, 2011 and 2010, respectively, which paid a cash dividend at an annualized rate of 4.25% in 2011 totaling \$0.1 million and a cash dividend of \$0.2 million in 2010, representing an annualized rate of 4.37%.

**TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES**

The following table presents the allocation of the municipal bond portfolio based on the combined S&P and Moody's ratings of the individual bonds:

<i>(dollars in thousands)</i>	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
Municipal bonds (at fair value):				
AAA rating	\$ 52,791	9.7%	\$ 44,277	9.4%
AA rating	388,659	71.4%	311,792	66.3%
A rating	64,125	11.7%	55,703	11.8%
Below an A rating (1)	24,351	4.5%	38,321	8.2%
No rating	14,580	2.7%	20,069	4.3%
Total municipal bond portfolio	<u>\$544,506</u>	<u>100.0%</u>	<u>\$470,162</u>	<u>100.0%</u>

(1) All securities noted as below an A rating are rated as investment grade.

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

<i>(dollars in thousands)</i>	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>Municipal bond type:</b>				
General Obligation	\$393,755	72.3%	\$346,343	73.7%
Revenue	150,751	27.7%	123,819	26.3%
Total municipal bond portfolio	<u>\$544,506</u>	<u>100.0%</u>	<u>\$470,162</u>	<u>100.0%</u>
<b>Municipal bond issuer:</b>				
State Issued	\$ 60,034	11.0%	\$ 54,101	11.5%
Local Issued	484,472	89.0%	416,061	88.5%
Total municipal bond portfolio	<u>\$544,506</u>	<u>100.0%</u>	<u>\$470,162</u>	<u>100.0%</u>

The amortized cost of the municipal bond portfolio at December 31, 2011 and 2010 was \$514.5 million and \$472.2 million, respectively. The municipal bond portfolio is broadly spread across the U.S. with 59% of the portfolio's fair value in the top five states of Pennsylvania, Ohio, Illinois, Texas, and West Virginia, respectively.

WesBanco uses prices from independent pricing services and, to a lesser extent, indicative (non-binding) quotes from independent brokers, to measure the fair value of its securities. WesBanco validates prices received from pricing services or brokers using a variety of methods, including, but not limited to, comparison to secondary pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, review of pricing by personnel familiar with market liquidity and other market-related conditions, review of pricing service methodologies, review of independent auditor reports received from the pricing service regarding its internal controls, and through review of inputs and assumptions used in pricing certain securities thinly traded or with limited observable data points. The procedures in place provide management with a sufficient understanding of the valuation models, assumptions, inputs and pricing to reasonably measure the fair value of WesBanco's securities. For additional disclosure relating to fair value measurements, refer to Note 16, "Fair Value Measurements" in the Consolidated Financial Statements.

## LOANS AND CREDIT RISK

Loans represent WesBanco's single largest balance sheet asset classification and the largest source of interest income. Business purpose loans consist of commercial real estate ("CRE") loans and other commercial and industrial ("C&I") loans that are not secured by real estate. CRE loans are further segmented into land and construction loans, and loans for improved property. Consumer purpose loans consist of residential real estate loans, home equity lines of credit and other consumer loans. Loans held for sale generally consist of residential real estate loans originated for sale in the secondary market, but at times may also include other types of loans. The outstanding balance of each major category of the loan portfolio is summarized in Table 9.

**TABLE 9. COMPOSITION OF LOANS (1)**

<i>(dollars in thousands)</i>	December 31,									
	2011		2010		2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial real estate:										
Land and construction . . . .	\$ 175,867	5.4%	\$ 154,841	4.7%	\$ 254,637	7.3%	\$ 230,865	6.4%	\$ 264,560	7.0%
Improved property . . . . .	1,509,698	46.5%	1,602,408	48.6%	1,525,584	43.8%	1,468,158	40.7%	1,418,115	37.8%
Total commercial real estate . . .	1,685,565	51.9%	1,757,249	53.3%	1,780,221	51.2%	1,699,023	47.1%	1,682,675	44.8%
Commercial and industrial . . . .	426,315	13.1%	412,726	12.5%	451,688	13.0%	510,902	14.2%	505,541	13.4%
Residential real estate:										
Land and construction . . . .	9,654	0.3%	7,714	0.2%	8,787	0.3%	15,896	0.4%	26,102	0.7%
Other . . . . .	611,729	18.9%	600,979	18.2%	699,610	20.1%	841,103	23.3%	949,049	25.2%
Home equity . . . . .	251,785	7.8%	249,423	7.6%	239,784	6.9%	217,436	6.0%	193,209	5.1%
Consumer . . . . .	254,320	7.8%	260,585	8.3%	290,856	8.3%	319,949	8.9%	363,973	9.7%
Total portfolio loans . . . . .	3,239,368	99.8%	3,288,676	99.7%	3,470,946	99.7%	3,604,309	99.9%	3,720,549	98.9%
Loans held for sale . . . . .	6,084	0.2%	10,800	0.3%	9,441	0.3%	3,874	0.1%	39,717	1.1%
Total loans . . . . .	<u>\$3,245,452</u>	<u>100.0%</u>	<u>\$3,299,476</u>	<u>100.0%</u>	<u>\$3,480,387</u>	<u>100.0%</u>	<u>\$3,608,183</u>	<u>100.0%</u>	<u>\$3,760,266</u>	<u>100.0%</u>

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

Total portfolio loans decreased \$49 million or 1.5% between December 31, 2010 and December 31, 2011. The Bank experienced significant new loan volume in business loans in 2011; however, this activity was more than offset by unscheduled payoffs, primarily of CRE loans and a reduction in consumer loan demand. Loan growth was also tempered by management's continued focus on obtaining appropriate interest rates and spreads.

Total CRE loans, which represent over half of the portfolio, decreased \$72 million or 4.1% between December 31, 2010 and December 31, 2011. The composition of CRE loans also changed during 2011 as land and construction loans increased \$21 million or 13.6% while improved property loans decreased \$93 million or 5.8%.

The increase in land and construction loans resulted primarily from new construction of multi-family apartments and other commercial buildings, offset by a \$6 million or 17.9% decrease in residential housing development loans and approximately \$14 million of loans reclassified during the year to the improved property category upon completion of projects that were started in prior years.

While improved property loans benefited from the reclassification of completed construction projects and a rebound in origination of new loans to purchase or refinance existing properties during 2011 compared to 2010, the decrease in this category is the result of unscheduled payoffs of loans by borrowers who sold properties during the year, a sale of non-performing loans, and a resurgence of refinancing of loans by non-bank lenders offering non-recourse loans at long term fixed rates of interest.

C&I loans increased \$14 million or 3.3% as loan demand improved and the Bank focused business development efforts on increasing this category of loans to obtain more diversification in the business loan portfolio.

Residential land and construction loans are not material in relation to total residential real estate loans, but also increased \$2 million or 25.1% due to a moderate uptick in new housing starts in some markets. Residential real estate loans other than land and construction increased \$11 million or 1.8%. This increase followed four consecutive years of decreases in this category and was primarily due to management's decision to retain new 15 year fixed rate loans in the portfolio compared to an intentional reduction in such loans in prior years. Accordingly, loans held for sale, although not material in amount, decreased \$5 million or 43.7%.

Home equity lines of credit increased \$2 million or 0.9% despite declining home values and stricter underwriting standards with growth coming from markets where the Bank does not already have significant market share due to successful marketing campaigns to attract new customers.

Consumer loans decreased \$6 million or 2.4% primarily due to reduced demand as consumers continued to deleverage, as well as stricter underwriting standards for certain types of consumer loans.

Loan commitments, which are not reported on the balance sheet, consist of available balances on lines of credit, letters of credit, deposit account overdraft protection programs, certain loan guarantee contracts, and approved commitments to extend credit. This includes unused commitments that are available to be advanced to the borrower for CRE construction loans, C&I lines and letters of credit, home equity and other consumer lines of credit. Approved commitments to extend credit are reported net of any WesBanco loan balances that are to be refinanced by the new loans. Loan commitments are summarized in Table 10.



**TABLE 10. COMPOSITION OF LOAN COMMITMENTS**

<i>(dollars in thousands)</i>	December 31,									
	2011		2010		2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial real estate:										
Land and construction . . . . .	\$122,946	14.5%	\$ 61,014	8.8%	\$ 77,169	10.3%	\$117,569	15.3%	\$119,802	16.1%
Improved property . . . . .	102,677	12.1%	72,907	10.5%	109,900	14.7%	74,465	9.7%	90,991	12.2%
Total commercial real estate . . . . .	225,623	26.6%	133,921	19.3%	187,069	25.0%	192,034	24.9%	210,793	28.3%
Commercial and industrial . . . . .	297,203	35.1%	252,522	36.5%	255,469	34.1%	281,013	36.5%	266,286	35.9%
Residential construction . . . . .	11,072	1.3%	6,740	1.0%	3,015	0.4%	5,473	0.7%	7,116	1.0%
Home equity . . . . .	209,769	24.8%	200,310	28.9%	195,943	26.1%	193,038	25.1%	177,462	23.9%
Consumer . . . . .	15,358	1.8%	14,894	2.2%	21,222	2.8%	21,416	2.8%	22,990	3.1%
Deposit overdraft limits . . . . .	85,981	10.1%	81,142	11.7%	81,125	10.8%	74,582	9.7%	52,947	7.1%
Total portfolio commitments . . . . .	845,006	99.7%	689,529	99.6%	743,843	99.2%	767,556	99.6%	737,594	99.3%
Loans held for sale . . . . .	2,415	0.3%	2,945	0.4%	5,882	0.8%	2,704	0.4%	4,874	0.7%
Total loan commitments . . . . .	\$847,421	100.0%	\$692,474	100.0%	\$749,725	100.0%	\$770,260	100.0%	\$742,468	100.0%
Letters of credit included above . . . . .	\$ 37,719	4.4%	\$ 35,794	5.2%	\$ 34,488	4.6%	\$ 36,793	4.8%	\$ 55,116	7.4%

Total portfolio loan commitments increased \$155 million or 22.6% between December 31, 2010 and December 31, 2011 primarily due to the previously discussed increase in commercial real estate construction, an increase in approved commitments for improved property loans near the end of 2011 and increased C&I lending activity. However, all categories of portfolio commitments increased at December 31, 2011 compared to December 31, 2010 as a result of increasing new loan volume in the latter half of 2011.

CRE construction loan commitments are generally available to the borrower for a period of time that is sufficient to complete construction and allow for the sale, lease-up or occupancy of the project upon completion. Therefore, CRE construction loan commitments generally extend beyond one year depending on the scope of the project and the anticipated sale or lease-up period. C&I lines and letters of credit are generally renewable or may be cancelled annually by the Bank but may also be committed for more than one year when appropriate. Owner-occupied residential real estate construction loan commitments are generally available for one year but may extend beyond one year depending on the size of the dwelling. Home equity and other consumer lines of credit are generally available to the borrower beyond one year. All loan commitments are cancelable by the Bank regardless of their duration under certain circumstances.

Overdraft protection limits are established for demand deposit accounts that meet the criteria for eligibility and represent potential loan balances. While these limits generally permit automatic advances when sufficient collected balances are not available, such advances are subject to the Bank’s discretion and may be suspended or cancelled at any time.

**Credit Risk**—The risk that borrowers will be unable or unwilling to repay their obligations and default on loans is inherent in all lending activities. Credit risk arises from many sources including general economic conditions, external events that impact businesses or industries, isolated events that impact a major employer, individual loss of employment or other personal calamities as well as changes in interest rates or the value of collateral. Credit risk is also impacted by a concentration of exposure within a geographic market or to one or more borrowers, industries or collateral types. The primary goal in managing credit risk is to minimize the impact of default by an individual borrower or group of borrowers.

WesBanco extends credit to borrowers that are primarily located within the market areas where the Bank has branch offices. There are no material loans in relation to the total portfolio to commercial borrowers that do not conduct business within the Bank’s market or to finance commercial real estate located outside of the Bank’s market areas unless the borrower also has significant other loan, deposit, trust or other business relationships with

the Bank. WesBanco may make consumer loans, including residential real estate and home equity lines of credit to established customers for second residences or vacation homes that are located outside of the Bank’s market. The approximate geographic distribution of the loan portfolio excluding deposit overdraft limits is summarized in Table 11.

**TABLE 11. GEOGRAPHIC DISTRIBUTION OF LOAN PORTFOLIO**

	December 31, 2011						
	Commercial Real Estate Land & Construction	Commercial Real Estate Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer	Total Portfolio Loans
Wheeling, WV MSA (1) . . . . .	6%	11%	27%	19%	22%	18%	16%
Weirton, WV—Steubenville, OH MSA . . . . .	2%	4%	9%	3%	5%	5%	5%
Morgantown, WV MSA . . . . .	5%	6%	8%	7%	7%	4%	6%
Fairmont-Clarksburg, WV MSA . . . . .	4%	3%	4%	10%	6%	8%	5%
Parkersburg, WV—Marietta, OH MSA . . . . .	10%	7%	11%	6%	8%	6%	8%
Charleston, WV MSA . . . . .	1%	3%	4%	4%	4%	3%	3%
West Virginia Other . . . . .	3%	3%	7%	4%	6%	11%	5%
Columbus, OH MSA . . . . .	48%	18%	7%	4%	5%	4%	13%
Dayton-Springfield, OH CSA (2) . . . . .	7%	5%	1%	7%	7%	3%	5%
Cincinnati-Middletown, OH MSA . . . . .	6%	12%	3%	13%	12%	3%	10%
Southeast, OH Non-MSA . . . . .	1%	11%	4%	14%	11%	8%	9%
Ohio Other . . . . .	1%	5%	2%	4%	5%	8%	4%
Pittsburgh, PA MSA-Southwestern PA . . . . .	2%	10%	12%	2%	2%	5%	7%
Pennsylvania Other . . . . .	3%	0%	0%	0%	0%	8%	1%
States Adjacent to WV, OH and PA . . . . .	1%	1%	0%	1%	0%	1%	1%
Outside of Market . . . . .	0%	1%	1%	2%	0%	5%	2%
Total . . . . .	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Metropolitan Statistical Area (“MSA”).

(2) Combined Statistical Area (“CSA”).

Most loans, except for indirect consumer loans originated by automobile and recreational vehicle dealers and other sellers of consumer goods, are originated directly by the Bank. WesBanco may also participate in business purpose loans, including Shared National Credits or purchased pools of residential real estate loans originated by other lending institutions. Shared National Credits are defined as loans in excess of \$20 million that are financed by three or more lending institutions. WesBanco conducts its own customary credit evaluation before purchasing or participating in these loans. The risks associated with purchased loans are similar to those originated by the Bank; however, additional risk may arise from limited ability to control actions of the lead, agent or servicing institution.

Credit risk is managed through the initial underwriting process as well as through ongoing monitoring and administration of the portfolio that varies by the type of loan. The Bank’s credit policies establish standard underwriting guidelines for each type of loan and require an appropriate evaluation of the credit characteristics of each borrower. This evaluation includes the borrower’s primary source of repayment capacity; the adequacy of collateral, if any, to secure the loan; the potential value of personal guarantees as secondary sources of repayment, and other factors unique to each loan that may increase or mitigate its risk. Credit bureau scores are also considered when evaluating consumer purpose loans as well as guarantors of business purpose loans. However, the Bank does not periodically update credit bureau scores subsequent to when loans are made to determine changes in credit history.

Most loans, including renewals and extensions thereof, are approved within a framework of individual lending authorities based on the loan amount for consumer purpose loans and the total credit exposure of the

borrower for business purpose loans. Business purpose loans with total credit exposure up to \$500,000 and all consumer purpose loans are approved by underwriters that are not responsible for business development or loan origination. Business purpose loans to borrowers with total credit exposure in excess of \$500,000 minimally require the approval of a senior commercial banking officer, and credit exposures of \$1.5 million or more require the approval of a credit officer that is not responsible for business development or loan origination. Credit exposures in excess of \$10 million require approval of a credit committee comprised of executive managers, directors or other qualified persons that do not have individual lending authority. Loans of all types that contain one or more exceptions to credit policy may only be approved by designated underwriters, senior business unit managers or credit officers within their respective levels of authority. Underwriters and credit officers do not receive incentive compensation based on loan origination. Senior commercial banking officers receive incentive compensation that is based on multiple factors that include both loan production and credit quality.

Consumer purpose loans are a homogeneous group, generally consisting of standardized products that are smaller in amount and spread over a larger number of individual borrowers. WesBanco does not maintain current information about the industry in which consumer borrowers are employed. While such information is obtained when each loan is underwritten, it often becomes inaccurate with the passage of time or if borrowers change employment during the term of their loans. Instead, WesBanco estimates potential exposure based on consumer demographics, market share, and other available information when there is a significant risk of loss of employment within an industry or a significant employer in any of the Bank's markets. The Bank generally does not risk grade consumer purpose loans other than as required by the regulatory uniform classification guidelines. To management's knowledge, there are no concentrations of employment that would have a material adverse impact on consumer purpose loans. However the current economic environment has resulted in higher unemployment throughout the Bank's market which increases the risk in the loan portfolio.

Many smaller business loans have the same risk characteristics as consumer loans; however, business loans can also be significantly larger in amount and contain terms and conditions that are unique to each transaction. The Bank maintains a loan grading system that categorizes business loans according to their level of credit risk. Risk grades are intended to reflect each borrower's ability to repay their loan obligations and other factors that affect the quality of each loan. All business loans are assigned a grade at their inception and adjusted thereafter at any time to reflect changes in the risk profile throughout the life of each loan. Loans to borrowers with total credit exposure of \$1 million or more are generally reviewed at least annually to validate the continued appropriateness of the assigned risk grade. Periodic reviews include evaluating the borrower's continued capacity to repay, the continued adequacy of collateral, if any, the ability of guarantors to provide a secondary source of repayment, and verification of compliance with applicable loan covenants. To facilitate regular reviews of repayment capacity, borrowers are required to furnish periodic financial statements and other information depending on the size and type of loan, such as accounts receivable aging reports for a revolving line of credit, rent rolls for investment CRE, and project status reports for land development and construction loans. (Please refer to Note 4 of the Financial Statements for a summary of loans by risk grade and a description of each grade.)

WesBanco generally does not originate sub-prime loans as a business strategy. However, the Bank does at times extend consumer purpose loans to borrowers that may have one or more characteristics of a sub-prime borrower. These loans are generally made only when the credit risk associated with the sub-prime characteristics of the borrower are properly justified and mitigated by other factors such as acceptable co-makers, additional collateral, or deposit and other non-lending relationships of the borrower with the Bank and are made on terms that are appropriate for their higher level of risk. Such loans are not material in relation to the aggregate of all types of consumer loans.

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

periodic reviews of the portfolio to assess the adequacy and effectiveness of the Bank's portfolio monitoring systems, the adequacy of loan documents, and the accuracy and timeliness of risk grades assigned to business loans.

Each type of loan may also entail certain distinct elements of risk that impact the manner in which those loans are underwritten, monitored, and administered. Elements that are distinct to the underwriting of each type of loan are further explained throughout this section of MD&A.

**Commercial Real Estate**—CRE is divided into two distinct categories. Land and construction consists of loans to finance land for development, investment, or other purposes such as surface parking for a commercial business enterprise, farming or removal of natural resources from the earth; construction of residential dwellings for resale and construction of commercial buildings that may be owner-occupied or investment purposes. Construction and development loans are generally made only when the Bank also commits to the permanent financing of the project, has a takeout commitment from another lender for the permanent loan, or the loan is expected to be repaid from the sale of subdivided property. Improved property loans consists of loans to purchase or refinance owner-occupied and investment properties. Owner-occupied properties consist of loans to borrowers in a diverse range of industries but may include special purpose or single use types of facilities. Investment properties include 1-to-4 family rental units, multi-family apartment buildings, and other facilities that are rented or leased to unrelated parties of the owner.

Construction and development loans require payment of interest only during the construction or development period, with initial terms that can range from six months to up to three years for larger, multiple phase projects such as residential housing developments and large scale commercial projects. Interest rates may be fully floating based on an appropriate index but may also be structured in the same manner as the interest rate that will apply to the permanent loan upon completion of construction. Interest during the construction or development period is typically included in total project costs and therefore may be funded by loan advances. In the event a project is not completed within the initial term, the loan is underwritten at maturity but loan interest beyond the initial term must be paid by the borrower and in some instances an interest reserve deposit account is required to be established as a condition of extending the term.

**TABLE 12. MATURITIES OF COMMERCIAL REAL ESTATE LAND AND CONSTRUCTION LOANS AND COMMITMENTS**

	December 31, 2011			
	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
<i>(in thousands)</i>				
Fixed rate loans . . . . .	\$20,971	\$12,705	\$ 7,660	\$ 41,336
Variable rate loans . . . . .	27,419	33,951	73,161	134,531
Total commercial real estate land and construction loans . . . . .	<u>\$48,390</u>	<u>\$46,656</u>	<u>\$80,821</u>	<u>\$175,867</u>
Total commercial real estate land and construction loan commitments . . . . .	<u>\$11,097</u>	<u>\$37,500</u>	<u>\$74,349</u>	<u>\$122,946</u>

Improved property loans generally require monthly principal and interest payments based on amortization periods ranging from 10 to 25 years depending on the type, age and condition of the property. However, lines of credit or letters of credit that are secured by real estate require payment of interest only with principal due on demand or at maturity. Loans with amortization periods of more than 20 years typically also have a maturity date or call option of 10 years or less. Lines or letters of credit are typically renewable annually at the Bank's discretion but may also have terms up to three years. Interest rates on term loans generally are adjustable ranging from one to five years based on an appropriate index of comparable duration. Interest rates on lines of credit are generally fully floating based on an appropriate index.

**TABLE 13. MATURITIES OF IMPROVED PROPERTY LOANS AND COMMITMENTS**

<i>(in thousands)</i>	December 31, 2011			
	<u>In One Year or Less</u>	<u>After One Year Through Five Years</u>	<u>Over Five Years</u>	<u>Total</u>
Fixed rate loans . . . . .	\$43,611	\$ 83,901	\$ 64,016	\$ 191,528
Variable rate loans . . . . .	55,028	109,451	1,153,691	1,318,170
Total commercial real estate improved property loans . . .	<u>\$98,639</u>	<u>\$193,352</u>	<u>\$1,217,707</u>	<u>\$1,509,698</u>
Total commercial real estate improved property loan commitments . . . . .	<u>\$19,910</u>	<u>\$ 69,959</u>	<u>\$ 12,808</u>	<u>\$ 102,677</u>

The primary factors that are considered in underwriting construction and development loans are the overall viability of each project, the experience and financial capacity of the developer or builder to successfully complete the project, market absorption rates and property values. Construction loans also have the unique risk that the builder or developer may not complete the project, or not complete it on time or within budget. Construction risk is generally mitigated by making construction loans to developers with established reputations who operate in the Bank’s markets and have the necessary capital to absorb unanticipated increases in the cost of a project or longer than anticipated absorption, periodically inspecting construction in progress, and disbursing the loan as specified stages of each project are completed. Certification of completed construction by a licensed architect or engineer and performance and payment bonds may also be required for certain types of projects. Construction and development loans that finance speculative building have inherently higher risk. When appropriate, the Bank may require a specified percentage of a residential development to be pre-sold or a commercial investment property to be pre-leased before construction can begin. Many land development and residential construction projects have experienced decreased absorption of new units compared to original projections for sales at the time the project was undertaken due to the recession and downturn in housing and require repayment periods that are extended beyond their original maturity.

The primary factors that are considered in underwriting investment property are the net rental income generated by the property, the type, quality, industry and mix of tenants and the terms of leases, all of which may vary depending on the specific type of property. Other factors that are considered for investment property include the overall financial capacity of the investors and their experience in owning and managing investment property.

Repayment of owner-occupied loans must come from the cash flow generated by the owner-occupant’s business. Therefore, the primary factors that are considered in underwriting are the historical and projected earnings, cash flow, capital resources, liquidity and leverage of the business. Other factors that are also considered for their potential impact on repayment capacity include the borrower’s industry, competitive advantages and disadvantages, quality and experience of management, and external influences on the business such as economic conditions.

The type, age, condition and location of the property as well as any environmental risks associated with the property are considered for both owner-occupied and investment properties. Environmental risk is mitigated by requiring assessments performed by qualified inspectors whenever the current or previous uses of the property, or any adjacent properties, are likely to have resulted in contamination of the subject property.

Credit risk is mitigated by limiting total credit exposure to individual borrowers or groups of borrowers and avoiding concentrations by property type or within geographic markets. Credit risk is further mitigated by requiring borrowers to have adequate down payments or cash equity, thereby limiting the loan balance in relation to the lower of the cost or market value of the property, unless there are sufficient mitigating factors that would reduce the risk of a higher loan-to-value ratio. The Bank also makes periodic site visits to financed properties and monitors the factors in the Bank’s markets that influence real estate collateral values such as rental rates, occupancy trends, and capitalization rates.

Market values are determined by obtaining current appraisals or evaluations, whichever is appropriate or required by banking regulations of each property prior to the loan being made and, in some instances when the initial term of a loan is being extended. Loan-to-value ratios are generally limited to the maximum loan-to-value ratios prescribed by banking regulations which range from 65% for raw land to 85% for improved commercial property and are based on the lesser of the cost or market value of the property. Regardless of policy or regulatory guidelines lower ratios may be required for certain types of properties or when other factors exist that may increase the potential volatility of the market value of a particular property type such as single or special use properties that cannot be easily converted to other uses. Conversely, higher loan-to-value ratios may be acceptable when other factors adequately mitigate the risk of a higher loan-to-value. Owner-occupied CRE loans are often also secured by all other business assets in addition to the real estate.

Regulatory guidelines also limit the aggregate of loans with loan-to-value ratios in excess of the prescribed loan-to-value ratios to 30% of risk-based capital. The aggregate of all CRE loans, which includes unfunded commitments, that exceeded the regulatory ratios approximated \$108 million or 23% of risk-based capital at December 31, 2011 and \$68 million or 15% of risk-based capital at December 31, 2010. The increase is attributable to commercial construction loans originated in 2011 that exceed the regulatory ratios based on the loan-to-cost of the project. Virtually all of these loans, which approximate \$52 million at December 31, 2011, will be within the regulatory ratio for improved property based on their appraised values upon completion of the project.

The current downturn in the real estate market has resulted in declines in property values for many properties. The degree of decline in values varies by geographic market with the most significant declines in the Dayton, Ohio market and parts of the Cincinnati, Ohio market. The exact impact of the decline in collateral values cannot be precisely determined but the portfolio is periodically evaluated using ranges of decline in value to determine the impact on the continued adequacy of the collateral. New appraisals are obtained to more accurately assess the current market value when the primary source of repayment may no longer be adequate to repay the loan under its original terms, there is increased dependence on the value of the collateral, or the loan is being extended beyond its original maturity.

The Bank also monitors CRE loans for potential concentrations by geographic location, within a single property type, or dependence on a common tenant for investment property. The geographic distribution of CRE loans is set forth in Table 11. The composition of CRE loans by property or project type is set forth in Table 14. There is no concentration of loans secured by properties that are occupied by a common tenant or a group of tenants in the same industry.

**TABLE 14. COMPOSITION OF COMMERCIAL REAL ESTATE LOANS BY PROPERTY TYPE OR PROJECT TYPE (1)**

	December 31, 2011						
	Outstanding Balance	Loan Commitments	Total Exposure	% of Total	% of Capital	Average Loan	Largest Loan
<i>(dollars in thousands)</i>							
Construction and development:							
Land and land development	\$ 67,191	\$ 3,978	\$ 71,169	3.7%	15.6%	\$ 202	\$ 3,791
Residential development	27,148	16,715	43,863	2.3%	9.6%	533	6,426
Commercial construction	81,528	102,253	183,781	9.6%	40.2%	3,126	15,120
Total construction and development	175,867	122,946	298,813	15.6%	65.4%	576	15,120
Residential investment property:							
Multi family apartments	208,934	9,023	217,957	11.4%	47.6%	508	10,902
1-to-4 family rentals	121,885	5,368	127,253	6.7%	27.8%	85	1,439
Commercial investment property:							
Shopping centers and retail stores	134,081	22,879	156,960	8.2%	34.3%	972	14,300
Office buildings	115,588	2,631	118,219	6.2%	25.8%	600	5,995
Industrial buildings and warehouses	17,882	3,729	21,611	1.1%	4.7%	480	6,862
Hotels and motels	123,126	9,920	133,046	7.0%	29.1%	2,530	11,550
Senior living facilities	20,566	—	20,566	1.1%	4.5%	2,057	6,195
Storage buildings	22,239	300	22,539	1.2%	4.9%	512	3,045
Dormitories	17,332	2	17,334	0.9%	3.8%	1,576	9,740
Other special use facilities	33,848	111	33,959	1.8%	7.4%	197	3,560
Mixed or multiple use facilities	91,247	4,375	95,622	5.0%	20.9%	493	8,468
General use facilities	42,906	7,473	50,379	2.6%	11.0%	168	3,560
Total residential and commercial investment property	949,634	65,811	1,015,445	53.2%	221.8%	327	14,300
Total construction, development and investment property	1,125,501	188,757	1,314,258	68.8%	287.2%	362	15,120
Owner-occupied commercial property:							
Retail stores	48,495	1,272	49,767	2.5%	10.9%	325	4,382
Office buildings	75,934	1,583	77,517	4.1%	16.9%	291	5,391
Industrial buildings and warehouses	72,367	4,571	76,938	4.0%	16.8%	469	3,598
Hospitals	20,707	158	20,865	1.1%	4.6%	907	4,867
Senior living facilities	52,940	9,924	62,864	3.3%	13.7%	1,785	11,600
Restaurants	33,423	52	33,475	1.8%	7.3%	286	3,040
Gasoline stations	35,451	—	35,451	1.9%	7.7%	591	3,171
Carwashes and autocare	25,678	136	25,814	1.4%	5.6%	290	1,870
Recreation facilities	24,245	3,625	27,870	1.5%	6.1%	535	5,967
Houses of worship	25,941	624	26,565	1.4%	5.8%	208	2,043
Other special use facilities	66,125	4,517	70,642	3.7%	15.4%	298	6,000
Mixed or multiple use facilities	44,015	2,279	46,294	2.4%	10.1%	269	5,445
General use facilities	34,743	8,125	42,868	2.1%	9.4%	183	3,173
Total owner-occupied commercial property	560,064	36,866	596,930	31.2%	130.5%	342	11,600
Total commercial real estate	\$1,685,565	\$225,623	\$1,911,188	100.0%	417.7%	\$ 356	\$15,120

(1) Average loan and largest loan represent the average, or largest, contractual obligation of WesBanco, which may or may not be fully funded.

Land and land development exposure decreased \$9 million or 11.5% and residential development exposure decreased \$2 million or 3.6% between December 31, 2010 and December 31, 2011 as the Bank continued to reduce exposure in both of these categories from the sale of units and by limiting funding of additional units. However, the decrease was tempered by slower than anticipated absorption of units on many projects. Conversely, commercial construction exposure increased \$94 million or 104.3%. By property type, commercial construction loans at December 31, 2011 consisted of \$65 million of multi-family apartments, \$31 million of office buildings, \$23 million of hotels, \$22 million of retail properties, and \$10 million of dormitories with the remaining \$32 million comprising a variety of other special or mixed use properties. Many of these loans will

migrate to an investment or owner-occupied property category within the next 12 to 18 months. Approximately 25% of land and land development, 50% of residential development, and 60% of commercial construction exposures are in the Columbus, Ohio market at December 31, 2011. There is no land development, residential construction or commercial construction exposure outside of the Bank's defined markets.

Improved investment CRE exposure decreased \$18 million or 1.7% with the most significant changes in multi-family apartments and shopping centers and retail stores, which increased \$6 million and \$17 million, respectively; and 1-to-4 family rentals, office buildings and mixed or multiple use facilities, which decreased \$6 million, \$13 million and \$11 million, respectively. Multi-family apartment and 1-to-4 family rental property loans represent 34% of total improved investment property loans at December 31, 2011 with the Columbus, Ohio market and southwestern Ohio markets in and around the Cincinnati and Dayton metropolitan areas representing approximately 28% and 17% of those property categories, respectively. The remainder of the improved investment CRE exposure is fairly well distributed among property types with the Columbus and southwestern Ohio markets similarly representing approximately 33% and 19% of the total, respectively.

Improved owner-occupied CRE exposure decreased \$45 million or 7.1% with the most significant changes in office buildings and restaurants, which increased \$7 million and \$5 million, respectively; and industrial buildings and warehouses, hospitals, other special use facilities and general use facilities, which decreased \$15 million, \$6 million, \$7 million and \$21 million, respectively. A portion of the decrease in general use facilities resulted from a reclassification of properties to one of the other categories to more accurately reflect the composition of the portfolio. Owner-occupied CRE is also generally diversified by property type and is more geographically diverse than improved investment CRE with the upper Ohio Valley market in and around the Wheeling, West Virginia MSA representing approximately 29% of the category and no other market representing more than 20% of the total.

WesBanco also categorizes owner-occupied CRE loans by industry according to standard industry classifications and monitors the portfolio for possible concentrations in one or more industries as well as multiple industries that may be impacted in the same manner by economic events or other external influences. Owner-occupied CRE is not concentrated in any single industry, but reflects a diverse range of businesses from all sectors of the economy with no one sector or industry representing more than 18% of risk-based capital as set forth in Table 15.

No single factor contributed significantly to the changes in the composition of CRE improved property loans during the year. However, the overall reduction in investment and owner-occupied property loans was impacted by unscheduled payoffs of loans that were refinanced by secondary or capital market sources of financing, the sale or charge-off of non-performing loans, and borrowers selling properties when it was to their advantage to do so.



**TABLE 15. OWNER-OCCUPIED COMMERCIAL REAL ESTATE BY OCCUPANT INDUSTRY**

<i>(dollars in thousands)</i>	December 31, 2011						
	Outstanding Balance	Loan Commitments	Total Exposure	% of Total	% of Capital	Average Loans	Largest Loan
Agriculture & farming . . . . .	\$ 1,638	\$ —	\$ 1,638	0.3%	0.4%	\$ 234	\$ 1,114
Energy—oil and gas . . . . .	901	—	901	0.2%	0.2%	180	327
Energy—mining and utilities . . . . .	4,134	—	4,134	0.7%	0.9%	413	2,410
Construction—general contracting . . . . .	5,756	1,013	6,769	1.1%	1.5%	193	706
Construction—specialty trades . . . . .	14,924	958	15,882	2.7%	3.5%	237	1,773
Manufacturing—primary metals . . . . .	3,786	4	3,790	0.6%	0.8%	1,263	3,275
Manufacturing—other . . . . .	33,752	2,503	36,255	6.1%	7.9%	390	3,756
Wholesale and distribution . . . . .	22,848	1,517	24,365	4.1%	5.3%	348	3,598
Retail—automobile sales . . . . .	16,588	963	17,551	2.9%	3.8%	548	3,212
Retail—other products . . . . .	76,877	3,471	80,348	13.5%	17.6%	374	4,382
Transportation and warehousing . . . . .	18,258	650	18,908	3.2%	4.1%	473	5,391
Information and communications . . . . .	3,138	22	3,160	0.5%	0.7%	243	1,555
Finance and insurance . . . . .	11,865	9	11,874	2.0%	2.6%	322	3,847
Real estate services . . . . .	20,582	2,471	23,053	3.9%	5.0%	136	1,665
Equipment leasing . . . . .	4,999	—	4,999	0.8%	1.1%	385	1,835
Services—business and professional . . . . .	23,903	1,348	25,251	4.2%	5.5%	212	2,062
Services—personal and other . . . . .	67,712	594	68,306	11.4%	14.9%	321	3,767
Schools and educational services . . . . .	18,019	3,998	22,017	3.7%	4.8%	917	6,000
Healthcare—medical practitioners . . . . .	32,868	295	33,163	5.6%	7.2%	332	2,912
Healthcare—hospitals and other . . . . .	81,387	10,187	91,574	15.3%	20.0%	1,127	11,600
Entertainment and recreation . . . . .	24,426	269	24,695	4.1%	5.4%	504	5,967
Restaurants and lodging . . . . .	33,806	53	33,859	5.7%	7.4%	273	3,040
Religious organizations . . . . .	26,221	624	26,845	4.5%	5.9%	208	2,043
Government organizations . . . . .	8,123	1,377	9,500	1.6%	2.1%	307	2,100
Unclassified and other industries (1) . . . . .	3,553	4,540	8,093	1.3%	1.8%	1,497	3,680
<b>Total owner occupied real estate . . . . .</b>	<b>\$560,064</b>	<b>\$36,866</b>	<b>\$596,930</b>	<b>100.0%</b>	<b>130.5%</b>	<b>\$ 343</b>	<b>\$11,600</b>

(1) Certain approved commitments that have not yet been categorized by industry are included in the total of unclassified and other industries.

The five largest CRE customer relationships which may include loans that are identified as the largest loan by property or project type in Table 14 and by industry in Table 15 approximate \$147 million at December 31, 2011 compared to \$170 million at December 31, 2010. Loans to this group of customers finance multi-family apartments, retail and office investment properties, hotels, and senior living facilities.

Participations in CRE loans originated by other financial institutions approximated \$59 million or 3.1% of total CRE credit exposure at December 31, 2011 compared to \$70 million or 3.7% at December 31, 2010. Included in this total is approximately \$15 million of Shared National Credits at December 31, 2011 compared to \$17 million at December 31, 2010. All of this exposure to participations purchased from other institutions is for properties located within the Bank’s defined market.

In addition to the methods in which the Bank monitors the CRE portfolio for possible concentrations of risk, the regulatory agencies use a two threshold test to identify whether a bank has an overall concentration of CRE lending. The first threshold measures whether loans for land, land development, residential construction and commercial construction exceed 100% of risk-based capital. The second threshold measures whether the total of loans included in the first threshold plus multi-family and other commercial investment property exceed 300% of risk-based capital. The following table summarizes the Bank's CRE exposure according to the regulatory concentration guidelines.

**TABLE 16. COMMERCIAL REAL ESTATE RELATIONSHIP TO RISK BASED CAPITAL**

<i>(dollars in thousands)</i>	December 31, 2011		
	Total Exposure	% of Capital	Regulatory Guideline
Land, land development, residential construction and commercial construction loans . . . . .	\$ 280,021	61.2%	100%
Multi-family and other commercial investment property, excluding 1-to-4 family rental property . . . . .	847,613	185.2%	—
Total CRE loans for concentration test purposes . . . . .	<u>\$1,127,634</u>	<u>246.4%</u>	<u>300%</u>

WesBanco categorizes 1-to-4 family rental property loans as CRE for financial reporting purposes because those loans are investment property and generally dependent on rental income for their repayment. However, loans secured by 1-to-4 family property are not included in the definition of investment CRE for purposes of the concentration tests. Similarly, loans secured by owner-occupied CRE are also excluded for purposes of the concentration tests.

Additionally, hotels and motels are typically categorized by many banks, including WesBanco, as investment property but possess many of the characteristics of owner-occupied CRE because the owners of many hotel and motel properties are also the operators. If hotels and motels are excluded from the amounts reflected in Table 16, the resulting percentage of capital for total CRE loans would be 217.3%.

**Commercial and Industrial Loans**—C&I loans consist of revolving lines of credit to finance accounts receivable, inventory and other general business purposes, and term loans to finance fixed assets other than real estate for a wide variety of businesses. Most C&I borrowers are privately held companies with annual sales generally not in excess of \$50 million. Commercial lines of credit and letters of credit are generally renewable or may be cancelled annually by the Bank. However, lines of credit and letters of credit may also be committed for up to three years when appropriate. Loans secured by equipment and other types of collateral have terms that are consistent with the purpose of the loan and the estimated useful life of the collateral that generally do not exceed ten years. Interest rates on lines of credit are generally variable based on a short-term interest rate index such as the Prime Rate or LIBOR, while interest rates on term loans may be fixed for the entire term of the loan or adjustable ranging from one to five years based on an appropriate index.

**TABLE 17. MATURITIES OF COMMERCIAL AND INDUSTRIAL LOANS AND COMMITMENTS**

<i>(in thousands)</i>	December 31, 2011			
	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans . . . . .	\$ 11,680	\$ 71,308	\$ 17,009	\$ 99,997
Variable rate loans . . . . .	163,347	50,576	112,395	326,318
Total commercial and industrial loans . . . . .	<u>\$175,027</u>	<u>\$121,884</u>	<u>\$129,404</u>	<u>\$426,315</u>
Total commercial and industrial loan commitments . . . . .	<u>\$227,977</u>	<u>\$ 55,722</u>	<u>\$ 13,504</u>	<u>\$297,203</u>

The primary factors that are considered in underwriting C&I loans are the borrower's historical and projected earnings, cash flow, capital resources, liquidity and leverage. Other factors that are also considered for their potential impact on repayment capacity include the borrower's industry, competitive advantages and disadvantages, quality and experience of management, and external influences on the business such as economic conditions.

C&I risk is mitigated by limiting total credit exposure to individual borrowers or groups of borrowers, industries and geographic markets and by requiring collateral where appropriate. The type and amount of the collateral varies from loan to loan depending on the overall financial strength of the borrower, the amount and terms of the loan, and the collateral available to be pledged by the borrower. Unsecured credit is only extended to those borrowers that exhibit consistently strong repayment capacity and the financial condition to withstand a temporary decline in their operating cash flow.

Certain types of collateral that fluctuate with business conditions, such as accounts receivable and inventory, may also be subject to regular reporting and certification by the borrower and, in some instances, independent inspection or verification by the Bank. Readily marketable collateral such as securities, including securities held in WesBanco trust accounts, significantly mitigates credit risk but are subject to fluctuations in market value. Therefore, the current value of marketable securities held as collateral are regularly monitored to evaluate their continued adequacy.

The Bank categorizes C&I loans by industry according to standard industry classifications and monitors the portfolio for possible concentrations in one or more industries as well as multiple industries that may be impacted in the same manner by economic events or other external influences. The C&I portfolio is not concentrated in any single industry, but reflects a diverse range of businesses from all sectors of the economy, with no significant concentration in any single sector or industry as set forth in Table 18. The most significant changes in the composition of C&I loans between December 31, 2010 and December 31, 2011 were in the energy, construction and manufacturing sectors, which increased \$17 million, \$9 million and \$15 million, respectively. Unclassified and other industries in Table 18 include approved loan commitments that had not yet been categorized according to any particular industry at December 31, 2011.

**TABLE 18. COMPOSITION OF COMMERCIAL AND INDUSTRIAL LOANS BY INDUSTRY (1)**

<i>(dollars in thousands)</i>	December 31, 2011						
	Outstanding Balance	Loan Commitments	Total Exposure	% of Total	% of Capital	Average Loan	Largest Loan
Agriculture & farming . . . . .	\$ 3,310	\$ 1,003	\$ 4,313	0.6%	0.9%	\$ 39	\$ 350
Energy—oil and gas . . . . .	41,841	4,835	46,676	6.5%	10.2%	993	22,915
Energy—mining and utilities . . . . .	7,935	6,429	14,364	2.0%	3.1%	350	5,322
Construction—general contracting . . . . .	24,149	26,546	50,695	7.0%	11.1%	227	6,500
Construction—specialty trades . . . . .	24,058	15,443	39,501	5.5%	8.6%	149	4,310
Manufacturing—primary metals . . . . .	12,627	16,706	29,333	4.1%	6.4%	1,725	6,290
Manufacturing—other . . . . .	19,677	24,855	44,532	6.2%	9.7%	204	6,216
Wholesale and distribution . . . . .	18,728	15,638	34,366	4.7%	7.5%	181	3,000
Retail—automobile sales . . . . .	18,866	10,695	29,561	4.1%	6.5%	528	6,750
Retail—other products . . . . .	25,106	14,393	39,499	5.5%	8.6%	138	4,000
Transportation and warehousing . . . . .	14,088	3,168	17,256	2.4%	3.8%	69	1,200
Information and communications . . . . .	4,894	4,120	9,014	1.2%	2.0%	282	4,500
Finance and insurance . . . . .	6,649	7,596	14,245	2.0%	3.1%	141	3,500
Real estate services . . . . .	19,121	6,461	25,582	3.5%	5.6%	94	1,000
Equipment leasing . . . . .	6,760	12,520	19,280	2.7%	4.2%	297	6,215
Services—business and professional . . . . .	29,898	18,430	48,328	6.7%	10.6%	127	3,500
Services—personal and other . . . . .	32,507	9,253	41,760	5.8%	9.1%	180	12,600
Schools and educational services . . . . .	3,019	9,157	12,176	1.7%	2.7%	716	5,000
Healthcare—medical practitioners . . . . .	15,080	6,284	21,364	3.0%	4.7%	96	770
Healthcare—hospitals and other . . . . .	15,829	21,809	37,638	5.2%	8.2%	392	9,160
Entertainment and recreation . . . . .	12,659	2,638	15,297	2.1%	3.3%	264	4,005
Restaurants and lodging . . . . .	15,467	2,514	17,981	2.5%	3.9%	117	2,500
Religious organizations . . . . .	30,344	19,186	49,530	6.8%	10.8%	751	15,000
Government organizations . . . . .	12,324	3,927	16,251	2.2%	3.6%	117	2,925
Unclassified and other industries . . . . .	11,379	33,597	44,976	6.0%	9.9%	345	10,000
<b>Total commercial and industrial loans . . .</b>	<b>\$426,315</b>	<b>\$297,203</b>	<b>\$723,518</b>	<b>100.0%</b>	<b>158.1%</b>	<b>\$ 187</b>	<b>\$22,915</b>

(1) Average loan and largest loan represent the average, or largest, contractual obligation of WesBanco, which may or may not be fully funded.

The five largest C&I borrowing relationships, which may include loans identified as the largest loan within an industry in Table 18, approximate \$161 million at December 31, 2011 compared to \$121 million at December 31, 2010. This exposure to the largest borrowing relationships is not concentrated in any one industry. Approximately \$50 million of this total is fully secured by marketable securities with an appropriate loan-to-value ratio. The total of loans secured by bank deposit accounts and marketable securities which represent the lowest risk when properly margined and monitored approximate 17% of total C&I exposure at December 31, 2011 compared to 18% at December 31, 2010. Conversely, unsecured loans which represent the highest risk approximate 9% of total C&I exposure at December 31, 2011 compared to 11% and December 31, 2010. The largest unsecured loan is \$3 million at December 31, 2011 and \$2 million at December 31, 2010 and the average unsecured loan is less than \$100,000 at both year-ends.

Approximately 42% of C&I exposure is to borrowers in or around the Wheeling, West Virginia market, up from 30% a year ago, and another 31% is to borrowers in the other West Virginia markets, down from 34% a year ago. No other market represents more than 20% of the C&I portfolio. Refer to Table 11 for the geographic distribution of C&I loans.

Participations in C&I loans originated by other financial institutions approximated \$50 million or 7.0% of total C&I exposure at December 31, 2011 compared to \$34 million or 5.1% at December 31, 2010. Included in this total is approximately \$32 million of Shared National Credits at December 31, 2011 compared to \$27 million at December 31, 2010. All of this exposure to participations purchased from other institutions is to borrowers that are headquartered in or have significant operations within the Bank's defined market.

When the total exposure of owner-occupied CRE by industry set forth in Table 15 is combined with C&I exposure set forth in Table 18, the largest combined exposures are hospitals and other healthcare facilities other than medical practitioners, retail sales other than automobiles, and personal and other services, which approximate \$120 million, \$120 million and \$110 million or 26%, 26% and 24% of risk-based capital, respectively. Each of these sectors is further diversified among the various industries included in the sector with no single industry representing more than 15% of risk based capital.

**Residential Real Estate Loans**—Residential real estate consists of loans to purchase, construct or refinance personal residences, including 1-to-4 family rental properties when the property is also the owner's primary residence or the loans were underwritten by acquired banks as residential real estate loans. The Bank originates conforming and non-conforming mortgages to be held in its portfolio as well as loans for sale in the secondary market. Non-conforming mortgages are those loans that do not meet all of the documentation standards for sale in the secondary market.

The Bank originated approximately \$149 million of residential real estate loans for retention in the portfolio in 2011 compared to \$57 million in 2010 and approximately \$79 million of residential real estate loans for sale in the secondary market in 2011 compared to \$148 million in 2010. The offsetting changes in loans originated for the portfolio versus sale in the secondary market is attributable to management's decision in the second half of 2010 to begin retaining higher quality loans in the portfolio instead of allowing the residential real estate portfolio to continue to decrease as older loans are repaid. Residential real estate loans are generally underwritten to secondary market lending standards even when the loan will be retained in the portfolio. The Bank uses automated underwriting systems developed for the secondary market that rely on empirical data to evaluate each loan application and assess credit risk. When appropriate, automated underwriting systems are supplemented by a traditional analysis of the borrowers' ability to repay their obligations, their credit history, the amount of their down payment, and the market value or other characteristics of the property.

Conventional residential real estate loans can have terms ranging up to 30 years. Interest rates on residential real estate loans held in the portfolio may be fixed for up to 15 years. The remainder of the portfolio has interest rates that are primarily based on the Treasury Constant Maturity index and generally adjust from between one and five years. Construction loans require payment of interest only during the construction period, which generally ranges from six to twelve months, but may be longer for larger residences. Loans for vacant land generally begin amortizing immediately and are refinanced when the owner begins construction of a residence. The Bank does not originate stated income, interest only or option-adjustable rate mortgages for retention in the portfolio or for sale in the secondary market.

**TABLE 19. MATURITIES OF RESIDENTIAL REAL ESTATE LOANS AND COMMITMENTS**

<i>(in thousands)</i>	December 31, 2011			
	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans . . . . .	\$4,127	\$12,654	\$420,845	\$437,626
Variable rate loans . . . . .	266	6,001	177,490	183,757
Total residential real estate loans . . . . .	<u>\$4,393</u>	<u>\$18,655</u>	<u>\$598,335</u>	<u>\$621,383</u>
Total residential real estate loan commitments . . . . .	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,072</u>	<u>\$ 11,072</u>

Credit risk in the residential real estate portfolio is mitigated by requiring borrowers to have adequate down payments or equity in the property, thereby limiting the amount of the loan in relation to the appraised value of the property. The Bank generally does not make residential real estate loans with loan-to-value ratios in excess of 90% and loan requests that exceed 80% of the value of the property are generally also supported by mortgage insurance or additional collateral.

Residential real estate loans include construction loans for residences that are being built under contract for owner occupants and loans to finance vacant land upon which the owner intends to construct a residence at a future date. Loans to contractors to finance speculative residential construction and land for development are categorized as CRE loans. Residential construction loans have the added risk that the builder may not complete the residence, or not complete it on time or within budget. Residential construction loans are typically made with the expectation that they will convert to a permanent mortgage loan upon completion of construction.

Construction risk is mitigated by evaluating the builder's reputation in the market, periodically inspecting construction in progress, and disbursing the loan as specified stages of each project are completed. Residential construction lending activity was relatively flat in 2011 compared to 2010 as the prolonged economic downturn continued to have a negative impact on new housing starts.

The Bank generally does not obtain new appraisals of residential properties unless the borrower requests a modification or refinance of the loan, the loan is in default, or there is otherwise and increased dependence on the value of the collateral. Residential real estate loans that were originated in the five year period from 2002 to 2006 prior to the downturn in housing approximate \$306 million or 49% of the total at December 31, 2011 compared to \$396 million or 59% at December 31, 2010. The remaining balance of loans originated during this period as a percentage of the original loan amount ranges from 84% for loans originated in 2006 to less than 50% for loans originated in 2002. At December 31, 2011 approximately \$258 million or 42% of the total, including loans originated in the current year, were originated after 2006 or subsequent to the beginning of the downturn in housing. Such loans were underwritten to more conservative lending standards and the loan-to-value ratio for most of these loans would have been determined based on newer appraisals that reflected lower property values. This compares to \$137 million or 22% of the total at December 31, 2010. Approximately \$189 million or 30% of total residential real estate loans were originated within the past two years and consist primarily of 15 year fixed rate mortgages. The average credit bureau score of borrowers whose loans originated in the past two years is over 720, and loans past due 30 days or more for this group of loans was 0.37% at December 31, 2011 compared to 1.41% for all residential real estate loans.

The aggregate of residential real estate loans with loan-to-value ratios in excess of 90% without some form of credit enhancement such as mortgage insurance approximate \$18 million of risk-based capital at December 31, 2011 compared to approximately \$19 million at December 31, 2010 or less than 4% of risk-based capital at both dates. The housing crisis placed significant pressure on the mortgage insurance industry's ability to satisfy claims. However, to date WesBanco has not experienced any material losses as a result of an inability to collect on a mortgage insurance policy.

Rental properties underwritten as residential real estate loans by acquired banks approximate \$25 million or 4% of total residential real estate loans at December 31, 2011 compared to \$38 million or 6% of the total at December 31, 2010. These loans are in addition to 1-to-4 family rental property loans that are reported as CRE loans. These properties have generally experienced higher delinquency and greater declines in value than owner-occupied dwellings. The decrease in 2011 is the result of a concentrated effort to exit as many of these loans as possible as well as a reduction due to certain of these loans being foreclosed or charged off during the year.

Approximately \$18 million or less than 3% of residential real estate loans at December 31, 2011 consists of pools of mortgages originated by other institutions compared to \$24 million or 4% at December 31, 2010. These loans originated primarily in 2004 and have remaining balances that represent less than 20% of their original amounts through scheduled and unscheduled repayments. Approximately 75% of the loans in these pools

financed properties in the states of West Virginia, Ohio and Pennsylvania or contiguous states. WesBanco has not experienced any material losses on this group of residential real estate loans.

Approximately 45% of residential real estate loans are secured by properties in West Virginia where property values have generally been more stable. Residential real estate values have generally declined since 2007 with the western Ohio markets experiencing the most significant decreases. Approximately 20% of residential real estate loans are secured by properties in the western Ohio markets. Residential real estate loans secured by properties located outside the Bank's defined markets are minimal and typically consist of loans to bank customers for second or vacation homes or loans included in purchased pools of mortgage loans originated by other institutions. Refer to Table 11 for the geographic distribution of residential real estate loans.

**Home Equity Lines of Credit**—Home equity lines of credit consist of revolving lines to consumers that are secured by first or second liens on primary residences generally located within the bank's defined markets. Home equity lines are generally limited to an amount in relation to the market value of the property net of the first mortgage, if any, which generally cannot exceed 90% of the property value. In addition, the maximum loan-to-value ratio is tiered based on the loan amount and the borrower's credit history. Most home equity lines of credit originated prior to 2005 are available to the borrower as a revolving line of credit for up to 15 years, at which time the outstanding balance is required to be repaid over a term of not more than 7 years. Most home equity lines of credit originated since 2005 are available to the borrower for an indefinite period of time as long as the borrower's credit characteristics do not materially or adversely change, but may be cancelled by the Bank under certain circumstances.

**TABLE 20. MATURITIES OF HOME EQUITY LINES OF CREDIT AND COMMITMENTS**

<i>(in thousands)</i>	December 31, 2011			
	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans . . . . .	\$ 349	\$ 25	\$ 602	\$ 976
Variable rate loans . . . . .	183,780	33,976	33,053	250,809
Total home equity . . . . .	<u>\$184,129</u>	<u>\$34,001</u>	<u>\$33,655</u>	<u>\$251,785</u>
Total home equity commitments . . . . .	<u>\$153,104</u>	<u>\$28,413</u>	<u>\$28,252</u>	<u>\$209,769</u>

The primary factors that are considered in underwriting and managing credit risk of home equity lines of credit are similar to residential real estate and consumer loans. The risk associated with the revolving availability of home equity lines is also mitigated by the borrower's periodic reduction of the principal balance of their first mortgage, if any, through regular monthly payments, which increases the residual value of the collateral in relation to the amount of the home equity line. However, declining property values also adversely impact the collateral position of home equity lines of credit. Similarly, if a borrower's first mortgage requires interest only or is a type of loan that can result in negative amortization the risk associated with that borrower's home equity line of credit increases. Sufficient information about each borrower's first mortgage loan is not readily available to fully measure this risk.

Credit risk in the home equity portfolio is managed by monitoring delinquency levels and trends, and economic and other factors that influence real estate collateral values in the Bank's defined markets. Irregular or unusual patterns of usage of available lines of credit may also indicate a change in risk. The average usage of home equity lines of credit has generally ranged between 45 and 65 percent of the available balance over a period of several years and there were no material changes in usage patterns within the portfolio in 2011.

The Bank generally does not obtain new appraisals of residential properties unless the borrower requests a modification or refinance of the loan, the loan is in default, or there is otherwise an increased dependence on the

value of the collateral. Home equity lines of credit that were originated in the five year period from 2002 to 2006 prior to the downturn in housing approximate 27% of the total at December 31, 2011 compared to over 30% at December 31, 2010. At December 31, 2011 approximately two-thirds of the home equity portfolio, originated after 2006 or subsequent to the beginning of the downturn in housing, was underwritten to more conservative lending standards and the loan-to-value ratio for most of these loans would have been determined based on newer appraisals that reflected lower property values. The average credit bureau score of borrowers whose home equity lines originated within the past two years is well over 700.

Approximately 50% of home equity lines of credit are secured by properties in West Virginia where property values have generally been more stable. As previously stated, residential real estate values have generally declined since 2007 with the western Ohio markets experiencing the most significant decreases. Approximately 20% of home equity lines of credit are secured by properties in the western Ohio markets. Refer to Table 11 for the geographic distribution of home equity lines of credit.

**Consumer Loans**—Consumer loans consist of installment loans originated directly by the Bank and, indirectly through dealers to finance purchases of automobiles, motorcycles, boats, and other recreational vehicles, and lines of credit that are either unsecured or secured by collateral other than motorized vehicles or real estate.

The maximum term for automobile loans and other installment loans is generally 84 months but may be less depending on the age of the automobile and other factors while the maximum term for recreational vehicle loans is generally 180 months. The maximum term for unsecured loans typically does not exceed 60 months. Consumer lines of credit are generally available for an indefinite period of time as long as the borrower’s credit characteristics do not materially or adversely change, but may be cancelled by the Bank under certain circumstances. Interest rates on installment obligations are generally fixed for the term of the loan and lines of credit are fully adjustable based on the prime rate.

**TABLE 21. MATURITIES OF CONSUMER LOANS AND COMMITMENTS**

	December 31, 2011			
	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
<i>(in thousands)</i>				
Fixed rate loans . . . . .	\$ 9,503	\$108,815	\$108,555	\$226,873
Variable rate loans . . . . .	10,417	9,283	7,747	27,447
Total consumer loans . . . . .	<u>\$19,920</u>	<u>\$118,098</u>	<u>\$116,302</u>	<u>\$254,320</u>
Total consumer loan commitments . . . . .	<u>\$14,832</u>	<u>\$ 420</u>	<u>\$ 106</u>	<u>\$ 15,358</u>

The primary factors that are considered in underwriting consumer loans are the borrowers’ ability to repay their obligations, which also includes an evaluation of their previous credit history. Credit risk in the consumer portfolio is managed by monitoring delinquency levels and trends, and economic and other factors that may influence consumer repayment capacity.

Approximately \$130 million or 51% of consumer loans are secured by a motorized vehicle and \$67 million or 26% are secured by recreational vehicles at December 31, 2011, which is comparable to the portfolio composition at December 31, 2010. Loans secured by bank deposits or readily marketable collateral, which represent the lowest risk when properly margined and monitored, approximate \$28 million or 11% of total consumer loans at December 31, 2011 compared to approximately \$23 million or 9% at December 31, 2010. Conversely, unsecured consumer loans, which represent the highest risk, approximate \$21 million or 8% of total consumer loans at December 31, 2011 and December 31, 2010. All other consumer loans which represent approximately 4% of the total are secured by real estate, mobile homes, farm equipment or some other type of



consumer goods. Indirect loans originated by automobile and other motor vehicle dealers represent approximately 52% of total consumer loans at December 31, 2011.

**Loans Held For Sale**—Loans held for sale consists of residential real estate loans originated for sale in the secondary market at December 31, 2011 and December 31, 2010.

Credit risk associated with residential real estate loans held for sale in the secondary market is mitigated by entering into sales commitments with secondary market purchasers at the time the loans are originated. This practice has the effect of minimizing the amount of such loans and the interest rate risks that are within the portfolio at any point in time. WesBanco generally does not service these loans after they are sold. While all loans are sold without recourse, WesBanco may be required to repurchase loans that it sells in the secondary market under certain circumstances. The number and principal balance of loans that WesBanco has been required to repurchase historically has not been material and therefore, no reserve has been established for this exposure.

Several acquired banks serviced many of the residential real estate loans that they sold in the secondary market. Although these loans are not carried as an asset on the balance sheet, the Bank continues to service these loans (see Note 5 “Loans Serviced for Others and Mortgage Servicing Rights” to the Consolidated Financial Statements).

## **CREDIT QUALITY**

This section of MD&A discusses those categories of assets that have adverse risk characteristics. Non-performing assets consists of non-accrual and troubled debt restructurings (“TDR” or “TDRs”), other real estate and repossessed assets. Also included in this section of MD&A are other impaired loans, past due loans, and criticized or classified CRE and C&I loans.

The Bank seeks to develop individual strategies for all assets that have adverse risk characteristics that are intended to minimize potential loss. However, there is no assurance that such strategies will be successful and loans may ultimately result in foreclosure or other course of liquidation that does not fully satisfy the amount of the loan. Management has significantly increased the level of attention given to collection efforts and administration of these assets that includes hiring additional staff dedicated to their administration and regular monthly meetings devoted to the monitoring their status. While these efforts have generally been successful to maintaining credit quality, the challenging economic environment has still adversely impacted credit quality in all categories of the loan portfolio.

**TABLE 22. NON-PERFORMING ASSETS**

<i>(dollars in thousands)</i>	December 31,				
	2011	2010	2009	2008	2007
Non-accrual loans:					
Commercial real estate—land and construction . . . . .	<b>\$10,135</b>	\$ 4,391	\$ 5,582	\$ 4,946	\$ 160
Commercial real estate—improved property . . . . .	<b>25,122</b>	24,833	32,628	20,069	13,436
Commercial and industrial . . . . .	<b>8,238</b>	7,933	12,749	5,369	3,508
Residential real estate . . . . .	<b>12,377</b>	10,688	13,228	1,252	2,086
Home equity . . . . .	<b>1,331</b>	755	818	72	379
Consumer . . . . .	<b>289</b>	220	268	29	289
Total non-accrual loans . . . . .	<b><u>57,492</u></b>	<u>48,820</u>	<u>65,273</u>	<u>31,737</u>	<u>19,858</u>
TDRs accruing interest:					
Commercial real estate—land and construction . . . . .	<b>7,410</b>	10,764	1,829	—	—
Commercial real estate—improved property . . . . .	<b>17,318</b>	33,122	9,639	4,559	—
Commercial and industrial . . . . .	<b>839</b>	73	552	—	—
Residential real estate . . . . .	<b>3,844</b>	3,443	2,826	—	—
Home equity . . . . .	—	—	—	—	—
Consumer . . . . .	—	81	142	—	—
Total TDRs accruing interest (1) . . . . .	<b><u>29,411</u></b>	<u>47,483</u>	<u>14,988</u>	<u>4,559</u>	<u>—</u>
Total non-performing loans . . . . .	<b>86,903</b>	96,303	80,261	36,296	19,858
Other real estate and repossessed assets . . . . .	<b>3,029</b>	8,069	8,691	2,554	3,998
Total non-performing assets . . . . .	<b><u>\$89,932</u></b>	<u>\$104,372</u>	<u>\$88,952</u>	<u>\$38,850</u>	<u>\$23,856</u>
Non-performing loans as a percentage of total loans . . . . .	<b>2.68%</b>	2.93%	2.31%	1.01%	0.53%
Non-performing assets as a percentage of total assets . . . . .	<b>1.62%</b>	1.95%	1.65%	0.74%	0.44%
Non-performing assets as a percentage of total loans, other real estate and repossessed assets . . . . .	<b><u>2.77%</u></b>	<u>3.17%</u>	<u>2.56%</u>	<u>1.08%</u>	<u>0.64%</u>

(1) TDRs on non-accrual of \$17.3 million and \$9.9 million at December 31, 2011 and December 31, 2010, respectively, are included in total non-accrual loans.

**TDRs**—Loans are categorized as TDRs when the Bank, for economic or legal reasons related to a borrower’s financial difficulties, grants a concession to the borrower that it would not otherwise consider. Concessions that may be granted include a reduction of the interest rate or an interest rate that is less than the market rate of interest for loans with comparable risk characteristics, the amount of accrued interest, or the face amount of the loan; as well as an extension of the maturity date or the amortization schedule. Loans reported in this category continue to accrue interest so long as the borrower is able to continue repayment in accordance with the restructured terms. TDRs that are placed on non-accrual are reported in the non-accrual category and not included with accruing TDRs. (Please refer to Note 4 to the Financial Statements for additional details regarding TDRs.)

TDRs decreased \$18 million or 38.1% between December 31, 2010 and December 31, 2011 after having more than tripled in 2010. The increase in TDRs in 2010 reflected WesBanco’s willingness to work with borrowers that were experiencing temporary financial difficulty but had some capacity for continuing repayment of their loans under restructured terms. The decrease in 2011 resulted primarily from the sale of \$10 million of TDRs, which included the two largest loans in this category, the removal of one loan for \$4 million because the loan no longer met the definition of a TDR as the borrower was no longer experiencing financial difficulty and the loan returned to its original terms, and migration of other loans in the category to non-accrual due to further deterioration of certain borrowers’ financial condition after the restructuring of their loans.

CRE and residential real estate loans represent the largest components of the accruing TDR category. Accruing TDRs generally consist of a small number of larger loans, as loans to six borrowers with balances greater than \$1 million represent \$15 million or half of total TDRs, and the average balance of all TDRs approximates \$0.6 million per loan.

Residential real estate TDRs increased \$0.4 million or 11.7% between December 31, 2010 and December 31, 2011 as newly restructured loans exceeded loans that were repaid by borrowers that were able to sell their residence. Residential real estate represents 13% of total accruing TDRs at December 31, 2011 compared to 7% at December 31, 2010, with the increased percentage resulting from the substantial reduction of CRE loans in this category during the year.

Most residential real estate TDRs continue to pay in accordance with their modified terms, however, total accruing TDRs with aggregate balances of \$2.5 million or 8.5% of total TDRs were past due 30 days or more at December 31, 2011 compared to \$0.5 million or 1.1% of total TDRs at December 31, 2010. Geographically, \$22 million or 77% of total accruing TDRs are in the central and southwest Ohio markets compared to \$30 million or 84% a year ago.

**Non-Accrual Loans**—Loans are generally placed on non-accrual status when they become past due 90 days or more unless they are both well secured and in the process of collection. Non-accrual loans increased \$9 million or 17.7% between December 31, 2010 and December 31, 2011. The increase is the result of more borrowers experiencing financial difficulty due to economic conditions, including previously accruing TDRs that migrated to non-accrual. Land and construction loans accounted for the largest increase in non-accrual loans as the impact of the economic downturn has been more severe in this category of loans. The increase in non-accrual loans was tempered by the sale of loans with a carrying value of \$7 million in the third quarter of 2011.

Non-accrual loans are comprised primarily of smaller loans with only six CRE loans having balances greater than \$1 million. These six loans represent \$10 million or 17% of total non-accrual loans. Additionally, approximately \$3.7 million of the total consists of several smaller CRE loans to multiple borrowers with common ownership that are secured by 1-to-4 family residential properties that were built for resale and converted to rental units. At December 31, 2011, approximately \$17 million or 30.1% of total non-accrual loans, including the previously mentioned loans to related borrowers and three of the loans with a balance greater than \$1 million, also have restructured terms that would require them to otherwise be reported as a TDR if they were accruing interest. The amount of non-accrual loans that were also TDRs was \$10 million or 20.2% of the total at December 31, 2010. The increase in non-accrual loans that are also TDRs is primarily the result of loans that were previously TDRs accruing interest migrating to non-accrual in 2011. Geographically, \$35 million or 61.6% of total non-accrual loans are in the central and southwest Ohio markets. Non-accrual loans include commercial and residential real estate in Ohio for which the foreclosure process has been initiated but the properties have not yet gone to public sale because of the protracted timeline of the foreclosure process in that state. However, based on the bank's recent experience not all of these properties will be taken into OREO because many will be purchased by other parties at the public sale. It is not possible to estimate what portion of these loans will become OREO as the decision to purchase the property depends on a number of factors including the property's value, condition, and the amount other purchasers are willing to pay at the public sale. The bank makes this determination for each property at the time of the sale.

**Other Real Estate and Repossessed Collateral**—Other real estate primarily consists of property acquired through or in lieu of foreclosure but may also include bank premises held for sale and residences of bank employees purchased to facilitate the relocation of those employees within the bank. Repossessed collateral primarily consists of automobiles and other types of collateral acquired to satisfy defaulted consumer loans. The Bank seeks to minimize the period for which it holds other real estate and repossessed collateral while also attempting to obtain a fair value from the disposition of those assets. Therefore, the sale price of these assets is dependent on current market conditions that affect the value of real estate and used automobiles or other collateral. Other real estate and repossessed collateral decreased \$5 million or 62.5% between December 31,

2010 and December 31, 2011. Other real estate consists primarily of residential properties with only one property having a carrying value in excess of \$0.5 million at December 31, 2011. The largest property in this category during 2011 was a hotel in Columbus, Ohio carried at \$0.9 million as of December 31, 2010 that was sold in 2011.

**Non-Performing Asset Activity**—Net changes in non-performing assets between December 31, 2010 and 2011 are discussed in the preceding paragraphs. However, the net changes in period ending balances are impacted by significant activity that increases or decreases each category throughout the year, which is summarized in Table 23. Economic conditions caused more loans to be placed on non-accrual during the year but fewer loans were restructured and continued to accrue interest. However, the number and amount of properties acquired through foreclosure decreased in 2011. Despite high unemployment, repossessions of other collateral which primarily consists of automobiles that secure consumer loans decreased 29% in 2011 compared to 2010. Net gains or losses on the disposition of other real estate and repossessed assets are credited or charged to earnings and approximated \$1.0 million of net loss in 2011 compared to \$1.1 million of net loss in 2010. The amount reported as proceeds from loan sales represents the amount received for those loans, which had aggregate carrying balances of \$17 million and resulted in losses of \$10 million that are included in the total of charge-offs or charge-downs.

**TABLE 23. NON-PERFORMING AND IMPAIRED ASSET ACTIVITY**

<i>(in thousands)</i>	Year Ended December 31, 2011		
	Non-accrual Loans	TDRs	Other Real Estate and Repossessed Assets
Balance, December 31, 2010 . . . . .	\$ 48,820	\$ 47,483	\$ 8,069
Activity during the year:			
Additions to non-accrual loans or TDRs . . . . .	38,598	14,265	—
TDRs moved to non-accrual . . . . .	14,464	(14,464)	—
Real estate foreclosures or deeds in lieu of foreclosure . . . . .	—	—	2,467
Repossessions of other collateral . . . . .	—	—	2,822
Net proceeds from loan sales . . . . .	(2,492)	(4,309)	—
Charge-offs or charge-downs . . . . .	(34,584)	(5,974)	(813)
Other real estate sold . . . . .	—	—	(6,837)
Repossessed assets sold . . . . .	—	—	(2,924)
Principal payments and other changes, net . . . . .	(7,314)	(7,590)	245
Balance, December 31, 2011 . . . . .	<u>\$ 57,492</u>	<u>\$ 29,411</u>	<u>\$ 3,029</u>

**Composition of Adversely Classified Assets**—Table 24 summarizes the composition of non-performing assets according to CRE property type, C&I industry sector or consumer purpose as of December 31, 2011. The percentage of category column represents the total of these assets to their respective loan totals plus other real estate and repossessed assets. These percentages are not necessarily indicative of the best and worst performing categories of the portfolio, as they can be impacted by a single large loan as well as the relative size of any category in relation to the total portfolio.

**TABLE 24. COMPOSITION OF NON-PERFORMING ASSETS**

<i>(dollars in thousands)</i>	December 31, 2011				
	Non-Accrual Loans	TDRs	Other Real Estate and Repossessed Assets	Total	% of Category
Commercial real estate:					
Construction and development:					
Land and land development .....	\$ 9,057	\$ 3,774	\$ 50	\$12,881	19.17%
Residential construction .....	1,078	2,673	—	3,751	13.82%
Commercial construction .....	—	963	—	963	1.18%
Commercial investment property:					
Multi family apartments .....	1,391	3,016	—	4,407	2.11%
1-to-4 family rentals .....	7,835	2,177	182	10,194	8.36%
Shopping centers and retail stores .....	1,749	—	—	1,749	1.30%
Office buildings .....	812	4,924	—	5,736	4.96%
Industrial buildings and warehouses .....	559	—	—	559	3.13%
Hotels and motels .....	356	—	—	356	0.29%
Special use facilities .....	1,001	—	—	1,001	1.07%
Mixed or multiple use facilities .....	2,679	1,456	—	4,135	4.53%
General use facilities .....	400	923	165	1,488	3.47%
Owner-occupied commercial property:					
Retail stores .....	853	221	890	1,964	4.05%
Office buildings .....	541	755	—	1,296	1.71%
Industrial buildings and warehouses .....	274	—	—	274	0.38%
Special use facilities .....	4,105	3,327	—	7,432	2.61%
Mixed or multiple use facilities .....	361	—	—	361	0.82%
General use facilities .....	2,206	519	472	3,197	9.20%
Total commercial real estate .....	<u>35,257</u>	<u>24,728</u>	<u>1,759</u>	<u>61,744</u>	<u>3.66%</u>
Commercial and industrial:					
Construction and contracting .....	2,414	492	—	2,906	6.03%
Manufacturing .....	1,259	—	—	1,259	3.90%
Retail sales .....	580	—	—	580	1.32%
Transportation and warehousing .....	93	25	—	118	0.84%
Finance and insurance .....	115	—	—	115	1.73%
Real estate services .....	1,103	—	—	1,103	5.77%
Equipment leasing .....	379	—	—	379	5.61%
Business, professional and personal services .....	1,280	—	—	1,280	2.05%
Physicians and healthcare .....	—	232	—	232	0.75%
Restaurants and lodging .....	178	—	—	178	1.15%
Wholesale and distribution .....	261	—	—	261	1.39%
Unclassified and other industries .....	576	90	—	666	0.52%
Total commercial and industrial .....	<u>8,238</u>	<u>839</u>	<u>—</u>	<u>9,077</u>	<u>2.13%</u>
Owner occupied residential real estate .....	13,708	3,844	730	18,282	2.09%
Real estate purchased to facilitate employee relocation .....	—	—	297	297	N/A
Consumer loans / repossessed assets .....	289	—	243	532	0.21%
Total .....	<u>\$57,492</u>	<u>\$29,411</u>	<u>\$3,029</u>	<u>\$89,932</u>	<u>2.78%</u>

**Past Due Loans**—Loans that are past due and continuing to accrue interest and are not TDRs are considered under-performing but have not yet progressed to the point where they are considered non-performing. Certain loans that are past due 90 days or more continue to accrue interest because they are deemed to be well secured and in the process of collection. Earlier stage delinquency consists of loans that are between 30 and 89 days past due and require routine collection efforts to prevent them from becoming more seriously delinquent.

Early stage delinquency represents potential future non-performing loans if routine collection efforts are not successful. Table 25 summarizes loans that are contractually past due 30 days or more for all categories of the loan portfolio.

**TABLE 25. PAST DUE AND ACCRUING LOANS EXCLUDING TDR**

<i>(dollars in thousands)</i>	December 31,									
	2011		2010		2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
90 Days or More:										
Commercial real estate:										
Land and construction . . . . .	\$ —	0.00%	\$ 277	0.18%	\$ 76	0.03%	\$ 555	0.24%	\$ 1,435	0.54%
Improved property . . . . .	18	0.00%	692	0.04%	1,427	0.09%	2,396	0.16%	2,961	0.21%
Commercial and industrial . . . . .	939	0.22%	95	0.02%	17	0.00%	2,951	0.58%	1,098	0.22%
Residential real estate . . . . .	2,881	0.46%	4,535	0.75%	2,655	0.37%	10,799	1.26%	4,393	0.45%
Home equity . . . . .	498	0.20%	1,126	0.45%	274	0.11%	966	0.44%	835	0.43%
Consumer . . . . .	799	0.31%	958	0.37%	826	0.28%	1,143	0.36%	804	0.22%
Total portfolio loans . . . . .	5,135	0.16%	7,683	0.23%	5,275	0.15%	18,810	0.52%	11,526	0.31%
Loans held for sale . . . . .	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Total loans . . . . .	\$ 5,135	0.16%	\$ 7,683	0.23%	\$ 5,275	0.15%	\$18,810	0.52%	\$11,526	0.31%
30 to 89 Days:										
Commercial real estate:										
Land and construction . . . . .	\$ 180	0.10%	\$ 252	0.16%	\$ 828	0.33%	\$ 572	0.25%	\$ 2,654	1.00%
Improved property . . . . .	4,599	0.30%	4,717	0.29%	4,224	0.28%	14,020	0.95%	12,909	0.91%
Commercial and industrial . . . . .	1,442	0.34%	4,163	0.94%	1,982	0.44%	3,485	0.68%	6,200	1.23%
Residential real estate . . . . .	5,902	0.95%	7,367	1.21%	8,865	1.25%	8,457	0.99%	8,420	0.86%
Home equity . . . . .	2,266	0.90%	2,255	0.90%	2,562	1.07%	1,903	0.88%	1,638	0.85%
Consumer . . . . .	5,499	2.16%	6,020	2.31%	6,935	2.38%	7,169	0.24%	7,859	2.16%
Total portfolio loans . . . . .	19,888	0.61%	24,774	0.75%	25,396	0.73%	35,606	0.99%	39,680	1.07%
Loans held for sale . . . . .	—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
Total loans . . . . .	\$19,888	0.61%	\$24,774	0.75%	\$25,396	0.73%	\$35,606	0.99%	\$39,680	1.07%

Loans past due 90 days or more decreased \$3 million or 33.2% between December 31, 2010 and December 31, 2011 primarily due to increased collection efforts and the movement of loans to a non-performing category. Loans past due 90 days or more continue to represent a very small percentage of total loans. Loans past due 30 to 89 days decreased \$5 million or 19.7% between December 31, 2010 and December 31, 2011 as a result of a continued focus on controlling early stage delinquency and some stabilizing of economic conditions. Management believes that loans past due 30 to 89 days represent an acceptable percentage of total loans.

**Classified and Criticized Loans** — As previously stated, the Bank uses a system of loan classification by internally assigned risk grades to rank and monitor the credit quality of business purpose loans. (Please refer to Note 4 to the Financial Statements for a description of each risk grade and a summary of loans by risk grade.) The Bank's criticized and classified loan grades are equivalent to the classifications used by banking regulators to identify those loans that expose the Bank to the highest levels of risk. All business purpose loans are graded including loans that are also reported as non-performing or past due in the preceding sections of this MD&A. Non-performing loans are generally classified as substandard or doubtful while past due loans may not yet be criticized or classified depending on the severity and frequency of delinquency and other factors that are considered to determine the appropriate grade.

Overall business loan credit quality improved significantly between December 31, 2010 and December 31, 2011 when measured by the levels of classified and criticized loans. Classified loans decreased \$23 million or 16.6% and criticized loans decreased \$39 million or 21.5% as a result of management's focus on reducing the

amount of loans in both grades. Approximately \$17 million of the reduction in classified loans resulted from the sale of non-performing loans in the third quarter of the year. Charge-offs and charge-downs of loans that remain in the portfolio represented another \$20 million of the reduction. However, those reductions were offset by the migration of loans from criticized to classified net of any reductions from payoffs or principal reductions. The decrease in criticized loans was the result of the loans that migrated to classified status as well as upgrades approximating \$11 million and scheduled and unscheduled principal reductions. The net decrease in criticized loans is a positive indicator despite the migration of loans from that grade to the classified category because it is an indicator that credit quality is beginning to stabilize compared to the previous year.

**TABLE 26. ALLOWANCE FOR CREDIT LOSSES**

<i>(in thousands)</i>	December 31,				
	2011	2010	2009	2008	2007
Balance at beginning of year:					
Allowance for loan losses . . . . .	<b>\$61,051</b>	\$61,160	\$49,803	\$38,543	\$31,979
Allowance for loan commitments . . . . .	<b>1,404</b>	195	368	249	—
Total beginning balance . . . . .	<b>62,455</b>	61,355	50,171	38,792	31,979
Allowance for loan losses of acquired banks . . . . .	—	—	—	—	6,405
Provision for credit losses:					
Provision for loan losses . . . . .	<b>36,247</b>	43,369	50,545	32,530	8,267
Provision for loan commitments . . . . .	<b>(936)</b>	1,209	(173)	119	249
Total provision for credit losses . . . . .	<b>35,311</b>	44,578	50,372	32,649	8,516
Charge-offs:					
Commercial real estate—land and construction . . . . .	<b>7,494</b>	3,630	3,809	271	23
Commercial real estate—improved property . . . . .	<b>19,466</b>	22,542	12,836	9,947	2,238
Commercial and industrial . . . . .	<b>9,087</b>	8,588	13,184	4,088	1,900
Residential real estate . . . . .	<b>4,627</b>	4,952	2,874	1,748	499
Home equity . . . . .	<b>798</b>	780	1,056	927	483
Consumer . . . . .	<b>4,037</b>	4,909	6,206	6,559	3,975
Total loan charge-offs . . . . .	<b>45,509</b>	45,401	39,965	23,540	9,118
Deposit account overdrafts . . . . .	<b>936</b>	966	1,120	1,491	955
Total loan and deposit account overdraft charge-offs . . . . .	<b>46,445</b>	46,367	41,085	25,031	10,073
Recoveries:					
Commercial real estate—land and construction . . . . .	<b>199</b>	57	—	—	17
Commercial real estate—improved property . . . . .	<b>993</b>	780	242	518	238
Commercial and industrial . . . . .	<b>909</b>	512	206	1,315	214
Residential real estate . . . . .	<b>375</b>	111	102	62	35
Home equity . . . . .	<b>116</b>	57	33	45	1
Consumer . . . . .	<b>1,053</b>	1,076	978	1,200	1,223
Total loan recoveries . . . . .	<b>3,645</b>	2,593	1,561	3,140	1,728
Deposit account overdrafts . . . . .	<b>312</b>	296	336	621	237
Total loan and deposit account overdraft recoveries . . . . .	<b>3,957</b>	2,889	1,897	3,761	1,965
Net loan and deposit account overdraft charge-offs . . . . .	<b>42,488</b>	43,478	39,188	21,270	8,108
Balance at end of year:					
Allowance for loan losses . . . . .	<b>54,810</b>	61,051	61,160	49,803	38,543
Allowance for loan commitments . . . . .	<b>468</b>	1,404	195	368	249
Total ending balance . . . . .	<b>\$55,278</b>	\$62,455	\$61,355	\$50,171	\$38,792

Total charge-offs increased \$0.1 million or less than 1% while total recoveries increased \$1.1 million or 37.0%, resulting in a \$1 million or 2.3% decrease in net charge-offs for 2011 compared to 2010.

Net charge-offs of CRE land and construction loans increased \$4 million or 104.2% due to continued weakness in construction and development that has adversely impacted both repayment capacity and collateral values on a few large loans with five loans representing \$5.4 million or 72% of total land and construction charge-offs. Net charge-offs of CRE improved property loans decreased \$3 million or 15.1% but remain elevated above long term historical levels due to continued weakness and declining property values. CRE charge-offs in 2011 included \$10 million of charges recognized upon the sale of loans with a net recorded investment of approximately \$17 million. Approximately 75% of CRE charge-offs in 2011 came from loans in the central and western Ohio markets where property values have experienced the most significant declines compared to approximately 80% from those markets in 2010 and another 13% of the total came from the western Pennsylvania market. Multi-family apartment and office buildings represented 20% and 16% of total CRE charge-offs in 2011.

Net charge-offs of C&I loans increased \$0.1 million or 1.2% as the prolonged economic downturn adversely impacted more small businesses, with the construction sector experiencing the most significant losses. Net charge-offs of residential real estate loans decreased \$0.6 million or 1.2% but remain elevated compared to long term historical levels primarily due to high unemployment and declining real estate values in the Ohio markets. Net charge-offs of home equity lines of credit have historically represented a relatively insignificant percentage of total net charge-offs and were relatively unchanged from 2010 to 2011. Approximately 70% of residential real estate loan charge-offs in 2011 came from loans in the central and western Ohio markets compared to 65% in 2010. Residential real estate charge-offs included \$1.5 million or 32% of the total related to 1-to-4 family rental properties included in the residential real estate totals.

Net charge-offs of consumer loans decreased \$0.8 million or 22.1% despite high unemployment in most of the Bank's markets and a challenging economic environment for many consumers. Consumer losses were not attributable to any single market but recreational vehicle loans represented 26% of total consumer charge-offs in 2011 compared to 32% in 2010. Losses on unsecured loans represent another 19% and 21% of total consumer charge-offs in 2011 and 2010, respectively.

Net charge-offs of deposit account overdrafts were relatively unchanged from 2010 to 2011.

Table 27 summarizes net charge-offs as a percentage of average total loans for each category of the loan portfolio as well as selected other relationships of the allowance and provision for credit losses to total loans and other specified categories of loans.



**TABLE 27. NET CHARGE-OFF AND SELECTED RATIOS**

	December 31,				
	2011	2010	2009	2008	2007
Net charge-offs as a percentage of average loans:					
Commercial real estate—land and construction	<b>4.17%</b>	1.75%	1.59%	0.11%	0.00%
Commercial real estate—improved property	<b>1.19%</b>	1.40%	0.94%	0.58%	0.17%
Commercial and industrial	<b>1.94%</b>	1.83%	2.68%	0.53%	0.42%
Residential real estate	<b>0.70%</b>	0.73%	0.35%	0.19%	0.05%
Home equity	<b>0.28%</b>	0.30%	0.45%	0.43%	0.31%
Consumer	<b>1.18%</b>	1.38%	1.73%	1.57%	0.97%
Total net loan charge-offs	<b>1.29%</b>	1.28%	1.08%	0.56%	0.28%
Allowance for loan losses as a percentage of total loans	<b>1.69%</b>	1.86%	1.76%	1.38%	1.03%
Allowance for loan losses to non-accrual loans	<b>0.95x</b>	1.25x	0.94x	1.57x	1.94x
Allowance for loan losses to total non-performing loans	<b>0.63x</b>	0.63x	0.76x	1.37x	1.94x
Allowance for loan losses to total non-performing loans and loans past due 90 days or more	<b>0.60x</b>	0.59x	0.72x	0.90x	1.23x
Provision for credit losses as a percentage of net loan & deposit charge-offs	<b>83.1%</b>	102.5%	128.5%	153.5%	102.0%

The allowance for credit losses consists of a general allowance and specific reserves for certain impaired credits. The Bank uses the most recent twelve month historical net loss rate by risk grade for CRE and C&I loans and for the total of the other categories of the portfolio as a base loss rate for the general allowance. The base loss rate is adjusted for the impact of certain qualitative factors which in management's judgment are appropriate to accurately reflect probable loss in each category. Qualitative factors include changing economic conditions, delinquency and non-performing loan trends, changes in lending policies and credit standards, concentrations of credit exposure if any, the results of regulatory examinations and internal loan reviews, and other external factors. Table 28 summarizes each of these components of the allowance for credit losses.

**TABLE 28. COMPONENTS OF THE ALLOWANCE FOR CREDIT LOSSES**

<i>(in thousands)</i>	December 31,				
	2011	2010	2009	2008	2007
General allowance:					
Based on historical loss experience	<b>\$42,920</b>	\$42,133	\$40,862	\$28,853	\$24,502
Based on qualitative factors	<b>8,537</b>	11,998	14,482	16,773	13,727
Specific reserves	<b>3,353</b>	6,920	5,816	4,177	314
Total allowance for loan losses	<b>54,810</b>	61,051	61,160	49,803	38,543
Allowance for loan commitments	<b>468</b>	1,404	195	368	249
Total allowances for credit losses	<b>\$55,278</b>	\$62,455	\$61,355	\$50,171	\$38,792

The allowance for credit losses decreased \$7.2 million or 11.5% from December 31, 2010 to December 31, 2011. The amount of the general allowance attributable to historical loss experience did not change materially due to relatively consistent levels of net charge-offs over the past two years, while the allowance attributable to qualitative factors decreased \$3.5 million or 28.8% due primarily to lower delinquency (please refer to Table 25), reduced levels of classified and criticized loans (please refer to Note 4 to the Financial Statements), and a moderate decrease in unemployment in the Bank's markets. Specific reserves decreased \$3.6 million or 51.5% as a result of the sale, charge-off, charge-down or payoff of loans during 2011 that were previously reserved at December 31, 2010. The allowance for loan commitments decreased \$0.9 million or 66.7% primarily as a result

of a commitment to extend an additional \$1 million at December 31, 2010 to finance new tenant improvements to a property that secures a CRE loan reported as a TDR being fully advanced during the year, thereby resulting in this amount being categorized as a specific reserve in the allowance for loan losses as December 31, 2011.

The allocation of the allowance for credit losses to each category of the loan portfolio is summarized in Table 29.

**TABLE 29. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES**

<i>(dollars in thousands)</i>	December 31,									
	2011		2010		2009		2008		2007	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Allowance for loan losses:										
Commercial real estate:										
Land and construction	\$ 4,842	9%	\$ 4,701	8%	\$ 4,387	7%	\$ 4,790	9%	\$ 2,386	6%
Improved property	24,748	45%	30,836	49%	28,267	46%	19,933	40%	14,848	38%
Commercial and industrial	11,414	21%	10,793	17%	13,659	22%	13,392	27%	12,618	33%
Residential real estate	5,638	10%	5,950	10%	4,919	8%	3,304	7%	2,281	6%
Home equity	1,962	3%	2,073	3%	2,309	4%	1,371	3%	700	2%
Consumer	5,410	10%	5,641	9%	6,649	11%	5,863	12%	4,968	13%
Deposit account overdrafts	796	1%	1,057	2%	970	2%	1,150	2%	742	2%
Total allowance for loan losses	<u>\$54,810</u>	<u>99%</u>	<u>\$61,051</u>	<u>98%</u>	<u>\$61,160</u>	<u>100%</u>	<u>\$49,803</u>	<u>99%</u>	<u>\$38,543</u>	<u>100%</u>
Allowance for loan commitments:										
Commercial real estate:										
Land and construction	\$ 74	0%	\$ 1,037	2%	\$ 21	0%	\$ 22	0%	\$ 32	0%
Improved property	21	0%	285	0%	17	0%	11	0%	26	0%
Commercial and industrial	323	1%	65	0%	138	0%	323	1%	183	0%
Residential real estate	4	0%	1	0%	—	0%	—	0%	—	0%
Home equity	33	0%	14	0%	16	0%	10	0%	6	0%
Consumer	13	0%	2	0%	3	0%	2	0%	2	0%
Total allowance for loan commitments	<u>468</u>	<u>1%</u>	<u>1,404</u>	<u>2%</u>	<u>195</u>	<u>0%</u>	<u>368</u>	<u>1%</u>	<u>249</u>	<u>0%</u>
Total allowance for credit losses	<u>\$55,278</u>	<u>100%</u>	<u>\$62,455</u>	<u>100%</u>	<u>\$61,355</u>	<u>100%</u>	<u>\$50,171</u>	<u>100%</u>	<u>\$38,792</u>	<u>100%</u>

Changes in the allowance for loan losses for all categories of the loan portfolio reflect the net effect of changes in historical net loss rates by risk grade for CRE and C&I loans and for the total of other categories, changes in loan balances for each category or by risk grade, the level of non-performing and other impaired loans, and management's judgment with respect to economic and other relevant factors.

The allowance for CRE land and construction was relatively unchanged despite an increase in loans and losses recognized in that category. CRE land and construction losses were primarily concentrated in land and residential development loans compared to new loans in this category consisting primarily of construction of commercial properties that have different risk characteristics. The allowance for CRE improved property loans decreased due primarily to the elimination of specific reserves on loans sold, charged off, or charged down during the year. The allowance for C&I loans increased moderately due to the increase in net charge-offs in this category. The allowance for residential real estate and home equity loans decreased due primarily to lower delinquency and a moderately lower net charge-off rate, as declining property values and high unemployment in the Bank's markets have been provided for by increasing the allowance in prior years. The allowance for consumer loans decreased consistent with the decreases in consumer loan balances and net charge-offs despite relatively high historic levels of unemployment.

The most significant change in the allowance for loan commitments is attributable to the previously described commitment to extend additional credit that was fully advanced in 2011.

Table 30 summarizes changes in the allowance for credit losses applicable to each category of the loan portfolio.

**TABLE 30. RECONCILIATION OF THE ALLOWANCE FOR CREDIT LOSSES BY LOAN CATEGORY**

<i>(in thousands)</i>	For the Year Ended December 31, 2011							Total
	Commercial Real Estate - Land and Construction	Commercial Real Estate - Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	
Balance at beginning of year:								
Allowance for loan losses	\$ 4,701	\$ 30,836	\$10,793	\$ 5,950	\$2,073	\$ 5,641	\$1,057	\$ 61,051
Allowance for loan commitments	1,037	285	65	1	14	2	—	1,404
Total beginning allowance for credit losses	<u>5,738</u>	<u>31,121</u>	<u>10,858</u>	<u>5,951</u>	<u>2,087</u>	<u>5,643</u>	<u>1,057</u>	<u>62,455</u>
Provision for credit losses:								
Provision for loan losses	7,436	12,385	8,799	3,940	571	2,753	363	36,247
Provision for loan commitments	(963)	(264)	258	3	19	11	—	(936)
Total provision for credit losses	<u>6,473</u>	<u>12,121</u>	<u>9,057</u>	<u>3,943</u>	<u>590</u>	<u>2,764</u>	<u>363</u>	<u>35,311</u>
Charge-offs	(7,494)	(19,466)	(9,087)	(4,627)	(798)	(4,037)	(936)	(46,445)
Recoveries	199	993	909	375	116	1,053	312	3,957
Net charge-offs	<u>(7,295)</u>	<u>(18,473)</u>	<u>(8,178)</u>	<u>(4,252)</u>	<u>(682)</u>	<u>(2,984)</u>	<u>(624)</u>	<u>(42,488)</u>
Balance at end of period:								
Allowance for loan losses	4,842	24,748	11,414	5,638	1,962	5,410	796	54,810
Allowance for loan commitments	74	21	323	4	33	13	—	468
Total ending allowance for credit losses	<u>\$ 4,916</u>	<u>\$ 24,769</u>	<u>\$11,737</u>	<u>\$ 5,642</u>	<u>\$1,995</u>	<u>\$ 5,423</u>	<u>\$ 796</u>	<u>\$ 55,278</u>

Although the allowance for credit losses is allocated as described in Tables 29 and 30, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management's estimation of probable losses and actual incurred losses in subsequent periods for any category may necessitate future adjustments to the provision for loan losses applicable to the category. Management believes the allowance for credit losses is appropriate to absorb probable losses at December 31, 2011.

## DEPOSITS

**TABLE 31. DEPOSITS**

<i>(dollars in thousands)</i>	December 31,		\$ Change	% Change
	2011	2010		
<b>Deposits</b>				
Non-interest bearing demand	\$ 705,415	\$ 591,052	\$ 114,363	19.3%
Interest bearing demand	577,033	481,129	95,904	19.9%
Money market	910,117	854,836	55,281	6.5%
Savings deposits	596,549	530,701	65,848	12.4%
Certificates of deposit	1,604,752	1,714,705	(109,953)	(6.4)%
Total deposits	<u>\$4,393,866</u>	<u>\$4,172,423</u>	<u>\$ 221,443</u>	<u>5.3%</u>

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 112 branches in West Virginia, Ohio and Western Pennsylvania. The FDIC insures all deposits up to \$250,000 and insures all deposits held in non-interest bearing transaction accounts until December 31, 2012.

Total deposits increased by \$221.4 million or 5.3% in 2011 primarily due to increases in all deposit categories other than CDs. Interest bearing demand and non-interest bearing demand deposits increased 19.9% and 19.3%, respectively, while savings and money market deposits had smaller increases of 12.4% and 6.5%, respectively. These increases were due to marketing campaigns, continued efforts to obtain more account relationships and customers' preference for short-term maturities.

Certificates of deposit decreased by 6.4% during 2011 due primarily to the effects of an overall corporate strategy designed to increase and remix retail deposit relationships with a focus on overall products that can be offered at a lower cost to the Bank and reducing single-service CD customers. The decline in certificates of deposit is also impacted by customer preferences in the current low interest rate environment and other alternatives in the marketplace. WesBanco does not generally solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Services (CDARS®) program, which had \$276.6 million in total outstanding balances at December 31, 2011 of which \$208.6 million represented one-way buys, compared to \$246.3 million in total outstanding balances at December 31, 2010. Certificates of deposit greater than \$250,000 were approximately \$162.5 million at December 31, 2011 compared to \$186.5 million at December 31, 2010. Certificates of deposit of \$100,000 or more were approximately \$797.0 million at December 31, 2011 compared to \$791.7 million at December 31, 2010, while certificates of deposit totaling approximately \$683.6 million at December 31, 2011 with a cost of 1.04% are scheduled to mature within the next year. WesBanco will continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs, although in the current interest rate environment, CD rate offerings are generally lower for all maturities and types compared to rates paid on existing CDs.

**TABLE 32. MATURITY DISTRIBUTION OF CERTIFICATES OF DEPOSIT OF \$100,000 OR MORE**

<i>(dollars in thousands)</i>	December 31,		<u>\$ Change</u>	<u>% Change</u>
	<u>2011</u>	<u>2010</u>		
Maturity:				
Under three months . . . . .	<b>\$119,485</b>	\$143,178	\$(23,693)	(16.5)%
Three to six months . . . . .	<b>88,314</b>	91,719	(3,405)	(3.7)%
Seven to twelve months . . . . .	<b>84,238</b>	100,347	(16,109)	(16.1)%
Over twelve months . . . . .	<b>504,989</b>	456,488	48,501	10.6%
Total certificates of deposit of \$100,000 or more . . . . .	<b><u>\$797,026</u></b>	<u>\$791,732</u>	<u>\$ 5,294</u>	<u>0.7%</u>

Interest expense on certificates of deposit of \$100,000 or more totaled approximately \$13.6 million, \$15.2 million and \$20.3 million in 2011, 2010 and 2009, respectively.

## BORROWINGS

TABLE 33. BORROWINGS

<i>(dollars in thousands)</i>	December 31,		\$ Change	% Change
	2011	2010		
Federal Home Loan Bank Borrowings .....	<b>\$168,186</b>	\$253,606	\$(85,420)	(33.7)%
Other short-term borrowings .....	<b>196,887</b>	187,385	9,502	5.1%
Junior subordinated debt owed to unconsolidated subsidiary trusts .....	<b>106,066</b>	106,034	32	0.0%
Total .....	<b>\$471,139</b>	\$547,025	\$(75,886)	(13.9)%

Borrowings are currently a less significant source of funding for WesBanco compared to total deposits. WesBanco has reduced FHLB borrowings utilizing funds provided by lower cost deposits or other available cash flows for their payoff. During the 2011 year, FHLB borrowings decreased \$85.4 million or 33.7% from December 31, 2010. Other short-term borrowings increased by \$9.5 million or 5.1% from December 31, 2010.

WesBanco is a member of the FHLB system. The FHLB system functions as a borrowing source for regulated financial institutions that are engaged in residential and commercial real estate lending and securities investing. WesBanco uses term FHLB borrowings as a general funding source and to more appropriately match interest maturities for certain assets, as an alternative to shorter term wholesale borrowings. FHLB borrowings are secured by blanket liens on certain residential and other mortgage loans with a market value in excess of the outstanding borrowing balances. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying mortgage and other types of loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted at certain pre-established percentages of the loans' unpaid balances. FHLB stock, which is recorded at cost of \$21.9 million at December 31, 2011, is also pledged as collateral for these advances. WesBanco's remaining maximum borrowing capacity, subject to the collateral requirements noted, with the FHLB at December 31, 2011 and 2010 was estimated to be approximately \$1.0 billion.

At December 31, 2011, WesBanco had \$168.2 million in outstanding FHLB borrowings with a weighted-average interest rate of 3.58%, compared to \$253.6 million of FHLB borrowings at December 31, 2010 with a weighted-average interest rate of 3.64%. FHLB borrowings have maturities ranging from the years 2012 to 2030. Approximately \$76.5 million of such borrowings mature in 2012 at an average cost of 3.64%.

Certain FHLB advances contain call features, which allows the FHLB to convert a fixed rate borrowing to a variable rate advance if the strike rate goes beyond a certain predetermined rate. The probability that these advances and repurchase agreements will be called depends primarily on the level of related interest rates during the call period. Of the \$168.2 million outstanding at December 31, 2011, \$106.1 million in FHLB convertible fixed rate advances are subject to conversion to a variable rate advance by the respective FHLB issuer, of which \$50.0 million mature in 2012. Please refer to Note 10, "Federal Home Loan Bank Borrowings," of the Consolidated Financial Statements for additional information.

Other short-term borrowings, which consist of federal funds purchased, securities sold under agreements to repurchase and treasury tax and loan notes were \$196.9 million at December 31, 2011 compared to \$187.4 million at December 31, 2010. The increase in these borrowings has occurred primarily as a result of an \$8.7 million increase in securities sold under agreements to repurchase with local commercial customers and a \$0.8 million increase in treasury tax and loan notes. WesBanco also has a revolving line of credit, which is a senior obligation of the parent company and was renewed with a correspondent bank effective on August 1, 2011. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregated secured borrowings of up to \$25.0 million. The revolving line of credit also requires WesBanco to maintain at all times a consolidated non-performing asset to primary capital ratio of not greater than 35%, net income of not less than

\$1.00 for each period of two consecutive fiscal quarters and for each year end, and to maintain at all times on a consolidated basis and for the Bank a “Well Capitalized” status as defined by the regulations of the respective primary regulator. WesBanco was in compliance with all terms and conditions at December 31, 2011. There were no outstanding balances as of December 31, 2011 or December 31, 2010.

## CONTRACTUAL OBLIGATIONS

**TABLE 34. CONTRACTUAL OBLIGATIONS**

<i>(in thousands)</i>	Footnote Reference	December 31, 2011				Total
		Less than One Year	One to Three Years	Three to Five Years	More Than Five Years	
Deposits without a stated maturity . . . . .	N/A	\$2,789,114	\$ —	\$ —	\$ —	\$2,789,114
Certificates of deposit . . . . .	9	683,614	667,055	244,525	9,558	1,604,752
Federal Home Loan Bank borrowings . . . . .	10	76,524	66,467	1,062	24,133	168,186
Other short term borrowings . . . . .	11	196,887	—	—	—	196,887
Future benefit payments under pension plans (1) . .	13	2,632	5,830	6,840	282,880	298,182
Junior subordinated debt owed to unconsolidated subsidiary trusts . . . . .	12	—	—	—	106,066	106,066
Director and executive officer retirement plans, deferred bonuses and severance agreements (1) . . . . .	N/A	607	1,428	1,499	6,138	9,672
Non-compete and consulting agreements (1) . . . . .	N/A	50	100	100	—	250
Naming rights agreement & other marketing (1) . . .	N/A	250	—	—	—	250
Limited partnership funding commitments . . . . .	N/A	188	395	67	22	672
Software licenses and maintenance (1) . . . . .	N/A	1,043	2,085	2,085	2,258	7,471
Leases (1) . . . . .	6	1,765	2,841	2,041	6,371	13,018
Total . . . . .		<u>\$3,752,674</u>	<u>\$746,201</u>	<u>\$258,219</u>	<u>\$437,426</u>	<u>\$5,194,520</u>

(1) These payments are recognized as expense in the income statement when incurred and not necessarily at the time of payment.

Significant fixed and determinable contractual obligations as of December 31, 2011 are presented in the table above by due date. The amounts shown do not include accrued interest or other similar carrying value adjustments. Additional information related to each obligation is included in the referenced footnote to the Consolidated Financial Statements.

WesBanco’s future benefit payments under pension plans are estimated based on actuarial assumptions and do not necessarily represent the actual contractual cash flows that may be required by WesBanco in the future. Please refer to Note 13, “Employee Benefit Plans,” of the Consolidated Financial Statements for more information on employee benefit plans.

## OFF-BALANCE SHEET ARRANGEMENTS

WesBanco enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, letters of credit, loans approved but not closed, overdraft limits and contingent obligations to purchase loans funded by other entities. Since many of these commitments expire unused or partially used, these commitments may not reflect future cash requirements. Please refer to Note 18, “Commitments and Contingent Liabilities,” of the Consolidated Financial Statements and the “Loans and Credit Risk” section of this MD&A for additional information.

## CAPITAL RESOURCES

Shareholders’ equity increased to \$633.8 million at December 31, 2011 from \$606.9 million at December 31, 2010. The increase was due primarily to net income of \$43.8 million, which was partially offset by

the declaration of dividends to common shareholders of \$16.5 million coupled with a \$1.0 million other comprehensive loss. The other comprehensive loss was due to unrealized losses on the defined pension plan, mostly offset by unrealized gains on the securities portfolio.

For 2011, common dividends increased to \$0.62 per share, or 10.7% on an annualized basis, compared to \$0.56 per share in 2010. The common dividend per share payout ratio decreased from 41.8% in 2010 to 37.6% in 2011, which is primarily attributable to increased earnings year-over-year. A board-approved policy modified in 2011 generally targets dividends as a percent of net income in a range of 40% to 60%, subject to capital levels, earnings history and prospects, regulatory concerns, and other factors.

In March 2007 WesBanco's Board of Directors approved a share repurchase plan for up to 1,000,000 shares, after completion of a prior repurchase plan. WesBanco did not purchase any shares during 2011. At December 31, 2011, 584,325 shares of WesBanco common stock remained authorized to be purchased under the current one million share repurchase plan.

WesBanco is subject to risk-based capital guidelines that measure capital relative to risk-weighted assets and off-balance sheet instruments. WesBanco and its banking subsidiary, WesBanco Bank, maintain Tier 1 risk-based, Total risk-based and Tier 1 leverage capital ratios above minimum regulatory levels. WesBanco Bank paid \$29.0 million in dividends to WesBanco, Inc. during 2011. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of December 31, 2011, under FDIC and state of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$16.0 million from the Bank.

WesBanco currently has \$106.1 million in junior subordinated debt in its Consolidated Balance Sheets presented as a separate category of long-term debt. For regulatory purposes, trust preferred securities totaling \$103.0 million, issued by unconsolidated trust subsidiaries of WesBanco, Inc. underlying such junior subordinated debt, is included in Tier 1 capital in accordance with current regulatory reporting requirements. A grandfather provision of the Dodd-Frank Act will permit bank holding companies with consolidated assets of less than \$15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature, although it is possible that implementing regulations for the Basel III Capital Standards will require bank holding companies, including WesBanco, to exclude or phase-out these securities from regulatory capital calculations, no matter the size of the bank holding company.

Please refer to Note 21, "Regulatory Matters," of the Consolidated Financial Statements for more information on capital amounts, ratios and minimum regulatory requirements. Also refer to Item 1 "Business" within this Annual Report on Form 10-K for more information on the Dodd-Frank Wall Street Reform and Consumer Protection Act and Basel III Capital Standards.

## **LIQUIDITY RISK**

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

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. Federal funds sold and U.S. Treasury and government agency securities maturing within three months are classified as secondary reserve assets. These secondary reserve assets, combined with the cash flow from the loan portfolio and the remaining sectors of the investment portfolio, and other sources, adequately meet the liquidity requirements of WesBanco.

Securities are the principal source of short-term liquidity for WesBanco. Securities totaled \$1.6 billion at December 31, 2011, of which \$1.0 billion were classified as available-for-sale, including net unrealized pretax gains of \$18.0 million. The remaining securities were classified as held-to-maturity. At December 31, 2011, WesBanco has approximately \$16.0 million in securities scheduled to mature within one year; however, additional cash flows may be anticipated from approximately \$252.7 million in callable bonds which have call dates within the next year, from projected prepayments on mortgage-backed securities and collateralized mortgage obligations of approximately \$142.1 million based on current prepayment speeds, from loans held for sale totaling \$6.1 million, from accruing loans scheduled to mature within the next year of \$503.8 million and from normal loan repayments anticipated to be \$648.1 million within the next year. At December 31, 2011, WesBanco had \$140.3 million of cash and cash equivalents, which serves as operating cash for the branches and an additional source of liquidity. Sources of liquidity within the next year listed above approximate \$1.7 billion at December 31, 2011.

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled \$4.4 billion at December 31, 2011. Deposit flows are impacted by current interest rates, products and rates offered by WesBanco versus various forms of competition, as well as customer behavior. Certificates of deposit scheduled to mature within one year totaled \$683.6 million at December 31, 2011 which includes jumbo regular certificates of deposit totaling \$174.1 million with a weighted-average cost of 0.99% and jumbo CDARS<sup>®</sup> deposits totaling \$117.9 million with a cost of 1.29%. In addition to the historically relatively stable core deposit base, WesBanco maintains a line of credit with the FHLB as an additional funding source. Available lines of credit with the FHLB at December 31, 2011 approximated \$1.0 billion in excess of current outstandings, which is unchanged from December 31, 2010. At December 31, 2011, the Bank had unpledged available-for-sale securities with an amortized cost of \$576.0 million, a portion of which is an available liquidity source, or could be pledged to secure additional FHLB borrowings. In addition, WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program ("BIC") whereby WesBanco pledges certain consumer loans as collateral for borrowings. At December 31, 2011, WesBanco had a BIC line of credit totaling \$146.6 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling \$165.0 million, none of which was outstanding at December 31, 2011, along with seeking other lines of credit, borrowings under repurchase agreement lines, increasing deposit rates to attract additional funds, accessing brokered deposits, or selling securities available-for-sale or certain types of loans.

Other short-term borrowings of \$196.9 million at December 31, 2011 primarily include callable repurchase agreements of \$193.8 million and several overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balance of these overnight sweep checking accounts during 2011. The repurchase agreements require securities to be pledged equal to or greater than the instrument's purchase price and may be called within the next year. The overnight sweep checking accounts require securities to be pledged equal to or greater than the deposit balance. During 2011, new regulatory guidelines permitted, for the first time, the payment of interest on certain corporate checking accounts. These regulations did not significantly impact sweep account and related deposit account balances.

The FHLB requires securities to be specifically pledged to the FHLB and maintained in a FHLB approved custodial arrangement if the member wishes to include such securities in the maximum borrowings capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities. To increase its remaining capacity, WesBanco can at any time decide to pledge a portion of its unpledged securities to the FHLB.



The principal sources of parent company liquidity are dividends from the Bank, \$27.0 million in cash and investments on hand, and a \$25 million revolving line of credit with another bank, which did not have an outstanding balance at December 31, 2011. WesBanco is in compliance with all loan covenants. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of December 31, 2011, under FDIC and state of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately \$16.0 million from the Bank.

At December 31, 2011, WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating \$847.4 million, compared to \$692.5 million at December 31, 2010. On a historical basis, only a small portion of these commitments will result in an outflow of funds. Please refer to Note 18, "Commitments and Contingent Liabilities," of the Consolidated Financial Statements and the "Loans and Credit Risk" section of this MD&A for additional information.

Federal financial regulatory agencies issued guidance to provide sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. The guidance recommends that financial institutions maintain a comprehensive management process for identifying, measuring, monitoring, and controlling liquidity risk and that liquidity risk management be fully integrated into its risk management process. Management has implemented these policies and believes that WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others as of December 31, 2011 and that WesBanco's current liquidity risk management policies and procedures adequately address the issued guidance.

#### **COMPARISON OF 2010 VERSUS 2009**

Net income available to common shareholders for 2010 increased 90.4% to \$35.6 million from \$18.7 million for 2009, while diluted earnings per common share were \$1.34, compared to \$0.70 per common share for the prior year. The growth in net income in 2010 was achieved through an 11.5% lower provision for credit losses, a 4.9% improvement in net interest income, higher gross revenues from the Trust, Securities and Mortgage business units totaling \$3.3 million, continued cost control throughout the organization resulting in lower overall expenses, and the significant benefits of repurchasing TARP preferred shares in the third quarter of 2009. These improvements were somewhat offset by lower service charges on deposits, reduced net securities gains and increased charges relating to write-downs on real estate owned.

Net interest income increased \$7.7 million or 4.9% for 2010 compared to 2009 due to the Bank's ability to manage rates on its loans and other earning assets, while seeing significant improvement in the cost of funds for both deposits and other borrowings. The net interest margin improved to 3.60% for the year, an increase of 24 basis points, compared to the same period in 2009. The average rate on interest bearing liabilities decreased by 61 basis points for the year, while the rate on earning assets declined at a much slower pace of 29 basis points. Lower rates and lower average balances on higher-rate certificates of deposit, and an increase in lower cost deposits, primarily money market accounts, all contributed to the improvement in the cost of funds. In addition, the average balance for borrowings, which generally have higher interest costs, decreased by \$253.7 million or 28.0% in the year ended December 31, 2010 compared to 2009, through planned reductions utilizing the liquidity obtained through pay downs on loans and increased deposits. The increase in total interest bearing and non-interest bearing demand deposits was primarily due to an 11.0% increase in average non-interest bearing deposit balances as a result of retail marketing campaigns and customer incentives, as well as a focus on increasing treasury management products and services from business customers. Total borrowings, excluding junior subordinated debt, were down to 8.2% of total assets from 12.7% in 2009.

Interest income decreased 8.1% in 2010 compared to 2009 due to lower yields and decreases in earning assets. The yield on total average earning assets decreased 29 basis points to 5.07% in 2010 from 5.36% in 2009. Rates decreased on all significant earning asset categories from reduced rates on new and repriced assets due to the lower interest rate environment throughout the previous two years. In addition, the mix of earning assets invested in lower yielding securities and due from banks increased, compared to typically higher-yielding loans.

Securities yields decreased 46 basis points in 2010, primarily due to the reinvestment of funds from investment maturities and calls, and from loan prepayments, at current lower available interest rates. Taxable securities yields decreased 42 basis points while tax-exempt securities yields declined only 12 basis points due to the longer average life of the tax-exempt portfolio and limited additions to the portfolio in 2010. Securities purchase decisions in 2010 considered the increased risk in some tax-exempts, which somewhat limited investment opportunities. In addition, variable rate and government supported (Build America Bonds) rate opportunities were available in taxable securities, resulting in an increase in average taxable securities for the year. Repricing of loans and the necessity of offering lower rates on quality credits as a result of the lower interest rate environment caused a decline in loan yields of 17 basis points in 2010. The decrease in average earning assets of \$159.2 million in 2010 was primarily due to a decrease in average loan balances of \$161.2 million, mostly from planned reductions in residential mortgage loans, continued depressed loan demand and sales of portfolio loans. In addition, proceeds from loan principal reductions, which generally have higher yields than typical investment types, have been reinvested at lower yields, thus reducing the overall yield of the earning assets.

In 2010 interest expense decreased \$28.6 million or 28.8% compared to 2009 due to a 61 basis point decline in the average rate paid on interest bearing liabilities and a decrease in average interest bearing liabilities of 3.1%. Rates paid on deposits declined by 50 basis points, with rates on CDs declining by 70 basis points, due to management reducing certain interest rates on renewing or rollover CDs to competitive levels in order to realize a lower cost of funds during a period of declining loan yields. This included certain high rate, single service CDs from branches acquired in 2009, which were offered lower rates to renew. In addition, average balances of CDs represented 49.3% of total average deposits in 2010 compared to 54.8% in 2009, while money market deposit accounts (“MMDA”), with a lower rate of 0.92%, increased to 23.0% of total average deposits in 2010, compared to 18.3% in 2009. This change in the mix of deposit types, and the reductions in higher cost borrowings, also contributed to the reduced cost of funds. The reduction in average interest bearing liabilities is due to the \$252.1 million decrease in borrowings, primarily FHLB and other short term borrowings, partially offset by increases in deposits of \$116.9 million. Current balance sheet liquidity from the deposit increases and loan reductions were used to pay down the higher cost maturing borrowings in 2010, further reducing interest expense. Borrowings, excluding junior subordinated debt, were 12.9% of average interest bearing liabilities in 2010 compared to 18.3% in 2009. Deposit increases were primarily in money market accounts but also included increases in transaction and savings accounts, even as offered rates were reduced. These increases were partially offset by a \$132.2 million decrease in certificates of deposit from the more aggressive reductions in rate offerings.

For 2010, the provision for credit losses decreased \$5.8 million, primarily due to a better overall economic environment, and was 103% of net charge-offs for the year. Net charge-offs increased \$4.3 million in 2010 compared to the prior year, primarily due to \$13.7 million of charge-offs in the second and third quarter of 2010 related to the sale of certain impaired commercial and commercial real estate loans totaling \$18.7 million. Non-accrual loans at December 31, 2010 decreased \$16.5 million compared to December 31, 2009 as a result of the sale of loans and other continuing workout efforts to reduce this category of loans. However, renegotiated loans increased \$32.5 million for the year primarily due to rate or other term-related modifications granted to borrowers on construction, commercial real estate and residential mortgage loans. The total allowance for loan losses was relatively unchanged compared to December 31, 2009 and represented 1.86% of total loans at December 31, 2010 compared to 1.76% at December 31, 2009.

Total non-interest income decreased \$5.0 million for the year ended December 31, 2010 due to decreases in net security gains of \$2.7 million, decreases in service charges on deposits of \$3.7 million resulting from regulatory changes which led to fewer customer overdraft transactions, and \$3.1 million in write-downs in other real estate owned. These write-downs were primarily for an owned hospitality-related property. Improvements in non-interest income included trust fee growth of 15.2% from new business, market improvements, and fourth quarter revisions to fee schedules. In addition, most other major non-interest operating areas increased, including a 14.3% increase in electronic banking fees, a 9.5% increase in securities brokerage income and a 37.8% increase in mortgage banking income.

Non-interest expense decreased \$8.5 million or 5.7% compared to 2009. WesBanco took actions in 2010 resulting in significant reductions in costs for many expense categories, including a \$1.6 million decrease in employee benefits expense from lower pension and health insurance costs, \$1.0 million in professional fees, \$0.9 million in marketing expense, \$0.8 million in equipment expense, and \$1.6 million in restructuring expenses, somewhat offset by increases in foreclosure-related property management expenses totaling \$1.6 million. The reduction in restructuring expenses was primarily due to a \$1.2 million charge in the fourth quarter of 2009 relating to personnel reductions and impairment on certain premises held for sale. In addition, expense reductions include a decrease in FDIC insurance of \$2.1 million primarily due to a special assessment of \$2.6 million levied in the second quarter of 2009.

The provision for income taxes increased \$5.3 million due to the significant increase in pre-tax income and an effective tax rate in 2010 of 10.9% compared to an effective tax rate in 2009 of (4.3%). The higher effective rate was due primarily to a lower percentage of tax-exempt income to total income and included certain filed return adjustments during the year.

The repurchase of TARP preferred shares in 2009 resulted in WesBanco recording a \$2.3 million charge in the third quarter of 2009 representing the remaining unamortized discount on the preferred stock on the repurchase date, as well as certain unamortized issuance costs. These charges, along with \$2.9 million of discount amortization and preferred stock dividends, are reflected on the Consolidated Statements of Income after net income to arrive at net income available to common shareholders for the year ended December 31, 2009.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

*The disclosures set forth in this item are qualified by the section captioned "Forward-Looking Statements" included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of this report.*

### **MARKET RISK**

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

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

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

The earnings simulation model projects changes in net interest income resulting from the effect of changes in interest rates. Forecasting changes in net interest income requires management to make certain assumptions regarding loan and security prepayment rates, bond call dates, and adjustments to non-maturing deposit rates, which may not necessarily reflect the manner in which actual yields and costs respond to changes in market

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

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

Interest rate risk policy limits are determined by measuring the anticipated change in net interest income over a twelve month period assuming an immediate and sustained 100 and 200 basis point increase or decrease in market interest rates compared to a stable rate environment or base model. WesBanco's current policy limits this exposure to a reduction of 5.0% and 12.5% or less, respectively, of net interest income from the base model over a twelve month period. The table below shows WesBanco's interest rate sensitivity at December 31, 2011 and December 31, 2010 assuming both a 100 and 200 basis point interest rate change, compared to a base model. Due to the current low interest rate environment, particularly for short-term rates, the 200 basis point decreasing change is not calculated, and instead a 300 basis point rising rate environment is shown. The policy limit for an increasing 300 basis point rising rate environment is a negative 25%.

**TABLE 1. NET INTEREST INCOME SENSITIVITY**

Immediate Change in Interest Rates (basis points)	Percentage Change in Net Interest Income from Base over One Year		ALCO Guidelines
	December 31, 2011	December 31, 2010	
+300	0.5%	0.8%	- 25%
+200	1.3%	1.7%	- 12.5%
+100	1.7%	2.4%	- 5%
-100	(3.5)%	(2.9)%	- 5%

As per the table above, the earnings simulation model at December 31, 2011 currently projects that net interest income for the next twelve month period would decrease by 3.5% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 2.9% for the same scenario as of December 31, 2010.

For rising rate scenarios, net interest income would increase by 1.7%, 1.3% and 0.5% if rates increased by 100, 200 and 300 basis points, respectively, as of December 31, 2011 compared to increases of 2.4%, 1.7% and 0.8% in a 100, 200 and 300 basis point increasing rate environment as of December 31, 2010.

The balance sheet is slightly less asset sensitive at year-end, compared to both September 30, 2011 and December 31, 2010 due to a duration extension and higher balances in the investment portfolio, and changes in the deposit mix and the overall level and term of short-term borrowings, offset somewhat by greater short-term liquidity. Should rates rise more rapidly and by a higher amount, which is not currently anticipated in the short-term, the asset sensitivity may be somewhat neutralized due to slower anticipated prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities. In addition, variable rate commercial loans with rate floors approximated \$987.7 million at December 31, 2011, which represented approximately 47% of commercial loans with an average floor of 5.03%. In the current flat to decreasing interest rate environment, WesBanco expects that the net interest margin may be somewhat negatively impacted throughout 2012, as short term interest rates are not anticipated to increase until possibly late 2014, and loan runoff and investment security maturities are necessarily reinvested at lower rates. Competition for new quality loans may also result in reduced spread income from the loan portfolio.

The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh, the Federal Reserve Bank of Cleveland, and various correspondent banks, and may utilize these funding sources as necessary to mitigate the impact on our balance sheet of embedded options in commercial and residential loans and to lengthen liabilities to help offset mismatches in various asset maturities. CDARS® deposits have also been used to lengthen maturities in certificates of deposit, primarily in years prior to 2011.

Current balance sheet strategies to reduce the impact of decreasing margins in a low rate environment, where asset yields continue to reduce as reinvestment of cash flows occur and liability costs are not able to be reduced in the same proportion, include:

- increasing fixed rate loans; primarily commercial and residential;
- investing non-essential available short-term liquidity;
- marketing programs to increase the mix of certain types of transaction accounts versus short-term CDs;
- reinvestment of securities cash flows into a mix of short to intermediate term CMOs and 10-15 year state and municipal securities;
- utilizing swaps for certain new commercial real estate loans; and
- paying down maturing FHLB and other short-term borrowings with available cash.

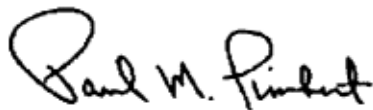
As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve month period. WesBanco's current policy limits this exposure to 5.0% of net interest income from the base model for a twelve month period. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at December 31, 2011, using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 2.0% over the next twelve months, compared to a 2.3% increase at December 31, 2010.

WesBanco also periodically measures the economic value of equity, which is defined as the market value of tangible equity in various increasing and decreasing rate scenarios. At December 31, 2011, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 12.4% compared to an increase of 7.2% at December 31, 2010. In a 100 basis point falling rate environment, the model indicates an increase of 5.3%, compared to a decrease of 6.7% as of December 31, 2010. WesBanco's policy is to limit such change to minus 25% for a 200 basis point change in interest rates, as long as the Tier 1 leverage capital ratio is not forecasted to decrease below 5.0% as a result of the change. Most of the increase in economic value of tangible equity year-over-year is as a result of changes in market values associated with certain deposit liabilities, specifically reflecting growth in non-interest bearing demand deposits and other transaction account types, while short term maturing CDs and the payoff of maturing FHLB borrowings also improved the total liability valuation. In a rising rate environment, non-interest bearing deposits and other low cost transaction accounts are worth more than in the current low interest rate environment or if rates were to drop by 100 basis points. For liabilities, this equates to a below cost fair market value as rates rise, which results in increased equity fair value.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of WesBanco is responsible for establishing and maintaining adequate internal control over financial reporting. WesBanco's internal control over financial reporting is a process designed under the supervision of WesBanco's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of WesBanco's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

WesBanco's management assessed the effectiveness of WesBanco's internal control over financial reporting as of December 31, 2011 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control-Integrated Framework." Based on the assessment, management determined that, as of December 31, 2011, WesBanco's internal control over financial reporting is effective, based on the COSO criteria. The effectiveness of WesBanco's internal control over financial reporting as of December 31, 2011 has been audited by Ernst & Young LLP, WesBanco's independent registered public accounting firm, as stated in their attestation report appearing below.



Paul M. Limbert  
President and Chief Executive Officer



Robert H. Young  
Executive Vice President and Chief Financial Officer

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
WesBanco, Inc.

We have audited WesBanco, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). WesBanco, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, WesBanco, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of WesBanco, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011 of WesBanco, Inc. and our report dated February 29, 2012 expressed an unqualified opinion thereon.

*Ernst & Young LLP*

Pittsburgh, Pennsylvania  
February 29, 2012

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
WesBanco, Inc.

We have audited the accompanying consolidated balance sheets of WesBanco, Inc. (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WesBanco, Inc. at December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), WesBanco Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion thereon.

*Ernst & Young LLP*

Pittsburgh, Pennsylvania  
February 29, 2012



**WESBANCO, INC. CONSOLIDATED BALANCE SHEETS**

<i>(in thousands, except shares)</i>	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and due from banks, including interest bearing amounts of <b>\$10,929</b> and \$21,894, respectively	\$ 140,325	\$ 79,136
Securities:		
Available-for-sale, at fair value	1,016,340	957,481
Held-to-maturity (fair values of <b>\$621,472</b> and \$465,902, respectively)	592,925	468,710
Total securities	1,609,265	1,426,191
Loans held for sale	6,084	10,800
Portfolio loans, net of unearned income	3,239,368	3,288,676
Allowance for loan losses	(54,810)	(61,051)
Net portfolio loans	3,184,558	3,227,625
Premises and equipment, net	82,204	85,928
Accrued interest receivable	19,268	20,536
Goodwill and other intangible assets, net	283,150	285,559
Bank-owned life insurance	110,074	106,502
Other assets	101,102	119,181
<b>Total Assets</b>	<b>\$5,536,030</b>	<b>\$5,361,458</b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	\$ 705,415	\$ 591,052
Interest bearing demand	577,033	481,129
Money market	910,117	854,836
Savings deposits	596,549	530,701
Certificates of deposit	1,604,752	1,714,705
Total deposits	4,393,866	4,172,423
Federal Home Loan Bank borrowings	168,186	253,606
Other short-term borrowings	196,887	187,385
Junior subordinated debt owed to unconsolidated subsidiary trusts	106,066	106,034
Total borrowings	471,139	547,025
Accrued interest payable	4,975	6,559
Other liabilities	32,260	28,588
<b>Total Liabilities</b>	<b>4,902,240</b>	<b>4,754,595</b>
<b>SHAREHOLDERS' EQUITY</b>		
Preferred Stock, no par value; 1,000,000 shares authorized; none outstanding	—	—
Common stock, \$2.0833 par value; 50,000,000 shares authorized; <b>26,633,848</b> shares issued in 2011 and 2010; outstanding: <b>26,629,360</b> shares and 26,586,953 shares in 2011 and 2010, respectively	55,487	55,487
Capital surplus	191,679	191,987
Retained earnings	388,818	361,513
Treasury stock ( <b>4,488</b> and 46,895 shares in 2011 and 2010, respectively, at cost)	(96)	(1,063)
Accumulated other comprehensive income (loss)	(902)	131
Deferred benefits for directors	(1,196)	(1,192)
<b>Total Shareholders' Equity</b>	<b>633,790</b>	<b>606,863</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$5,536,030</b>	<b>\$5,361,458</b>

See Notes to Consolidated Financial Statements.

## WESBANCO, INC. CONSOLIDATED INCOME STATEMENTS

<i>(in thousands, except shares and per share amounts)</i>	For the years ended December 31,		
	2011	2010	2009
<b>INTEREST AND DIVIDEND INCOME</b>			
Loans, including fees	\$ 175,818	\$ 189,380	\$ 204,317
Interest and dividends on securities:			
Taxable	36,034	35,375	38,651
Tax-exempt	12,109	11,408	14,010
Total interest and dividends on securities	48,143	46,783	52,661
Other interest income	206	365	386
Total interest and dividend income	224,167	236,528	257,364
<b>INTEREST EXPENSE</b>			
Interest bearing demand deposits	1,814	2,561	2,921
Money market deposits	5,148	7,529	6,687
Savings deposits	1,505	2,242	2,385
Certificates of deposit	31,054	36,817	52,827
Total interest expense on deposits	39,521	49,149	64,820
Federal Home Loan Bank borrowings	7,199	12,721	21,849
Other short-term borrowings	4,823	4,774	6,971
Junior subordinated debt owed to unconsolidated subsidiary trusts	3,259	3,792	5,352
Total interest expense	54,802	70,436	98,992
<b>NET INTEREST INCOME</b>	<b>169,365</b>	<b>166,092</b>	<b>158,372</b>
Provision for credit losses	35,311	44,578	50,372
Net interest income after provision for credit losses	134,054	121,514	108,000
<b>NON-INTEREST INCOME</b>			
Trust fees	17,173	15,835	13,746
Service charges on deposits	18,629	20,645	24,372
Electronic banking fees	10,088	8,482	7,422
Net securities brokerage revenue	4,413	4,563	4,169
Bank-owned life insurance	3,566	4,505	4,623
Net gains on sales of mortgage loans	1,977	2,885	2,094
Net securities gains	963	3,362	6,046
Net losses on other real estate owned and other assets	(1,290)	(4,128)	(747)
Other income	4,369	3,450	2,864
Total non-interest income	59,888	59,599	64,589
<b>NON-INTEREST EXPENSE</b>			
Salaries and wages	56,045	54,452	54,399
Employee benefits	17,949	18,315	19,957
Net occupancy	11,255	10,728	10,269
Equipment	8,745	9,914	10,726
Marketing	5,142	4,187	5,094
FDIC insurance	4,768	6,681	8,817
Amortization of intangible assets	2,410	2,729	3,110
Other operating expenses	33,981	34,146	37,276
Total non-interest expense	140,295	141,152	149,648
Income before provision for income taxes	53,647	39,961	22,941
Provision for (benefit of) income taxes	9,838	4,350	(992)
<b>NET INCOME</b>	<b>\$ 43,809</b>	<b>\$ 35,611</b>	<b>\$ 23,933</b>
Preferred dividends and expense associated with unamortized discount and issuance costs	—	—	5,233
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ 43,809</b>	<b>\$ 35,611</b>	<b>\$ 18,700</b>
<b>EARNINGS PER COMMON SHARE</b>			
Basic	\$ 1.65	\$ 1.34	\$ 0.70
Diluted	\$ 1.65	\$ 1.34	\$ 0.70
<b>AVERAGE COMMON SHARES OUTSTANDING</b>			
Basic	26,614,697	26,579,735	26,566,133
Diluted	26,615,281	26,580,293	26,567,291
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.62</b>	<b>\$ 0.56</b>	<b>\$ 0.84</b>

See Notes to Consolidated Financial Statements.

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

For the years ended December 31, 2011, 2010 and 2009

<i>(dollars in thousands, except shares and per share amounts)</i>	Preferred Stock (1)		Common Stock			Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Deferred Benefits for Directors	Total	
	Shares	Amount	Shares	Amount	Capital Surplus					Retained Earnings
January 1, 2009	75,000	\$ 72,332	26,560,889	\$55,487	\$193,221	\$344,403	\$(1,661)	\$(3,182)	\$(1,229)	\$659,371
Net income						23,933				23,933
Other comprehensive income (loss)							6,131			6,131
Total comprehensive income										30,064
Preferred dividends and amortization of discount		2,668				(5,233)				(2,565)
Common dividends declared (\$0.84 per share)						(22,315)				(22,315)
Stock options exercised			6,764		(52)		163			111
Repurchase of preferred stock	(75,000)	(75,000)								(75,000)
Repurchase of common stock warrant					(950)					(950)
Deferred benefits for directors—net					49			(49)		—
December 31, 2009	—	\$ —	26,567,653	\$55,487	\$192,268	\$340,788	\$(1,498)	\$ 2,949	\$(1,278)	\$588,716
Net income						35,611				35,611
Other comprehensive income (loss)							(2,818)			(2,818)
Total comprehensive income										32,793
Common dividends declared (\$0.56 per share)						(14,886)				(14,886)
Stock options exercised			2,050		(14)		44			30
Restricted stock granted			17,250		(391)		391			—
Stock compensation expense					210					210
Deferred benefits for directors—net					(86)			86		—
December 31, 2010	—	\$ —	26,586,953	\$55,487	\$191,987	\$361,513	\$(1,063)	\$ 131	\$(1,192)	\$606,863
Net income						43,809				43,809
Other comprehensive income (loss)							(1,033)			(1,033)
Total comprehensive income										42,776
Common dividends declared (\$0.62 per share)						(16,504)				(16,504)
Stock options exercised			1,775		(13)		39			26
Restricted stock granted			40,632		(928)		928			—
Stock compensation expense					629					629
Deferred benefits for directors—net					4			(4)		—
<b>December 31, 2011</b>	<b>—</b>	<b>\$ —</b>	<b>26,629,360</b>	<b>\$55,487</b>	<b>\$191,679</b>	<b>\$388,818</b>	<b>\$ (96)</b>	<b>\$ (902)</b>	<b>\$(1,196)</b>	<b>\$633,790</b>

(1) The preferred stock issued to the U.S. Treasury in the amount of \$75 million was presented net of a discount of \$2.7 million when issued in 2008. This preferred stock was repurchased in 2009, along with the related common stock warrant.

See Notes to Consolidated Financial Statements.

## WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	<b>For the Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 43,809	\$ 35,611	\$ 23,933
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	6,238	6,851	7,589
Other net amortization	7,172	6,868	2,739
Provision for credit losses	35,311	44,578	50,372
Net securities gains	(963)	(3,362)	(6,046)
Net gains on sales of mortgage loans	(1,977)	(2,885)	(2,094)
Decrease (increase) in deferred income tax assets	874	(3,219)	(8,517)
Increase in cash surrender value of bank-owned life insurance—net	(3,572)	(2,865)	(2,408)
Loans originated for sale	(80,730)	(155,389)	(159,474)
Proceeds from the sale of loans originated for sale	87,423	156,914	155,982
Net change in: other assets and accrued interest receivable	5,300	20,079	(8,147)
Net change in: other liabilities and accrued interest payable	6,986	(4,377)	(14,176)
Other—net	2,829	5,264	1,681
Net cash provided by operating activities	<b>108,700</b>	<b>104,068</b>	<b>41,434</b>
<b>INVESTING ACTIVITIES</b>			
Securities available-for-sale:			
Proceeds from sales	20,050	136,086	542,120
Proceeds from maturities, prepayments and calls	468,902	422,734	395,495
Purchases of securities	(540,840)	(687,926)	(1,261,397)
Securities held-to-maturity:			
Proceeds from maturities, prepayments and calls	95,781	65,526	—
Purchases of securities	(223,953)	(109,094)	—
Net cash received from acquisitions	—	—	578,573
Net (increase) decrease in loans	(2,325)	126,241	86,655
Purchases of premises and equipment—net	(2,514)	(2,695)	(2,647)
Sale of portfolio loans—net	6,902	5,199	—
Net cash (used in) provided by investing activities	<b>(177,997)</b>	<b>(43,929)</b>	<b>338,799</b>
<b>FINANCING ACTIVITIES</b>			
Increase (decrease) in deposits	221,543	198,479	(126,924)
Proceeds from Federal Home Loan Bank borrowings	—	20,000	—
Repayment of Federal Home Loan Bank borrowings	(85,080)	(261,802)	(98,021)
Increase (decrease) in other short-term borrowings	9,962	4,306	(61,856)
Decrease in federal funds	—	(5,000)	(47,000)
Repayment of junior subordinated debt	—	(5,000)	—
Repurchase of preferred stock	—	—	(75,000)
Repurchase of common stock warrant	—	—	(950)
Dividends paid to common and preferred shareholders	(15,965)	(14,883)	(28,896)
Treasury shares sold—net	26	30	111
Net cash provided by (used in) financing activities	<b>130,486</b>	<b>(63,870)</b>	<b>(438,536)</b>
Net increase (decrease) in cash and cash equivalents	<b>61,189</b>	<b>(3,731)</b>	<b>(58,303)</b>
Cash and cash equivalents at beginning of the year	<b>79,136</b>	<b>82,867</b>	<b>141,170</b>
Cash and cash equivalents at end of the year	<b>\$ 140,325</b>	<b>\$ 79,136</b>	<b>\$ 82,867</b>
<b>SUPPLEMENTAL DISCLOSURES</b>			
Interest paid on deposits and other borrowings	\$ 56,386	\$ 73,085	\$ 100,276
Income taxes paid	10,550	4,560	8,725
Transfers of loans to other real estate owned	2,765	8,046	8,514
Transfers of portfolio loans to loans held for sale	17,192	15,437	—
Transfers of available for sale securities to held to maturity securities at fair value	—	426,723	—
<b>Summary of Business Acquisition</b>			
Fair value of tangible assets acquired	\$ —	\$ —	\$ 600,257
Fair value of liabilities assumed	—	—	(603,086)
Contract payment in the acquisition	—	—	(20,693)
Goodwill and other intangibles recognized	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (23,522)</b>

See Notes to Consolidated Financial Statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations**—WesBanco, Inc. (“WesBanco”) is a bank holding company offering a full range of financial services, including trust and investment services, mortgage banking, insurance and brokerage services. WesBanco’s defined business segments are community banking and trust and investment services. WesBanco’s banking subsidiary, WesBanco Bank, Inc. (“WesBanco Bank” or the “Bank”), headquartered in Wheeling, West Virginia, operates through 112 banking offices, one loan production office and 122 ATM machines in West Virginia, Ohio and Western Pennsylvania. In addition, WesBanco operates an insurance brokerage company, WesBanco Insurance Services, Inc., and a full service broker/dealer, WesBanco Securities, Inc.

**Use of Estimates**—The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Principles of Consolidation**—The Consolidated Financial Statements include the accounts of WesBanco and those entities in which WesBanco has a controlling financial interest. All material intercompany balances and transactions have been eliminated in consolidation.

WesBanco determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity. A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make financial and operating decisions. WesBanco consolidates voting interest entities in which it owns all, or at least a majority (generally, greater than 50%) of the voting interest.

**Variable Interest Entities**—Variable interest entities (“VIE”) are entities that in general either do not have equity investors with voting rights or that have equity investors that do not provide sufficient financial resources for the entity to support its activities. WesBanco uses VIEs in various legal forms to conduct normal business activities. WesBanco reviews the structure and activities of VIEs for possible consolidation.

A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. A VIE often holds financial assets, including loans or receivables, real estate or other property. The company with a controlling financial interest, known as the primary beneficiary, is required to consolidate the VIE. WesBanco has eight wholly-owned trust subsidiaries, (collectively, the “Trusts”), for which it does not absorb a majority of expected losses or receive a majority of the expected residual returns. Accordingly, the Trusts and their net assets are not included in the Consolidated Financial Statements. However, the junior subordinated deferrable interest debentures issued by WesBanco to the Trusts (refer to Note 12, “Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts”) and the minority interest in the common stock issued by the Trusts is included in the Consolidated Balance Sheets. WesBanco also owns non-controlling variable interests in certain limited partnerships for which it does not absorb a majority of expected losses or receive a majority of expected residual returns which are not included in the Consolidated Financial Statements. Refer to Note 8, “Investments in Limited Partnerships” for further detail.

**Revenue Recognition**—Interest and dividend income, loan fees, trust fees, fees and charges on deposit accounts, insurance commissions and other ancillary income related to the Bank’s deposits and lending activities, as well as income at WesBanco’s other subsidiary companies, are accrued as earned.

**Cash and Cash Equivalents**—Cash and cash equivalents include cash and due from banks, due from banks—interest bearing and federal funds sold. Generally, federal funds are sold for one-day periods.

**Securities—Available-for-sale securities:** Debt securities not classified as trading or held-to-maturity are classified as available-for-sale. These securities may be sold at any time based upon management’s assessment of changes in economic or financial market conditions, interest rate or prepayment risks, liquidity considerations and other factors. These securities are stated at fair value, with the fair value adjustment, net of tax, reported as a separate component of accumulated other comprehensive income.

*Held-to-maturity securities:* Securities that are purchased with the positive intent and ability to be held until their maturity are stated at cost and adjusted for amortization of premiums and accretion of discounts. Transfers of debt securities into the held-to-maturity category from the available-for-sale category are made at fair value at the date of transfer. The unrealized gain or loss at the date of transfer is retained in other comprehensive income and in the carrying value of the held-to-maturity securities. Such amounts are amortized over the remaining life of the security.

*Cost method investments:* Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of Federal Home Loan Bank (“FHLB”) stock 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.

*Gains and losses:* Net realized gains and losses on sales of securities are included in non-interest income. The cost of securities sold is based on the specific identification method. The gain or loss is determined as of the trade date. Prior unrealized gains and losses are recorded through other comprehensive income and reversed when gains or losses are realized or if an impairment charge is recorded.

*Amortization and accretion:* Generally, premiums are amortized to call date and discounts are accreted to maturity, on a constant yield basis.

*Other-than-temporary impairment losses:* An investment security is considered impaired if its fair value is less than its cost or amortized cost basis. If WesBanco intends to sell or will be required to sell the investment prior to recovery of cost, the entire impairment will be recognized in the Consolidated Statement of Income. If WesBanco does not intend to sell, nor is it more likely than not that it will be required to sell, impaired securities prior to the recovery of their cost, a review is conducted each quarter to determine if the impairment is other-than-temporary due to credit impairment. In estimating other-than-temporary impairment losses, WesBanco considers the financial condition and near-term prospects of the issuer, evaluating any credit downgrades or other indicators of a potential credit problem, the extent and duration of the decline in fair value, the type of security, either fixed or equity, and the receipt of principal and interest according to the contractual terms. If the impairment is to be considered temporary, the impairment is recognized in other comprehensive income in the Consolidated Balance Sheet. If the impairment is to be considered other-than-temporary based on management’s review of the various factors that indicate credit impairment, the impairment must be separated into credit and non-credit portions. The credit portion is recognized in the Consolidated Statement of Income. The non-credit portion is calculated as the difference between the present value of the future cash flows and the fair value of the security and is recognized in other comprehensive income.

**Loans and Loans Held for Sale—**Loans are reported at the principal amount outstanding, net of unearned income, credit valuation adjustments, and unamortized deferred loan fee income and loan origination costs. Interest is accrued as earned on loans except where doubt exists as to collectability, in which case accrual of income is discontinued. Loans originated and intended for sale are carried, in aggregate, at the lower of cost or estimated market value. Portfolio loans held for sale are recorded at the contractual sales price or third party valuation less selling costs.

Loan origination fees and direct costs are deferred and accreted or amortized into interest income or expense, as an adjustment to the yield, over the life of the loan using the level yield method. When a loan is paid off, the remaining unaccreted or unamortized net origination fees or costs are immediately recognized into income or expense.

Loans are generally placed on non-accrual when they are 90 days past due unless the loan is well secured and in the process of collection. Loans may be returned to accrual status when a borrower has resumed paying principal and interest for a sustained period of at least six months and the Bank is reasonably assured of collecting the remaining contractual principal and interest. Loans are returned to accrual status at an amount equal to the principal balance of the loan at the time of non-accrual status less any payments applied to principal during the non-accrual period. Loans are reported as a troubled debt restructuring (“TDR”) when WesBanco for economic or legal reasons related to a borrower’s financial difficulties grants a concession to the borrower that it would not otherwise consider. Refer to the “TDR” policy below for additional detail.

A loan is considered impaired, based on current information and events, if it is probable that WesBanco will be unable to collect the payments of principal and interest when due according to the contractual terms of the loan agreement. Impaired loans include all non-accrual loans and TDRs. WesBanco recognizes interest income on non-accrual loans on the cash basis only if recovery of principal is reasonably assured.

Consumer loans are charged down to the net realizable value at 120 days past due for closed-end loans and 180 days past due for open-end revolving lines of credit. Residential real estate loans are charged down to the net realizable value of the collateral at 180 days past due. Commercial loans are charged down to the net realizable value when it is determined that WesBanco will be unable to collect the principal amount in full. Loans are reclassified to other assets at the net realizable value when foreclosure or repossession of the collateral occurs. Refer to the “Other Real Estate Owned and Repossessed Assets” policy below for additional detail.

**Allowance for Credit Losses**—The allowance for credit losses represents management’s estimate of probable losses inherent in the loan portfolio and future advances against loan commitments. Determining the amount of the allowance requires significant judgment about the collectability of loans and the factors that deserve consideration in estimating probable credit losses. The allowance is increased by a provision charged to operating expense and reduced by charge-offs, net of recoveries. Management evaluates the adequacy of the allowance at least quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period.

The evaluation includes an assessment of quantitative factors such as actual loss experience within each category of loans and testing of certain loans for impairment. The evaluation also considers qualitative factors such as economic trends and conditions, which includes levels of unemployment, real estate values and the impact on specific industries and geographical markets, changes in lending policies and underwriting standards, delinquency and other credit quality trends, concentrations of credit risk if any, the results of internal loan reviews and examinations by bank regulatory agencies, and regulatory guidance pertaining to the allowance for credit losses. Management relies on observable data from internal and external sources to the extent it is available to evaluate each of these factors and adjusts the actual historical loss rates to reflect the impact these factors may have on probable losses in the portfolio.

Commercial real estate and commercial and industrial loans greater than \$1 million that are reported as non-accrual loans or TDRs are tested individually for impairment. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan or the estimated realizable value of the collateral, if any.

General reserves are established for loans that are not individually tested for impairment based on historical loss rates adjusted for the impact of qualitative factors as discussed above. Historical loss rates for commercial real estate and commercial and industrial loans are determined for each internal risk grade using a migration analysis that categorizes each charged off loan based on its risk grade twelve months prior to the charge-off. Historical loss rates for residential real estate, home equity and consumer loans that are not risk graded are determined for the total of each of those categories of loans. Historical loss rates for deposit account overdrafts are based on actual losses in relation to average overdrafts for the period.

Management has determined that historical loss rates for the most recent twelve month period are generally the most indicative of probable losses in the portfolio. However, management calculates annualized historical loss rates for multiple periods ranging from the most recent three months to the last five years and periodically evaluates the loss rates for each of the periods to assess trends in loss rates over time. In the event that loss rates for a period other than the most recent twelve months is considered more appropriate due to observable data, the loss rates used in the determination of the allowance for credit losses is adjusted.

Management may also adjust its assumptions to account for differences between estimated and actual incurred losses from period to period. While WesBanco continually refines and enhances the loss estimation models and techniques it uses to determine the appropriateness of the allowance for credit losses, there have been no material substantive changes to such models and techniques compared to prior periods. The variability of management's estimates and assumptions could alter the level of the allowance for credit losses and may have a material impact on WesBanco's future results of operations and financial condition.

**TDRs**—A restructuring of a debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. The determination of whether a concession has been granted includes an evaluation of the debtor's ability to access funds at a market rate for debt with similar risk characteristics and among other things, the significance of the modification relative to unpaid principal or collateral value of the debt, and/or the significance of a delay in the timing of payments relative to the frequency of payments, original maturity date, or the expected duration of the loan. The most common concessions granted generally include one or more modifications to the terms of the debt such as a reduction in the interest rate for the remaining life of the debt, an extension of the maturity date at an interest rate lower than the current market rate for new debt with similar risk, or reduction of the unpaid principal or interest. All TDRs are considered impaired loans.

When determining whether a debtor is experiencing financial difficulties consideration is given to any known default on any of its debt or whether it is probable that the debtor would be in payment default in the foreseeable future without the modification. Other indicators of financial difficulty include whether the debtor has declared or is in the process of declaring bankruptcy, the debtor's ability to continue as a going concern, or the debtor's projected cash flow to service its debt (including principal & interest) in accordance with the contractual terms for the foreseeable future, without a modification. If the payment of principal at original maturity is primarily dependent on the value of collateral, the current value of that collateral is considered in determining whether the principal will be paid.

In general, a debtor that can obtain funds from sources other than its existing creditors at market interest rates at or near those for non-troubled debt is not involved in a TDR. A restructuring that results in only a delay in payment that is insignificant is not a concession, for example, if the amounts of restructured payments subject to delay are insignificant relative to the unpaid principal or collateral value of the debt. Additionally, the delay in the timing of a restructured payment period that is insignificant relative to the frequency of payments due, the debt's original contractual maturity, or the debt's original expected duration is not a concession.

The restructuring of a loan does not have a material effect on the allowance or provision for credit losses as the internal risk grade of a loan has more influence on the allowance than the classification of a loan as a TDR. The internal risk rating is the primary factor for establishing the allowance for commercial loans, including commercial real estate except for loans that are individually evaluated for impairment, in which case a specific reserve is established pursuant to GAAP, and portfolio segment loss history is the primary factor for establishing the allowance for residential real estate, home equity and consumer loans.

Non-accrual loans that are restructured remain on non-accrual, but may move to accrual status after they have performed according to the restructured terms for a period of time. TDRs on accrual status generally remain on accrual status as long as they continue to perform in accordance with their modified terms. TDRs may also be placed on nonaccrual if they do not perform in accordance with the restructured terms. Loans may be removed



from TDR status after they have performed according to the renegotiated terms for a period of time if the interest rate under the modified terms is at or above market, or if the loan returns to its original terms.

**Mortgage Servicing Rights**—Mortgage servicing rights (“MSRs”) represent the right to service loans for third party investors. MSRs are recognized as a separate asset for the rights to service mortgage loans for others, regardless of how those servicing rights are acquired. MSRs are recognized upon the sale of mortgage loans to a third party investor with the servicing rights retained by WesBanco. Servicing loans for others generally consists of collecting mortgage payments from borrowers, maintaining escrow accounts, remitting payments to third party investors and when necessary, foreclosure processing. Serviced loans are not included in the Consolidated Balance Sheets. Loan servicing income includes servicing fees received from the third party investors and certain charges collected from the borrowers. Originated MSRs are recorded at allocated fair value at the time of the sale of the loans to the third party investor. MSRs are amortized in proportion to and over the estimated period of net servicing income. MSRs are carried at amortized cost, less a valuation allowance for impairment, if any. Impairment exists if the carrying value of MSRs exceeds the estimated fair value of the MSRs.

**Premises and Equipment**—Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the estimated economic useful lives of the leased assets or the remaining terms of the underlying leases. Useful lives range from 3 to 10 years for furniture and equipment, 15 to 39 years for buildings and building improvements, and 15 years for land improvements. Maintenance and repairs are expensed as incurred while major improvements that extend the useful life of an asset are capitalized and depreciated over the estimated remaining useful life of the asset.

**Other Real Estate Owned and Repossessed Assets**—Other real estate owned and repossessed assets, which are considered available-for-sale and are reported in other assets, are carried at the lower of cost or their estimated current fair value, less estimated costs to sell. Other real estate owned consists primarily of properties acquired through, or in lieu of, foreclosures. Repossessed collateral primarily consists of automobiles and other types of collateral acquired to satisfy defaulted consumer loans. Subsequent declines in fair value, if any; income and expense associated with the management of the collateral, and gains or losses on the disposition of these assets are recognized in the Consolidated Statements of Income.

**Goodwill and Other Intangible Assets**—WesBanco accounts for business combinations using the acquisition method of accounting. Accordingly, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest of an acquired business are recorded at their estimated fair values as of the date of acquisition with any excess of the cost of the acquisition over the fair value recorded as goodwill. Other intangible assets represent purchased assets that lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset, or liability.

Goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment annually, or more often if events or circumstances indicate they may be impaired. Finite-lived intangible assets, which consist primarily of core deposit and customer list intangibles (long-term customer-relationship intangible assets) are amortized using straight-line and accelerated methods over their weighted-average estimated useful lives, ranging from ten to sixteen years in total, and are tested for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable.

Goodwill is tested for potential impairment using a two-step approach. In the first step, the estimated fair value of each reporting unit is compared to its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, the goodwill of that reporting unit is not considered impaired, and no impairment loss is recognized. However, if the carrying amount of the reporting unit exceeds its fair value, step two, which involves comparing the implied fair value of goodwill to its carrying value, is completed and to the extent that the carrying value of goodwill exceeds its implied fair value, an impairment loss is recognized. An

indefinite-lived intangible asset is tested for impairment by comparing its fair value to its carrying value. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. A finite-lived intangible asset is tested for impairment by comparing its fair value based on undiscounted cash flow projections to its carrying value. An impairment loss is recognized to the extent that its carrying amount exceeds its fair value.

WesBanco uses market capitalization, multiples of tangible book value, a discounted cash flow model, and various other market-based methods to estimate the current fair value of its reporting units. A number of significant assumptions and estimates are involved in the application of these methods, which may produce results that would be different than the results that could be realized in an actual transaction.

**Bank-Owned Life Insurance**—WesBanco has purchased life insurance policies on certain executive officers and employees. WesBanco receives the cash surrender value of each policy upon its termination or benefits are payable upon the death of the insured. These policies are recorded in the Consolidated Balance Sheets at their net cash surrender value. Changes in net cash surrender value are recognized in non-interest income in the Consolidated Statements of Income.

**Interest Rate Lock Commitments**—In order to attract potential home borrowers, WesBanco offers interest rate lock commitments (“IRLC”) to such potential borrowers. IRLC are generally for sixty days and guarantee a specified interest rate for a loan if underwriting standards are met, but the commitment does not obligate the potential borrower to close on the loan. Accordingly, some IRLC expire prior to the funding of the related loan. For all IRLC issued in connection with potential loans intended for sale, which consist primarily of originated fixed rate residential home mortgage loans, the Bank enters into one-to-one forward sales contracts on a best efforts basis (if the loan does not close for whatever reason, there is no obligation on WesBanco’s part to sell the loan to the investor). WesBanco enters into such contracts in order to control interest rate risk during the period between the IRLC and loan funding. The IRLC is executed between the mortgagee and WesBanco, and in turn a forward sales contract is executed between WesBanco and an investor. Both the IRLC and the corresponding forward sales contract for each customer are considered a derivative. As such, changes in the fair value of the derivatives during the commitment period are recorded in current earnings and included in other income in the Consolidated Statements of Income. The fair value of IRLC is the gain or loss that would be realized on the underlying loans assuming exercise of the commitments under current market rates versus the rate incorporated in the commitments, taking into consideration fallout. The fair value of forward sales contracts is based on quoted market prices. Since loans typically close before receipt of funding from an investor, they are accounted for at the lower of cost or market as “Loans Held for Sale” in the Consolidated Balance Sheets.

**Income Taxes**—The provision for income taxes included in the Consolidated Statements of Income includes both federal and state income taxes and is based on income in the financial statements, rather than amounts reported on WesBanco’s income tax returns. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. A test of the anticipated realizability of deferred tax assets is performed at least annually.

**Fair Value**—The Accounting Standards Codification defines fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value measurements are not adjusted for transaction costs. The Codification also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2—Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques where all significant assumptions are observable, either directly or indirectly, in the market;

Level 3—Valuation is generated from model-based techniques where all significant assumptions are not observable, either directly or indirectly, in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include use of matrix pricing, discounted cash flow models and similar techniques.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Earnings Per Common Share**—Earnings per common share is computed after recognition of preferred stock dividend requirements. Basic earnings per common share (“EPS”) are calculated by dividing net income available to common shareholders, which is net of preferred dividends, by the weighted-average number of shares of common stock outstanding during the period. For diluted EPS, the weighted-average number of shares for the period is increased by the number of shares which would be issued assuming the exercise of common stock options and outstanding warrants. Restricted stock shares are recorded as issued and outstanding upon their grant and therefore are included in the weighted-average shares outstanding.

**Trust Assets**—Assets held by the Bank in fiduciary or agency capacities for its customers are not included as assets in the Consolidated Balance Sheets. Certain trust assets are held on deposit at the Bank.

**Stock-Based Compensation**—Stock-based compensation awards granted, comprised of stock options and restricted stock, are valued at fair value and compensation cost is recognized on a straight line basis, net of estimated forfeitures, over the requisite service period of each award. For service-based awards with graded vesting schedules, compensation expense is divided equally among the vesting periods with each separately vested portion of the award recognized in compensation expense on a straight-line basis over the requisite service period.

**Defined Benefit Pension Plan**—WesBanco recognizes in the statement of financial position an asset for the plan's overfunded status or a liability for the plan's underfunded status. WesBanco recognizes fluctuations in the funded status in the year in which the changes occur through other comprehensive income. Plan assets are determined based on fair value generally representing observable market prices. The projected benefit obligation is determined based on the present value of projected benefit distributions at an assumed discount rate. The discount rate utilized is based on a fitted yield curve approach whereby the yield curve compares the expected benefit payments for the plan to high quality corporate bonds available in the marketplace to determine an equivalent discount rate. Periodic pension expense includes service costs, interest costs based on an assumed discount rate, an expected return on plan assets based on an actuarially derived market-related value and amortization or accretion of actuarial gains and losses.

**Recent Accounting Pronouncements**—In December 2011, the Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement which requires entities to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, including instruments and transactions subject to master netting arrangements. The scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The objective of this disclosure is to enhance disclosures required by GAAP by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with existing GAAP or subject to an enforceable master netting arrangement or similar agreement. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. The pronouncement should be applied

retrospectively effective for fiscal years, and interim periods within those years, beginning after January 1, 2013. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements.

In September 2011, the FASB issued an accounting pronouncement to simplify how an entity tests goodwill for impairment by permitting an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. Under previous guidance an entity was required to test goodwill for impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value was less than its carrying amount, then the second step of the test was performed to measure the amount of the impairment loss. Under the new accounting pronouncement an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The pronouncement is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements. WesBanco did not elect to adopt this pronouncement early.

In June 2011, the FASB issued an accounting pronouncement that requires all non-owner changes in stockholders' equity to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. In December 2011, an amendment to the June 2011 accounting pronouncement was issued to defer the presentation of the effect of reclassification adjustments on net income and other comprehensive income. Both pronouncements should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements. WesBanco did not elect to adopt this pronouncement early.

In May 2011, the FASB issued an accounting pronouncement which amends the fair value measurement and disclosure requirements to achieve common disclosure requirements between U.S. GAAP and International Financial Reporting Standards ("IFRS"). The accounting pronouncement requires certain disclosures about transfers between Level 1 and Level 2 of the fair value hierarchy, sensitivity of fair value measurements categorized within Level 3 of the fair value hierarchy, and categorization by level of items that are reported at cost but are required to be disclosed at fair value. The disclosures are to be applied prospectively effective in the first interim and annual periods beginning after December 15, 2011. The adoption of this pronouncement is not expected to have a material impact on WesBanco's consolidated financial statements.

In April 2011, the FASB issued an accounting pronouncement which clarifies when a loan modification or restructuring is considered a TDR. The new pronouncement also requires new disclosures relating to TDRs. The guidance is effective for the first interim period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. For purposes of measuring impairment on newly-considered impaired receivables an entity should apply the guidance prospectively. The provisions of this pronouncement did not change the amount of WesBanco's receivables that are considered TDRs but it did expand the related disclosures on TDRs. The adoption of this pronouncement did not have a material impact on WesBanco's financial condition and results of operations.

In July 2010, the FASB issued an accounting pronouncement to improve disclosures about the credit quality of financing receivables and the allowance for credit losses. Companies are required to provide more information about the credit quality of their financing receivables in the disclosures to financial statements, such as aging information and credit quality indicators disaggregated by portfolio segment and class. The disaggregation of information is based on how a company develops its allowance for credit losses and how it manages its credit

exposure. Required disclosures as of the end of a reporting period are effective for periods ending on or after December 15, 2010, while required disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. The effect of this pronouncement is included in these notes to the financial statements, and the adoption of this pronouncement did not have a material impact on WesBanco's consolidated financial statements.

## NOTE 2. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

<i>(in thousands, except shares and per share amounts)</i>	For the years ended December 31,		
	2011	2010	2009
Numerator for both basic and diluted earnings per common share:			
Net Income .....	\$ 43,809	\$ 35,611	\$ 23,933
Less: Preferred dividends and expense associated with unamortized discount and issuance costs .....	—	—	(5,233)
Net income available to common shareholders .....	<u>\$ 43,809</u>	<u>\$ 35,611</u>	<u>\$ 18,700</u>
Denominator:			
Total average basic common shares outstanding .....	26,614,697	26,579,735	26,566,133
Effect of dilutive stock options .....	584	558	1,158
Total diluted average common shares outstanding .....	<u>26,615,281</u>	<u>26,580,293</u>	<u>26,567,291</u>
Earnings per common share—basic .....	\$ 1.65	\$ 1.34	\$ 0.70
Earnings per common share—diluted .....	<u>\$ 1.65</u>	<u>\$ 1.34</u>	<u>\$ 0.70</u>

On December 5, 2008, WesBanco issued 75,000 shares of the Company's Series A Preferred Stock and a warrant to purchase 439,282 shares of the Company's common stock to the U.S. Treasury. The preferred dividends, and expense associated with the unamortized discount, were deducted from net income to arrive at net income available to common shareholders. The preferred stock and related warrant were repurchased in late 2009.

### NOTE 3. SECURITIES

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

<i>(in thousands)</i>	December 31, 2011				December 31, 2010			
	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								
Other government agencies . . .	\$ 197,898	\$ 834	\$ (12)	\$ 198,720	\$ 367,150	\$ 1,436	\$ (5,451)	\$ 363,135
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	579,430	9,244	(582)	588,092	344,787	9,412	(854)	353,345
Obligations of states and political subdivisions . . . . .	171,782	8,664	(13)	180,433	208,198	4,321	(1,711)	210,808
Corporate debt securities . . . . .	45,002	107	(1,043)	44,066	25,775	12	(204)	25,583
Total debt securities . . . . .	\$ 994,112	\$18,849	\$ (1,650)	\$1,011,311	\$ 945,910	\$15,181	\$ (8,220)	\$ 952,871
Equity securities . . . . .	4,179	851	(1)	5,029	3,787	823	—	4,610
Total available-for-sale securities . . . . .	\$ 998,291	\$19,700	\$ (1,651)	\$1,016,340	\$ 949,697	\$16,004	\$ (8,220)	\$ 957,481
Held-to-maturity								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	\$ 247,938	\$ 7,223	\$ (87)	\$ 255,074	\$ 202,062	\$ 1,721	\$ (14)	\$ 203,769
Other residential collateralized mortgage obligations . . . . .	783	9	(1)	791	1,224	14	—	1,238
Obligations of states and political subdivisions . . . . .	342,752	21,459	(138)	364,073	263,973	973	(5,592)	259,354
Corporate debt securities . . . . .	1,452	82	—	1,534	1,451	90	—	1,541
Total held-to-maturity securities . . .	\$ 592,925	\$28,773	\$ (226)	\$ 621,472	\$ 468,710	\$ 2,798	\$ (5,606)	\$ 465,902
Total securities . . . . .	\$1,591,216	\$48,473	\$ (1,877)	\$1,637,812	\$1,418,407	\$18,802	\$ (13,826)	\$1,423,383

At December 31, 2011 and 2010, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at December 31, 2011. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

<i>(in thousands)</i>	December 31, 2011				
	Within One Year	After One But Within Five Years	After Five But Within Ten Years	After Ten Years	Total
Available-for-sale					
Other government agencies . . . . .	\$ —	\$ 17,665	\$ 25,726	\$155,329	\$ 198,720
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (1) . . . . .	13,308	557,570	15,958	1,256	588,092
Obligations of states and political subdivisions . . . . .	5,702	53,326	72,916	48,489	180,433
Corporate debt securities . . . . .	5,315	32,226	1,592	4,933	44,066
Equity securities . . . . .	—	—	—	5,029	5,029
Total available-for-sale securities . . . . .	<u>\$24,325</u>	<u>\$660,787</u>	<u>\$116,192</u>	<u>\$215,036</u>	<u>\$1,016,340</u>
Held-to-maturity (2)					
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (1) . . . . .	\$ 5,498	\$199,444	\$ 50,013	\$ 119	\$ 255,074
Other residential collateralized mortgage obligations (1) . . . . .	—	791	—	—	791
Obligations of states and political subdivisions . . . . .	5,197	7,786	49,812	301,278	364,073
Corporate debt securities . . . . .	—	—	—	1,534	1,534
Total held-to-maturity securities . . . . .	<u>\$10,695</u>	<u>\$208,021</u>	<u>\$ 99,825</u>	<u>\$302,931</u>	<u>\$ 621,472</u>
Total securities . . . . .	<u>\$35,020</u>	<u>\$868,808</u>	<u>\$216,017</u>	<u>\$517,967</u>	<u>\$1,637,812</u>

- (1) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are assigned to maturity categories based on current estimated average lives.
- (2) The held-to-maturity portfolio is carried at an amortized cost of \$592.9 million.

Securities with aggregate par values of \$666.9 million and \$621.4 million at December 31, 2011 and 2010, 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 \$20.1 million, \$136.1 million and \$272.1 million for the years ended December 31, 2011, 2010 and 2009, respectively. Net unrealized gains on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of December 31, 2011 and 2010 were \$11.3 million and \$4.9 million, respectively. Gross security gains on available-for-sale securities of \$1.1 million, \$3.4 million and \$6.3 million were realized for the years ended December 31, 2011, 2010 and 2009, respectively. Gross security losses on available-for-sale securities of \$100 thousand, \$41 thousand, and \$293 thousand were realized for the years ended December 31, 2011, 2010 and 2009, respectively, primarily due to other-than-temporary impairment losses.

The following table provides information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of December 31, 2011 and 2010:

<i>(dollars in thousands)</i>	December 31, 2011								
	Less than 12 months			12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Other government agencies . . . . .	\$ 24,486	\$ (12)	7	\$ —	\$ —	—	\$ 24,486	\$ (12)	7
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	133,106	(646)	34	795	(23)	2	133,901	(669)	36
Other residential collateralized mortgage obligations . . . . .	185	(1)	1	—	—	—	185	(1)	1
Obligations of states and political subdivisions . . . . .	14,443	(146)	20	1,902	(5)	4	16,345	(151)	24
Corporate debt securities . . . . .	19,763	(145)	11	13,103	(898)	5	32,866	(1,043)	16
Equity securities . . . . .	4	(1)	2	—	—	—	4	(1)	2
Total temporarily impaired securities . . . . .	<u>\$191,987</u>	<u>\$ (951)</u>	<u>75</u>	<u>\$15,800</u>	<u>\$(926)</u>	<u>11</u>	<u>\$207,787</u>	<u>\$ (1,877)</u>	<u>86</u>

<i>(dollars in thousands)</i>	December 31, 2010								
	Less than 12 months			12 months or more			Total		
	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Other government agencies . . . . .	\$190,252	\$ (5,451)	21	\$ —	\$ —	—	\$190,252	\$ (5,451)	21
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	97,174	(855)	20	578	(13)	1	97,752	(868)	21
Obligations of states and political subdivisions . . . . .	223,324	(7,290)	255	342	(13)	2	223,666	(7,303)	257
Corporate debt securities . . . . .	20,033	(204)	8	—	—	—	20,033	(204)	8
Total temporarily impaired securities . . . . .	<u>\$530,783</u>	<u>\$(13,800)</u>	<u>304</u>	<u>\$ 920</u>	<u>\$(26)</u>	<u>3</u>	<u>\$531,703</u>	<u>\$(13,826)</u>	<u>307</u>

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

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

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of FHLB of Pittsburgh and FHLB of Cincinnati stock totaling \$21.9 million and \$28.0 million at December 31, 2011 and 2010, 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.



On February 22, 2012, the FHLB of Pittsburgh announced that it would pay a dividend on the average capital stock balance held during the three month period ended December 31, 2011 at an annualized rate of 0.10% for the first time since late 2008. They also will continue to partially repurchase certain amounts of excess stock held by member banks. Such repurchase was also suspended in late 2008 and partially restored five quarters ago. However, the FHLB also noted future dividend payments and capital stock repurchases will continue to be reviewed on a quarterly basis. The FHLB of Pittsburgh stock owned by WesBanco totaling \$20.4 million and \$25.0 million at December 31, 2011 and 2010, respectively, does not have a readily determinable fair value, and is held primarily to serve as collateral on FHLB borrowings. Although the FHLB of Pittsburgh did not pay a dividend in 2011 and only partially lifted the suspension on the repurchase of excess capital stock, they are meeting their current debt obligations, have continued to exceed all required capital ratios, announced the payment of a dividend in 2012, and have remained in compliance with statutory and regulatory requirements. Accordingly, as of December 31, 2011, WesBanco believes that sufficient evidence exists to conclude that its investment in FHLB stock was not impaired. At December 31, 2011, WesBanco held excess capital stock of \$5.8 million that remains to be repurchased by the FHLB of Pittsburgh. The FHLB of Pittsburgh stock balance declined from December 31, 2010 to December 31, 2011 due to stock repurchases of \$4.6 million.

#### NOTE 4. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs of \$3.1 million at December 31, 2011 and 2010, respectively.

The following table presents the recorded investment in loans by category:

<u>(in thousands)</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Commercial real estate:		
Land and construction .....	\$ 175,867	\$ 154,841
Improved Property .....	1,509,698	1,602,408
Total commercial real estate .....	<u>1,685,565</u>	<u>1,757,249</u>
Commercial and industrial .....	426,315	412,726
Residential real estate .....	621,383	608,693
Home equity .....	251,785	249,423
Consumer .....	254,320	260,585
Total portfolio loans .....	<u>3,239,368</u>	<u>3,288,676</u>
Loans held for sale .....	6,084	10,800
Total loans .....	<u>\$3,245,452</u>	<u>\$3,299,476</u>

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

	For the Year Ended December 31,							2010	2009	
	2011							Total	Total	
<i>(in thousands)</i>	Commercial Real Estate-Land and Construction	Commercial Real Estate-Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total	Total	
Balance at beginning of year:										
Allowance for loan losses	\$ 4,701	\$ 30,836	\$ 10,793	\$ 5,950	\$ 2,073	\$ 5,641	\$ 1,057	\$ 61,051	\$ 61,160	\$ 49,803
Allowance for loan commitments	1,037	285	65	1	14	2	—	1,404	195	368
Total beginning allowance for credit losses	<u>5,738</u>	<u>31,121</u>	<u>10,858</u>	<u>5,951</u>	<u>2,087</u>	<u>5,643</u>	<u>1,057</u>	<u>62,455</u>	<u>61,355</u>	<u>50,171</u>
Provision for credit losses:										
Provision for loan losses	7,436	12,385	8,799	3,940	571	2,753	363	36,247	43,369	50,545
Provision for loan commitments	(963)	(264)	258	3	19	11	—	(936)	1,209	(173)
Total provision for credit losses	<u>6,473</u>	<u>12,121</u>	<u>9,057</u>	<u>3,943</u>	<u>590</u>	<u>2,764</u>	<u>363</u>	<u>35,311</u>	<u>44,578</u>	<u>50,372</u>
Charge-offs	(7,494)	(19,466)	(9,087)	(4,627)	(798)	(4,037)	(936)	(46,445)	(46,367)	(41,085)
Recoveries	199	993	909	375	116	1,053	312	3,957	2,889	1,897
Net charge-offs	<u>(7,295)</u>	<u>(18,473)</u>	<u>(8,178)</u>	<u>(4,252)</u>	<u>(682)</u>	<u>(2,984)</u>	<u>(624)</u>	<u>(42,488)</u>	<u>(43,478)</u>	<u>(39,188)</u>
Balance at end of period:										
Allowance for loan losses	4,842	24,748	11,414	5,638	1,962	5,410	796	54,810	61,051	61,160
Allowance for loan commitments	74	21	323	4	33	13	—	468	1,404	195
Total ending allowance for credit losses	<u>\$ 4,916</u>	<u>\$ 24,769</u>	<u>\$ 11,737</u>	<u>\$ 5,642</u>	<u>\$ 1,995</u>	<u>\$ 5,423</u>	<u>\$ 796</u>	<u>\$ 55,278</u>	<u>\$ 62,455</u>	<u>\$ 61,355</u>

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

<i>(in thousands)</i>	Allowance for Credit Losses and Recorded Investment in Loans							Total
	Commercial Real Estate-Land and Construction	Commercial Real Estate-Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer	Over-draft	
<b>December 31, 2011</b>								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment . . . . .	\$ 1,788	\$ 1,565	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,353
Allowance for loans collectively evaluated for impairment . . . . .	3,054	23,183	11,414	5,638	1,962	5,410	796	51,457
Allowance for loan commitments . . . . .	74	21	323	4	33	13	—	468
Total allowance for credit losses . . . . .	<u>\$ 4,916</u>	<u>\$ 24,769</u>	<u>\$ 11,737</u>	<u>\$ 5,642</u>	<u>\$ 1,995</u>	<u>\$ 5,423</u>	<u>\$ 796</u>	<u>\$ 55,278</u>
Portfolio loans:								
Individually evaluated for impairment (1) . . . . .	\$ 10,815	\$ 18,028	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28,843
Collectively evaluated for impairment . . . . .	165,052	1,491,670	426,315	621,383	251,785	254,320	—	3,210,525
Total portfolio loans . . . . .	<u>\$175,867</u>	<u>\$1,509,698</u>	<u>\$426,315</u>	<u>\$621,383</u>	<u>\$251,785</u>	<u>\$254,320</u>	<u>\$ —</u>	<u>\$3,239,368</u>
<b>December 31, 2010</b>								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment . . . . .	\$ 2,246	\$ 4,674	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 6,920
Allowance for loans collectively evaluated for impairment . . . . .	2,455	26,162	10,793	5,950	2,073	5,641	1,057	54,131
Allowance for loan commitments . . . . .	1,037	285	65	1	14	2	—	1,404
Total allowance for credit losses . . . . .	<u>\$ 5,738</u>	<u>\$ 31,121</u>	<u>\$ 10,858</u>	<u>\$ 5,951</u>	<u>\$ 2,087</u>	<u>\$ 5,643</u>	<u>\$1,057</u>	<u>\$ 62,455</u>
Portfolio loans:								
Individually evaluated for impairment (1) . . . . .	\$ 8,109	\$ 36,354	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 44,463
Collectively evaluated for impairment . . . . .	146,732	1,566,054	412,726	608,693	249,423	260,585	—	3,244,213
Total portfolio loans . . . . .	<u>\$154,841</u>	<u>\$1,602,408</u>	<u>\$412,726</u>	<u>\$608,693</u>	<u>\$249,423</u>	<u>\$260,585</u>	<u>\$ —</u>	<u>\$3,288,676</u>

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

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

Commercial real estate—land and construction consists of loans to finance investments in vacant land, land development, construction of residential housing, and construction of commercial buildings. Commercial real estate—improved property consists of loans for the purchase or refinance of all types of improved owner-occupied and investment properties. Factors that are considered in assigning the risk grade vary depending on the type of property financed. The risk grade assigned to construction and development loans is based on the overall viability of the project, the experience and financial capacity of the developer or builder to successfully complete

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

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

Fair or acceptable risk loans have a somewhat higher credit risk profile due to specific weaknesses or uncertainties that could adversely impact repayment capacity. Loans in this category generally warrant additional attention or monitoring, or a more rigid loan structure. These loans represent the maximum level of risk accepted in the normal course of lending. Specific issues that may warrant this grade include financial results that are less favorable than the average for the borrower's industry or type of real estate, cyclical financial results, loans based on projections that have a reasonable probability of being achieved, start-up businesses, construction projects, and other external factors that indicate a higher level of credit risk. Loans that are underwritten primarily on the basis of the repayment capacity or financial condition of guarantors may also be assigned this grade.

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

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

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

<i>(in thousands)</i>	Commercial Loans by Internally Assigned Risk Grade			
	Commercial Real Estate-Land and Construction	Commercial Real Estate-Improved Property	Commercial & Industrial	Total Commercial Loans
<b>As of December 31, 2011</b>				
Excellent—minimal risk . . . . .	\$ 625	\$ 448	\$ 51,923	\$ 52,996
Good—desirable risk . . . . .	40,278	593,563	185,745	819,586
Fair—acceptable risk . . . . .	97,077	727,594	156,459	981,130
Criticized—marginal . . . . .	19,701	107,433	14,061	141,195
Classified—substandard . . . . .	18,186	80,660	18,127	116,973
Classified—doubtful . . . . .	—	—	—	—
Total . . . . .	<u>\$175,867</u>	<u>\$1,509,698</u>	<u>\$426,315</u>	<u>\$2,111,880</u>
<b>As of December 31, 2010</b>				
Excellent—minimal risk . . . . .	\$ 559	\$ 170	\$ 55,203	\$ 55,932
Good—desirable risk . . . . .	28,592	597,484	168,574	794,650
Fair—acceptable risk . . . . .	75,446	776,115	147,616	999,177
Criticized—marginal . . . . .	26,411	136,677	16,817	179,905
Classified—substandard . . . . .	23,833	91,962	24,516	140,311
Classified—doubtful . . . . .	—	—	—	—
Total . . . . .	<u>\$154,841</u>	<u>\$1,602,408</u>	<u>\$412,726</u>	<u>\$2,169,975</u>

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines were \$18.2 million at December 31, 2011 and \$18.3 million at December 31, 2010, of which \$4.2 million and \$6.6 million were accruing, for each period respectively.

The following table summarizes the age analysis of all categories of loans.

<i>(in thousands)</i>	Age Analysis of Loans						
	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)
<b>As of December 31, 2011</b>							
Commercial real estate:							
Land and construction	\$ 166,322	\$ 1,391	\$ 127	\$ 8,027	\$ 9,545	\$ 175,867	\$ —
Improved property	1,486,001	4,485	3,446	15,766	23,697	1,509,698	18
Total commercial real estate	1,652,323	5,876	3,573	23,793	33,242	1,685,565	18
Commercial and industrial	417,341	1,624	333	7,017	8,974	426,315	939
Residential real estate	601,541	5,742	1,186	12,914	19,842	621,383	2,881
Home equity	247,771	1,843	447	1,724	4,014	251,785	498
Consumer	247,736	4,469	1,030	1,085	6,584	254,320	799
Total portfolio loans	3,166,712	19,554	6,569	46,533	72,656	3,239,368	5,135
Loans held for sale	6,084	—	—	—	—	6,084	—
Total loans	<u>\$3,172,796</u>	<u>\$19,554</u>	<u>\$ 6,569</u>	<u>\$46,533</u>	<u>\$72,656</u>	<u>\$3,245,452</u>	<u>\$5,135</u>
Non-performing loans included above are as follows:							
Non-accrual loans	\$ 12,377	\$ 1,629	\$ 2,818	\$40,668	\$45,115	\$ 57,492	
TDRs accruing interest (1)	26,893	1,434	354	730	2,518	29,411	
<b>As of December 31, 2010</b>							
Commercial real estate:							
Land and construction	\$ 150,190	\$ 429	\$ 311	\$ 3,911	\$ 4,651	\$ 154,841	\$ 277
Improved property	1,579,400	4,365	2,956	15,687	23,008	1,602,408	692
Total commercial real estate	1,729,590	4,794	3,267	19,598	27,659	1,757,249	969
Commercial and industrial	401,344	3,530	1,402	6,450	11,382	412,726	95
Residential real estate	588,212	2,084	5,704	12,693	20,481	608,693	4,535
Home equity	245,346	1,665	658	1,754	4,077	249,423	1,126
Consumer	253,407	4,898	1,122	1,158	7,178	260,585	958
Total portfolio loans	3,217,899	16,971	12,153	41,653	70,777	3,288,676	7,683
Loans held for sale	10,800	—	—	—	—	10,800	—
Total loans	<u>\$3,228,699</u>	<u>\$16,971</u>	<u>\$12,153</u>	<u>\$41,653</u>	<u>\$70,777</u>	<u>\$3,299,476</u>	<u>\$7,683</u>
Non-performing loans included above are as follows:							
Non-accrual loans	\$ 11,011	\$ 796	\$ 3,207	\$33,806	\$37,809	\$ 48,820	
TDRs accruing interest (1)	46,972	57	290	164	511	47,483	

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

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

Loans are generally placed on non-accrual status when they become past due 90 days or more unless they are both well-secured and in the process of collection.

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

The following tables summarize impaired loans:

<i>(in thousands)</i>	Impaired Loans					
	December 31, 2011			December 31, 2010		
	Unpaid Principal Balance (1)	Recorded Investment (2)	Related Allowance	Unpaid Principal Balance (1)	Recorded Investment (2)	Related Allowances
<b>With no related allowance recorded:</b>						
Commercial real estate:						
Land and construction . . . . .	\$ 19,733	\$14,731	\$ —	\$ 8,467	\$ 7,047	\$ —
Improved property . . . . .	38,629	34,352	—	34,270	31,571	—
Commercial and industrial . . . . .	11,536	9,078	—	8,935	8,006	—
Residential real estate . . . . .	18,038	16,221	—	15,260	14,131	—
Home equity . . . . .	1,465	1,331	—	855	755	—
Consumer . . . . .	344	289	—	336	302	—
Total impaired loans without a related allowance . . . . .	<u>89,745</u>	<u>76,002</u>	<u>—</u>	<u>68,123</u>	<u>61,812</u>	<u>—</u>
<b>With an allowance recorded:</b>						
Commercial real estate:						
Land and construction . . . . .	2,813	2,813	1,788	8,109	8,109	2,246
Improved property . . . . .	8,388	8,088	1,565	27,323	27,323	4,674
Commercial and industrial . . . . .	—	—	—	—	—	—
Total impaired loans with an allowance . . . . .	<u>11,201</u>	<u>10,901</u>	<u>3,353</u>	<u>35,432</u>	<u>35,432</u>	<u>6,920</u>
Total impaired loans . . . . .	<u>\$100,946</u>	<u>\$86,903</u>	<u>\$3,353</u>	<u>\$103,555</u>	<u>\$97,244</u>	<u>\$6,920</u>

- (1) The difference between the unpaid principal balance and the recorded investment generally reflects amounts that have been previously charged-off.
- (2) Total impaired loans as of December 31, 2011 include non-accrual loans of \$57.5 million and TDRs accruing interest of \$29.4 million. Total impaired loans as of December 31, 2010 include non-accrual loans of \$48.8 million and TDRs accruing interest of \$47.5 million.

<i>(in thousands)</i>	Impaired Loans			
	For the Year Ended December 31, 2011		For the Year Ended December 31, 2010	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
<b>With no related allowance recorded:</b>				
Commercial real estate:				
Land and construction . . . . .	\$11,541	\$ 447	\$ 4,605	\$ 203
Improved property . . . . .	33,534	890	31,865	918
Commercial and industrial . . . . .	9,088	222	9,313	159
Residential real estate . . . . .	14,673	307	16,523	286
Home equity . . . . .	1,092	6	938	5
Consumer . . . . .	240	4	358	9
Total impaired loans without a related allowance . . . . .	<u>70,168</u>	<u>1,876</u>	<u>63,602</u>	<u>1,580</u>
<b>With an allowance recorded:</b>				
Commercial real estate:				
Land and construction . . . . .	4,383	35	9,701	274
Improved property . . . . .	17,325	301	16,833	1,362
Commercial and industrial . . . . .	736	—	1,621	—
Total impaired loans with an allowance . . . . .	<u>22,444</u>	<u>336</u>	<u>28,155</u>	<u>1,636</u>
Total impaired loans . . . . .	<u>\$92,612</u>	<u>\$2,212</u>	<u>\$91,757</u>	<u>\$3,216</u>

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

<i>(in thousands)</i>	Non-accrual Loans (1)	
	December 31, 2011	December 31, 2010
Commercial real estate:		
Land and construction	\$10,135	\$ 4,391
Improved property	25,122	24,833
Total commercial real estate	35,257	29,224
Commercial and industrial	8,238	7,933
Residential real estate	12,377	10,688
Home equity	1,331	755
Consumer	289	220
Total	\$57,492	\$48,820

(1) Total non-accrual loans include \$17.3 million and \$9.9 million as of December 31, 2011 and 2010, respectively of loans that are also restructured. Such loans are also set forth in the following table as non-accrual TDRs.

<i>(in thousands)</i>	TDRs					
	December 31, 2011			December 31, 2010		
	Accruing	Non-Accrual	Total	Accruing	Non-accrual	Total
Commercial real estate:						
Land and construction	\$ 7,410	\$ 5,662	\$13,072	\$10,764	\$ 327	\$11,091
Improved property	17,318	8,398	25,716	33,122	7,628	40,750
Total commercial real estate	24,728	14,060	38,788	43,886	7,955	51,841
Commercial and industrial	839	2,514	3,353	73	1,318	1,391
Residential real estate	3,844	713	4,557	3,443	591	4,034
Home equity	—	—	—	—	—	—
Consumer	—	—	—	81	—	81
Total	\$29,411	\$17,287	\$46,698	\$47,483	\$9,864	\$57,347

As of December 31, 2011, there were twelve TDRs greater than \$1.0 million representing \$24.0 million or 51.4% of total TDRs comprised of four commercial real estate land and construction loans and eight commercial real estate improved property loans with specific reserves of \$2.9 million. The concessions granted in the majority of the top twelve TDRs were either extensions of maturity combined with interest only for a period of less than a year, or a reduction in payments through an extension of maturity date by re-amortizing principal and interest.



The following table presents details related to loans identified as TDRs during the year ended December 31, 2011:

<i>(dollars in thousands)</i>	New TDRs (1) For the Year Ended December 31, 2011		
	Number of Modifications	Pre- Modification Outstanding Recorded Investment	Post- Modification Outstanding Recorded Investment
Commercial real estate:			
Land and construction . . . . .	7	\$ 4,482	\$ 4,205
Improved property . . . . .	33	7,586	6,306
Total commercial real estate . . . . .	40	12,068	10,511
Commercial and industrial . . . . .	17	3,940	2,507
Residential real estate . . . . .	8	872	876
Home equity . . . . .	—	—	—
Consumer . . . . .	—	—	—
Total . . . . .	65	\$16,880	\$13,894

(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.

For the twelve months ended December 31, 2011 there were three contracts restructured greater than \$1 million, representing approximately \$4.2 million at December 31, 2011, one of which was accruing interest.

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the year ended December 31, 2011 that were restructured within the last twelve months prior to December 31, 2011:

<i>(dollars in thousands)</i>	Defaulted TDRs (1) For the Year Ended December 31, 2011	
	Number of Defaults	Recorded Investment
Commercial real estate:		
Land and construction . . . . .	1	\$ 141
Improved property . . . . .	7	1,089
Total commercial real estate . . . . .	8	1,230
Commercial and industrial . . . . .	3	634
Residential real estate . . . . .	—	—
Home equity . . . . .	—	—
Consumer . . . . .	—	—
Total . . . . .	11	\$1,864

(1) Excludes loans that were either charged-off or cured by period end. The recorded investment is as of December 31, 2011.

TDRs that defaulted during the twelve month period and that were restructured within the last twelve months represented 4.0% of the total TDR balance at December 31, 2011. Generally these loans are placed on non-accrual status unless they are both well-secured and in the process of collection. At December 31, 2011, only two loans in the table above were accruing interest.

The following table summarizes the recognition of interest income on impaired loans:

<i>(in thousands)</i>	<b>For the years ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Average impaired loans	<b>\$92,612</b>	\$91,757	\$73,994
Amount of contractual interest income on impaired loans	<b>4,727</b>	6,363	5,940
Amount of interest income recognized on impaired loans	<b>2,130</b>	3,152	2,078

WesBanco had unfunded commitments to debtors whose loans were classified as TDRs of \$25 thousand and \$1.4 million at December 31, 2011 and 2010, respectively.

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

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Other real estate owned	<b>\$2,786</b>	\$7,724
Repossessed assets	<b>243</b>	345
Total other real estate owned and repossessed assets	<b>\$3,029</b>	\$8,069

#### **NOTE 5. LOANS SERVICED FOR OTHERS AND MORTGAGE SERVICING RIGHTS**

As of December 31, 2011 and 2010, WesBanco serviced loans for others aggregating approximately \$157.7 million and \$206.8 million, respectively. Such loans are not included in the Consolidated Balance Sheets. At December 31, 2011, WesBanco held custodial funds of \$1.7 million relating to the servicing of residential real estate loans, which are included in deposits in the Consolidated Balance Sheets. These custodial deposits represent funds due to investors on mortgage loans serviced by WesBanco and customer funds held for real estate taxes and insurance.

At December 31, 2011 and 2010, the unamortized balance of mortgage servicing rights (MSRs) related to these loans was approximately \$1.8 million and \$2.3 million, respectively, which approximate fair value. A valuation allowance of \$0.3 million and \$0.5 million was recorded at December 31, 2011 and 2010, respectively, as the fair value of certain loan pools was less than their carrying value. Amortization of MSRs was \$0.6 million, \$0.8 million and \$0.8 million for the years ended December 31, 2011, 2010 and 2009, respectively.

#### **NOTE 6. PREMISES AND EQUIPMENT**

Premises and equipment include:

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
Land and improvements	<b>\$ 24,177</b>	\$ 24,020
Buildings and improvements	<b>96,914</b>	96,468
Furniture and equipment	<b>71,256</b>	69,560
Total cost	<b>192,347</b>	190,048
Accumulated depreciation and amortization	<b>(110,143)</b>	(104,120)
Total premises and equipment, net	<b>\$ 82,204</b>	\$ 85,928

Depreciation and amortization expense of premises and equipment charged to operations for the years ended December 31, 2011, 2010 and 2009 was \$6.2 million, \$6.8 million and \$7.6 million, respectively.

WesBanco leases certain premises and equipment under non-cancellable operating leases. Certain leases contain renewal options and rent escalation clauses calling for rent increases over the term of the lease. All leases which contain a rent escalation clause are accounted for on a straight-line basis. Rent expense under leases was \$2.4 million, \$2.2 million and \$2.4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Future minimum lease payments under non-cancellable leases with initial or remaining lease terms in excess of one year at December 31, 2011 are as follows (*in thousands*):

<u>Year</u>	<u>Amount</u>
2012 .....	\$ 1,765
2013 .....	1,567
2014 .....	1,274
2015 .....	1,147
2016 .....	894
2017 and thereafter .....	6,371
Total .....	<u>\$13,018</u>

#### NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

WesBanco's Consolidated Balance Sheets include goodwill of \$274.1 million at December 31, 2011 and 2010. WesBanco's other intangible assets of \$9.1 million and \$11.5 million at December 31, 2011 and 2010, respectively, primarily consist of core deposit and other customer list intangibles which have finite lives and are amortized using straight line and accelerated methods. Other intangible assets are being amortized over estimated useful lives ranging from ten to sixteen years. Amortization of other intangible assets totaled \$2.4 million, \$2.7 million and \$3.1 million for the years ended December 31, 2011, 2010 and 2009, respectively. There were no events or changes in circumstances indicating impairment of identifiable intangibles as of December 31, 2011.

WesBanco completed its annual goodwill impairment test as of November 30, 2011 and determined that goodwill was not impaired. The evaluation for impairment involves comparing the estimated current fair value of each reporting unit to its carrying value, including goodwill. WesBanco uses market capitalization, multiples of tangible book value, a discounted cash flow model, and various other market-based methods to estimate the current fair value of its reporting units. The resulting fair values of each method are then weighted based on the relevance and reliability of each respective method in light of the current economic environment to arrive at a weighted average fair value. Management concluded that goodwill was not impaired as of December 31, 2011.

The following table shows WesBanco's capitalized other intangible assets and related accumulated amortization:

<u>(in thousands)</u>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Other intangible assets:		
Gross carrying amount .....	\$ 33,375	\$ 33,375
Accumulated amortization .....	(24,283)	(21,873)
Net carrying amount of other intangible assets .....	<u>\$ 9,092</u>	<u>\$ 11,502</u>

The following table shows the amortization on WesBanco's other intangible assets for each of the next five years (*in thousands*):

<u>Year</u>	<u>Amount</u>
2012 .....	\$2,088
2013 .....	1,573
2014 .....	1,286
2015 .....	1,069
2016 .....	894

#### NOTE 8. INVESTMENTS IN LIMITED PARTNERSHIPS

WesBanco is a limited partner in several tax-advantaged limited partnerships whose purpose is to invest in approved low-income housing investment tax credit projects. These investments are accounted for using the equity method of accounting and are included in other assets in the Consolidated Balance Sheets. The limited partnerships are considered to be VIEs as they generally do not have equity investors with voting rights or have equity investors that do not provide sufficient financial resources to support their activities. The VIEs have not been consolidated because WesBanco is not considered the primary beneficiary. All of WesBanco's investments in limited partnerships are privately held, and their market values are not readily available. Investments in low-income housing partnerships are evaluated for impairment at the end of each reporting period. At December 31, 2011 and 2010, WesBanco had \$4.3 million and \$5.2 million, respectively, invested in these partnerships. WesBanco also recognizes the unconditional unfunded equity contributions of \$0.7 million and \$1.1 million at December 31, 2011 and 2010, respectively, in other liabilities. For the years ended December 31, 2011, 2010 and 2009, WesBanco included in operations under the equity method of accounting its share of the partnerships' losses and impairment of \$0.9 million, \$1.0 million, and \$1.0 million, respectively. Tax benefits attributed to these partnerships include low-income housing and historic tax credits which totaled \$1.0 million, for each of the years ended December 31, 2011, 2010 and 2009, respectively.

WesBanco is also a limited partner in eight other limited partnerships which provide seed money and capital to startup companies, and financing to low-income housing projects. At December 31, 2011 and 2010, WesBanco had \$3.5 million invested in these partnerships, which are recorded in other assets using the equity method. For the years ended December 31, 2011, 2010 and 2009, WesBanco included in operations under the equity method of accounting its share of the partnerships' losses and impairment of \$60 thousand, \$0.1 million and \$0.1 million, respectively.

#### NOTE 9. CERTIFICATES OF DEPOSIT

Certificates of deposit in denominations of \$100 thousand or more were \$797.0 million and \$791.7 million as of December 31, 2011 and 2010, respectively. Interest expense on certificates of deposit of \$100 thousand or more was \$13.6 million, \$15.2 million and \$20.3 million for the years ended December 31, 2011, 2010 and 2009, respectively.

At December 31, 2011, the scheduled maturities of total certificates of deposit are as follows (*in thousands*):

<u>Year</u>	<u>Amount</u>
2012 .....	\$ 683,614
2013 .....	463,520
2014 .....	203,535
2015 .....	174,426
2016 .....	70,099
2017 and thereafter .....	9,558
Total .....	<u>\$1,604,752</u>

## NOTE 10. FEDERAL HOME LOAN BANK BORROWINGS

WesBanco is a member of the FHLB System. WesBanco's FHLB borrowings, which consist of borrowings from both the FHLB of Pittsburgh and the FHLB of Cincinnati, are secured by a blanket lien by the FHLB on certain residential mortgage and other loan types or securities with a market value in excess of the outstanding balances of the borrowings. At December 31, 2011 and 2010, WesBanco had FHLB borrowings of **\$168.2** million and \$253.6 million, respectively, with a weighted-average interest rate of **3.58%** and 3.64%, respectively. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying mortgage and other types of loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted at certain pre-established percentages of the loans' unpaid principal balances. FHLB stock owned by WesBanco totaling **\$21.9** million at December 31, 2011 and \$28.0 million at December 31, 2010 is also pledged as collateral on these advances. The remaining maximum borrowing capacity by WesBanco with the FHLB at December 31, 2011 and 2010 was estimated to be approximately **\$1.0** billion.

Certain FHLB advances contain call features, which allow the FHLB to call the outstanding balance or convert a fixed rate borrowing to a variable rate advance if the strike rate goes beyond a certain predetermined rate. The probability that these advances will be called depends primarily on the level of related interest rates during the call period. Of the **\$168.2** million outstanding at December 31, 2011, **\$106.1** million in FHLB convertible advances are subject to call or conversion to a variable rate advance by the FHLB.

The following table presents the aggregate annual maturities and weighted-average interest rates of FHLB borrowings at December 31, 2011 based on their contractual maturity dates and effective interest rates:

<u>(dollars in thousands)</u>	<u>Scheduled</u>	<u>Weighted</u>
<u>Year</u>	<u>Maturity</u>	<u>Average</u>
		<u>Rate</u>
2012 .....	\$ 76,524	3.64%
2013 .....	50,280	3.27%
2014 .....	16,187	3.40%
2015 .....	926	4.69%
2016 .....	136	4.35%
2017 and thereafter .....	24,133	4.09%
Total .....	<u>\$168,186</u>	<u>3.58%</u>

## NOTE 11. OTHER SHORT-TERM BORROWINGS

Other short-term borrowings are comprised of the following:

<i>(in thousands)</i>	December 31,	
	2011	2010
Securities sold under agreements to repurchase .....	<b>\$193,752</b>	\$185,079
Treasury tax and loan notes and other .....	<b>3,135</b>	2,306
Total .....	<b><u>\$196,887</u></b>	<u>\$187,385</u>

Information concerning securities sold under agreements to repurchase is summarized as follows:

<i>(dollars in thousands)</i>	December 31,		
	2011	2010	2009
Outstanding balance at year end .....	<b>\$193,752</b>	\$185,079	\$180,947
Average balance during the year .....	<b>191,697</b>	179,011	219,353
Maximum month-end balance during the year .....	<b>209,644</b>	192,529	228,654
Average interest cost at year end .....	<b>2.53%</b>	2.61%	2.67%
Average interest cost during the year .....	<b>2.52%</b>	2.67%	3.22%

Securities sold under agreements to repurchase are generally transacted with the Bank's customers and securities are pledged to these customers at the time of the transaction in an amount at least equal to the outstanding balance. In addition, **\$92.0** million of the balance outstanding at December 31, 2011 was transacted with other banks, of which **\$50.0** million of such agreements are callable, and have fixed rates for the remainder of the agreements.

The revolving line of credit, which is a senior obligation of the parent company, was renewed with a correspondent bank on August 1, 2011. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregated secured borrowings of up to \$25.0 million and matures on July 31, 2012. There were no outstanding balances as of December 31, 2011 or 2010.

## NOTE 12. JUNIOR SUBORDINATED DEBT OWED TO UNCONSOLIDATED SUBSIDIARY TRUSTS

WesBanco Capital Trust II, WesBanco Capital Statutory Trust III, and WesBanco Capital Trusts IV, V and VI, and Oak Hill Capital Trusts 2, 3 and 4, (the "Trusts") are all wholly-owned trust subsidiaries of WesBanco formed for the purpose of issuing Trust Preferred Securities ("Trust Preferred Securities") into a pool of other financial services entity trust preferred securities, and lending the proceeds to WesBanco. The Trust Preferred Securities were issued and sold in private placement offerings. The proceeds from the sale of the securities and the issuance of common stock by the Trusts were invested in Junior Subordinated Deferrable Interest Debentures ("Junior Subordinated Debt") issued by WesBanco and the former Oak Hill Financial, Inc., acquired by WesBanco in 2007, which are the sole assets of the Trusts. The Trusts pay dividends on the Trust Preferred Securities at the same rate as the distributions paid by WesBanco on the Junior Subordinated Debt held by the Trusts. The Trusts provide WesBanco with the option to defer payment of interest on the Junior Subordinated Debt for an aggregate of 20 consecutive quarterly periods. Should any of these options be utilized, WesBanco may not declare or pay dividends on its common stock during any such period. Undertakings made by WesBanco with respect to the Trust Preferred Securities for the Trusts constitute a full and unconditional guarantee by WesBanco of the obligations of these Trust Preferred Securities. WesBanco organized Trusts II and III in June 2003, Trusts IV and V in June 2004 and Trust VI in March 2005. The Oak Hill Trusts 2 and 3 were organized in 2004 and Trust 4 was organized in 2005.

The Junior Subordinated Debt is presented as a separate category of long-term debt on the Consolidated Balance Sheets. For regulatory purposes, the Federal Reserve Board has allowed bank holding companies to include trust preferred securities in Tier 1 capital up to a certain limit. Provisions in the Dodd-Frank Act require

the Federal Reserve Board to generally exclude trust preferred securities from Tier 1 capital, but a grandfather provision will permit bank holding companies with consolidated assets of less than \$15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature. All of the Trust Preferred Securities qualified under the current rules as Tier 1 instruments at December 31, 2011, but no such securities issued in the future will count as Tier 1 capital. The Trust Preferred Securities provide the issuer with a unique capital instrument that has a tax deductible interest feature not normally associated with the equity of a corporation.

The following table shows WesBanco's trust subsidiaries with outstanding Trust Preferred Securities as of December 31, 2011:

<i>(in thousands)</i>	Trust Preferred Securities	Common Securities	Junior Subordinated Debt	Stated Maturity Date	Optional Redemption Date
WesBanco Capital Trust II (1) . . . . .	\$ 13,000	\$ 410	\$ 13,410	6/30/2033	6/30/2008
WesBanco Capital Statutory Trust III (2) . . . . .	17,000	526	17,526	6/26/2033	6/26/2008
WesBanco Capital Trust IV (3) . . . . .	20,000	619	20,619	6/17/2034	6/17/2009
WesBanco Capital Trust V (3) . . . . .	20,000	619	20,619	6/17/2034	6/17/2009
WesBanco Capital Trust VI (4) . . . . .	15,000	464	15,464	3/17/2035	3/17/2010
Oak Hill Capital Trust 2 (5) . . . . .	5,000	155	5,155	10/18/2034	10/18/2009
Oak Hill Capital Trust 3 (6) . . . . .	8,000	248	8,248	10/18/2034	10/18/2009
Oak Hill Capital Trust 4 (7) . . . . .	4,870	155	5,025	6/30/2035	6/30/2015
Total trust preferred securities . . . . .	<u>\$102,870</u>	<u>\$3,196</u>	<u>\$106,066</u>		

- (1) Variable rate based on the three-month LIBOR plus 3.15% with a current rate of 3.73% through March 31, 2012, adjustable quarterly.
- (2) Variable rate based on the three-month LIBOR plus 3.10% with a current rate of 3.67% through March 26, 2012, adjustable quarterly.
- (3) Variable rate based on the three-month LIBOR plus 2.65% with a current rate of 3.21% through March 17, 2012, adjustable quarterly.
- (4) Variable rate based on the three-month LIBOR plus 1.77% with a current rate of 2.33% through March 17, 2012, adjustable quarterly.
- (5) Variable rate based on the three-month LIBOR plus 2.40% with a current rate of 2.80% through January 18, 2012, adjustable quarterly.
- (6) Variable rate based on the three-month LIBOR plus 2.30% with a current rate of 2.70% through January 18, 2012, adjustable quarterly.
- (7) Fixed rate of 5.96% through June 30, 2015 and three-month LIBOR plus 1.60% thereafter, adjustable quarterly.

## NOTE 13. EMPLOYEE BENEFIT PLANS

**Defined Benefit Pension Plan**—The WesBanco, Inc. Defined Benefit Pension Plan (“the Plan”) established on January 1, 1985, is a non-contributory, defined benefit pension plan. The Plan covers all employees of WesBanco, Inc. and its subsidiaries who were hired on or before August 1, 2007 who satisfy minimum age and length of service requirements. Benefits of the Plan are generally based on years of service and the employee’s compensation during the last five years of employment. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. WesBanco uses a December 31 measurement date for its Defined Benefit Pension Plan.

The benefit obligations and funded status of the Plan are as follows:

<i>(dollars in thousands)</i>	December 31,	
	2011	2010
Accumulated benefit obligation at end of year . . . . .	<b>\$68,980</b>	\$59,807
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year . . . . .	\$66,561	\$58,588
Service cost . . . . .	2,580	2,329
Interest cost . . . . .	3,636	3,516
Actuarial loss . . . . .	6,233	4,534
Benefits paid . . . . .	(2,507)	(2,406)
Projected benefit obligation at end of year . . . . .	<b>\$76,503</b>	\$66,561
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year . . . . .	\$69,625	\$59,024
Actual return on plan assets . . . . .	712	10,007
Employer contribution . . . . .	5,000	3,000
Benefits paid . . . . .	(2,507)	(2,406)
Fair value of plan assets at end of year . . . . .	<b>\$72,830</b>	\$69,625
Amounts recognized in the statement of financial position:		
Funded status . . . . .	<b>\$ (3,673)</b>	\$ 3,064
Net amounts recognized as (payable) prepaid pension costs in the consolidated balance sheets . . . . .	<b>\$ (3,673)</b>	\$ 3,064
Amounts recognized in accumulated other comprehensive income consist of:		
Unrecognized prior service cost . . . . .	\$ 318	\$ 377
Unrecognized net loss . . . . .	<b>23,799</b>	13,892
Net amounts recognized in accumulated other comprehensive income (before tax) . . . .	<b>\$24,117</b>	\$14,269
Weighted average assumptions used to determine benefit obligations:		
Discount rate . . . . .	5.11%	5.53%
Rate of compensation increase . . . . .	3.00%	3.00%



The components of and weighted-average assumptions used to determine net periodic benefit costs are as follows:

<i>(dollars in thousands)</i>	For the years ended December 31,		
	2011	2010	2009
Components of net periodic benefit cost:			
Service cost	\$ 2,580	\$ 2,329	\$ 2,397
Interest cost	3,636	3,516	3,347
Expected return on plan assets	(5,663)	(4,801)	(3,778)
Amortization of prior service cost	59	(117)	(117)
Amortization of net loss	1,276	1,215	1,904
Net periodic pension cost	<u>\$ 1,888</u>	<u>\$ 2,142</u>	<u>\$ 3,753</u>
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net loss (gain) for period	\$11,183	\$ (671)	\$(4,732)
Amortization of prior service cost	(59)	117	117
Amortization of net loss	(1,276)	(1,215)	(1,904)
Total recognized in other comprehensive income	<u>\$ 9,848</u>	<u>\$(1,769)</u>	<u>\$(6,519)</u>
Total recognized in net periodic pension cost and other comprehensive income	<u>\$11,736</u>	<u>\$ 373</u>	<u>\$(2,766)</u>
Weighted-average assumptions used to determine net periodic pension cost:			
Discount rate	5.53%	6.20%	6.25%
Rate of compensation increase	3.00%	3.25%	3.25%
Expected long-term return on assets	8.25%	8.25%	8.25%

The estimated net loss and prior service credit for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into the net periodic pension costs over the next fiscal year are \$2.1 million and \$45 thousand, respectively. Unrecognized prior service cost and unrecognized net losses are amortized on a straight-line basis. All unrecognized net losses are being amortized over the average remaining service period of approximately 11 years.

The expected long-term rate of return for the Plan's total assets is based on the expected return of each of the Plan asset categories, weighted based on the median of the target allocation for each class. For 2012, this rate will decrease to 7.75% due to anticipated market returns for the Plan's mix of assets as discussed below.

**Pension Plan Investment Policy and Strategy**—The investment policy as established by the Retirement Plans Committee, to be followed by the Trustee, which is WesBanco's Trust and Investment Services department, is to invest assets based on the target allocations shown in the table below. Assets are reallocated periodically by the Trustee based on the ranges set forth by the Retirement Plans Committee to meet the target allocations. The investment policy is also subject to review periodically to determine if the policy should be changed. Plan assets are to be invested with the principal objective of maximizing long-term total return without exposing Plan assets to undue risks, taking into account the Plan's funding needs and benefit obligations. Assets are to be invested in a balanced portfolio composed primarily of equities, fixed income and cash or cash equivalent money market investments.

A maximum of 10% may be invested in any one stock. Foreign stocks may be included, either through direct investment or by the purchase of mutual funds which invest in foreign stock. Although most of the portfolio is to be invested in large capitalization stocks, up to 25% of the equity portfolio may be invested in NASDAQ stocks. WesBanco common stock can represent up to 10% of the total market value. Corporate bonds selected for purchase must be rated Baal by Moody's or BBB+ by Standard and Poors or higher. No more than 10% shall be invested in bonds or notes issued by the same BBB corporation with a maximum term of twenty years.

There is no limit on the holdings of U.S. Treasury or Federal Agency Securities. At December 31, 2011 and 2010 the Plan's equity securities included **55,300** shares of WesBanco common stock with a fair market value of **\$1.1** million and \$1.0 million, respectively.

The following table sets forth the Plan's weighted-average asset allocations by asset category:

Asset Category:	Target Allocation for 2011	December 31,	
		2011	2010
Equity securities .....	50 - 75%	70%	70%
Debt securities .....	25 - 50%	28%	27%
Cash and cash equivalents .....	0 - 25%	2%	3%
Total .....		<u>100%</u>	<u>100%</u>

The fair values of the WesBanco's pension plan assets at December 31, 2011, by asset category are as follows:

(in thousands)	December 31, 2011 Fair Value Measurements Using:			
	Asset at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Defined benefit pension plan assets				
Registered investment companies .....	\$ 2,918	\$ 2,918	\$ —	\$—
Equity securities .....	49,817	49,817	—	—
Corporate debt securities .....	11,754	—	11,754	—
Municipal obligations .....	1,353	—	1,353	—
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies .....	6,714	—	6,714	—
Total defined benefit pension plan assets (1) ....	<u>\$72,556</u>	<u>\$52,735</u>	<u>\$19,821</u>	<u>\$—</u>

(1) The defined benefit pension plan statement of net assets also includes cash, accrued interest and dividends, and due to and due from brokers to arrive at net assets available for benefits of \$72,830.

*Registered investment companies and equity securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate debt securities, municipal obligations, and U.S. government agency securities:* Valued at fair value based on models that consider criteria such as dealer quotes, available trade data, issuer creditworthiness, market movements, sector news, and bond and swap yield curves.

**Cash Flows**—WesBanco has no required minimum contribution to the Plan for 2012 and as of December 31, 2011 has not determined the amount of any voluntary contribution it may make in 2012.

The following table presents estimated benefits to be paid in each of next five years and in the aggregate for the five years thereafter (in thousands):

Year	Amount
2012 .....	\$ 2,632
2013 .....	2,829
2014 .....	3,001
2015 .....	3,276
2016 .....	3,564
2017 to 2021 .....	22,862

**Employee Stock Ownership and 401(k) Plan (“KSOP”)**—WesBanco sponsors a KSOP plan consisting of a non-contributory leveraged ESOP and a contributory 401(k) profit sharing plan covering substantially all of its employees. Under the provisions of the 401(k) plan, WesBanco matches a portion of eligible employee contributions based on rates established and approved by the Board of Directors. For each of the three years ended December 31, 2011, 2010 and 2009, respectively, WesBanco matched 100% of the first 3% and 50% of the next 2% of eligible employee contributions. No ESOP contribution has been made for any of the past three years.

As of December 31, 2011, the KSOP held **732,999** shares of WesBanco common stock of which all shares were allocated to specific employee accounts. Dividends on shares are either distributed to employee accounts or paid in cash to the participant. Total expense for the KSOP was **\$1.5** million, \$1.7 million, and \$1.7 million in 2011, 2010 and 2009, respectively.

**Incentive Bonus, Option and Restricted Stock Plan**—The Incentive Bonus, Option and Restricted Stock Plan (the “Plan”), is a non-qualified plan that includes the following components: an Annual Bonus, a Long-Term Incentive Bonus, a Stock Option component, and a Restricted Stock component. The components allow for payments of cash, a mixture of cash and stock, granting of stock options, or granting of restricted stock, depending upon the component of the plan in which the award is earned through the attainment of certain performance goals or on a time-based vesting requirement. Performance goals or service vesting requirements are established by WesBanco’s Compensation Committee. WesBanco had **806,437** and 913,319 shares remaining for future issuance under equity compensation plans at December 31, 2011 and 2010, respectively.

#### *Annual Bonus*

Compensation expense for the Annual Bonus was **\$1.2** million, \$1.1 million and \$0.3 million for 2011, 2010, and 2009, respectively. There was no Long-Term Incentive Bonus granted for any of these periods.

#### *Stock Options*

On May 18, 2011, WesBanco granted **66,250** stock options to selected participants, including certain named executive officers at an exercise price of \$19.76 per share. The options granted in 2011 are service-based and vest in two equal installments on December 31, 2011 and December 31, 2012 and expire seven years from the date of grant.

Compensation expense for the stock option component of the Plan was **\$0.2** million and \$0.1 million in 2011 and 2010, respectively. No compensation expense was recognized in 2009. At December 31, 2011, the total unrecognized compensation expense related to non-vested stock option grants totaled **\$0.1** million with an expense recognition period of 1.0 year remaining. The maximum term of options granted under WesBanco’s stock option plan is ten years from the original grant date.

The total intrinsic value of options exercised for each of the years ended December 31, 2011 and 2010 was less than **\$0.1** million. The cash received and related tax benefit realized from stock options exercised at December 31, 2011 and 2010 was immaterial. Shares issued in connection with options exercised are issued from treasury shares acquired under WesBanco’s share repurchase plans or from issuance of authorized but unissued shares.

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option-pricing model. This model requires the input of highly subjective assumptions, changes to which can materially affect the fair value estimate. Additionally, there may be other factors that might otherwise have a significant effect on the value of stock options granted that are not considered by the model.

The following table sets forth the significant assumptions used in calculating the fair value of the grants:

	For the years ended December 31,		
	2011	2010	2009
Weighted-average life	<b>4.7 Years</b>	4.6 Years	N/A
Risk-free interest rate	<b>1.74%</b>	1.96%	N/A
Dividend yield	<b>3.04%</b>	2.91%	N/A
Volatility factor	<b>30.20%</b>	30.60%	N/A
Fair value of the grants	<b>\$ 4.01</b>	\$ 4.06	N/A

The weighted-average life assumption is an estimate of the length of time that an employee might hold an option before option exercise, option expiration or employment termination. The weighted-average life assumption was developed using historical experience. WesBanco used a weighted historical volatility of its common stock price over the weighted average life prior to each issuance as the volatility factor assumption adjusted for abnormal returns during certain periods, and current and future dividend payment expectations for the dividend assumption.

The following table shows the activity for the Stock Option component of the Plan:

	For the year ended December 31, 2011	
	Number of Options	Weighted Average Exercise Price Per Share
Outstanding at beginning of the year	<b>406,711</b>	<b>\$23.48</b>
Granted during the year	<b>66,250</b>	<b>19.76</b>
Exercised during the year	<b>(1,775)</b>	<b>11.59</b>
Forfeited or expired during the year	<b>(62,493)</b>	<b>21.25</b>
Outstanding at end of the year	<b>408,693</b>	<b>\$23.27</b>
Exercisable at year end	<b>375,943</b>	<b>\$23.57</b>

The aggregate intrinsic value of the outstanding shares and the shares exercisable at year end was immaterial.

The following table shows the average remaining life of the stock options at December 31, 2011:

Year Issued	Exercisable at Year End	Exercise Price Range Per Share	Options Outstanding	Weighted Average Exercise Price	Weighted Avg. Remaining Contractual Life in Years
2002	<b>119,558</b>	\$ 23.96	<b>119,558</b>	<b>\$23.96</b>	<b>0.89</b>
2004	<b>46,000</b>	26.60	<b>46,000</b>	<b>26.60</b>	<b>2.38</b>
2005 (1)	<b>3,775</b>	17.22	<b>3,775</b>	<b>17.22</b>	<b>1.89</b>
2007 (2)	<b>7,035</b>	24.25 to 29.63	<b>7,035</b>	<b>28.38</b>	<b>2.74</b>
2007	<b>41,500</b>	30.75	<b>41,500</b>	<b>30.75</b>	<b>2.38</b>
2008	<b>69,400</b>	21.72	<b>69,400</b>	<b>21.72</b>	<b>3.39</b>
2010	<b>55,925</b>	19.27	<b>55,925</b>	<b>19.27</b>	<b>5.39</b>
2011	<b>32,750</b>	19.76	<b>65,500</b>	<b>19.76</b>	<b>6.38</b>
Total	<b>375,943</b>	<b>\$17.22 to \$30.75</b>	<b>408,693</b>	<b>\$23.27</b>	<b>3.17</b>

(1) Remaining options assumed in the January 3, 2005 acquisition of Winton Financial Corporation.

(2) Remaining options assumed in the November 30, 2007 acquisition of Oak Hill Financial, Inc.

### Restricted Stock

On May 18, 2011, WesBanco granted **35,850** shares of restricted stock to certain executive officers. The restricted shares are service-based and vest 24 months from the date of grant. The fair value of the restricted stock granted was \$19.76 per share, which was the closing price of WesBanco's common stock on May 17, 2011. In addition, on March 3, 2011, WesBanco granted 4,782 shares of restricted stock under an executive officer's employment agreement. The restricted shares vest in equal installments on March 3, 2012, 2013 and 2014. The fair value of the restricted stock granted was \$20.44 per share, which was the closing price of WesBanco's common stock on March 2, 2011. Compensation expense relating to the restricted stock was \$0.4 million and \$0.1 million in 2011 and 2010, respectively. At December 31, 2011, the total unrecognized compensation expense related to non-vested restricted stock grants totaled \$0.6 million with an expense recognition period of 1.1 years remaining. The restricted stock grant provides the recipient with voting rights from the date of issuance. Dividends paid on the restricted shares during the restriction period are converted into additional shares of restricted stock on the date the cash dividend would have otherwise been paid, but do not vest until the related grant of the restricted shares complete their vesting. The Compensation Committee has discretion to elect to pay such dividends to participants.

The following table shows the activity for the Restricted Stock component of the Plan:

<u>For the year ended December 31, 2011</u>	<u>Restricted Stock</u>	<u>Weighted Average Grant Date Fair Value Per Share</u>
Non-vested at January 1, 2011 . . . . .	17,250	\$19.27
Granted during the year . . . . .	40,632	19.84
Vested during the year . . . . .	—	—
Forfeited or expired during the year . . . . .	—	—
Non-vested at end of the year . . . . .	<u>57,882</u>	<u>\$19.67</u>

### NOTE 14. OTHER OPERATING EXPENSES

Other operating expenses consist of miscellaneous taxes, postage, consulting fees, other real estate owned and foreclosure expenses, legal fees, communications, ATM expenses, supplies, restructuring and merger-related expenses and other expenses. Other operating expenses are presented below:

<u>(in thousands)</u>	<u>For the years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Miscellaneous franchise and other taxes . . . . .	\$ 5,334	\$ 5,784	\$ 5,425
Postage . . . . .	3,201	3,516	3,626
Consulting, regulatory and advisory fees . . . . .	3,599	3,423	4,466
Other real estate owned and foreclosure expenses . . . . .	3,188	3,262	1,648
Legal fees . . . . .	2,888	2,749	2,702
Communications . . . . .	2,600	2,731	2,959
ATM and interchange expenses . . . . .	2,921	2,669	3,387
Supplies . . . . .	2,440	2,402	2,443
Restructuring and merger-related expenses . . . . .	—	175	1,815
Other . . . . .	7,810	7,435	8,805
Total other operating expenses . . . . .	<u>\$33,981</u>	<u>\$34,146</u>	<u>\$37,276</u>

## NOTE 15. INCOME TAXES

Reconciliation from the federal statutory income tax rate to the effective tax rate is as follows:

	For the years ended December 31,		
	2011	2010	2009
Federal statutory tax rate . . . . .	35.0%	35.0%	35.0%
Net tax-exempt interest income on securities of state and political subdivisions . .	(9.6)%	(12.4)%	(24.8)%
State income taxes, net of federal tax effect . . . . .	1.3%	1.1%	2.8%
Bank-owned life insurance . . . . .	(2.3)%	(4.0)%	(7.1)%
General business credits . . . . .	(5.8)%	(8.5)%	(11.9)%
All other—net . . . . .	(0.3)%	(0.3)%	1.7%
Effective tax rate . . . . .	<u>18.3%</u>	<u>10.9%</u>	<u>(4.3)%</u>

The provision for income taxes applicable to income before taxes consists of the following:

	For the years ended December 31,		
	2011	2010	2009
<u>(in thousands)</u>			
Current:			
Federal . . . . .	\$8,028	\$ 6,951	\$ 6,135
State . . . . .	935	968	960
Deferred:			
Federal . . . . .	748	(3,274)	(8,101)
State . . . . .	127	(295)	14
Total . . . . .	<u>\$9,838</u>	<u>\$ 4,350</u>	<u>\$ (992)</u>

The following income tax amounts were recorded in shareholders' equity as elements of other comprehensive income:

	For the years ended December 31,		
	2011	2010	2009
<u>(in thousands)</u>			
Securities and defined benefit pension plan unrecognized items . . . . .	<u>\$(612)</u>	<u>\$(1,682)</u>	<u>\$3,655</u>

Deferred tax assets and liabilities consist of the following:

<i>(in thousands)</i>	December 31,		
	2011	2010	2009
Deferred tax assets:			
Allowance for loan losses	\$ 20,341	\$ 22,686	\$ 22,431
Compensation and benefits	5,634	2,628	3,476
Allowance for acquired loans	—	4	535
Deferred loan fees and costs	378	—	—
Purchase accounting adjustments	777	627	876
Non accrual interest income	1,803	1,367	963
Tax credit carryforwards	12,986	11,667	8,867
Federal net operating loss carryforwards	649	959	1,269
Other	1,854	3,261	1,393
Gross deferred tax assets	<u>44,422</u>	<u>43,199</u>	<u>39,810</u>
Deferred tax liabilities:			
Depreciation and amortization	(912)	(982)	(781)
Accretion on securities	(2,123)	(2,974)	(1,590)
FHLB stock dividends	(305)	(578)	(898)
Mortgage servicing rights	(666)	(841)	(1,152)
Deferred loan fees and costs	—	(243)	(546)
Fair value adjustments on securities available-for-sale	(8,456)	(5,339)	(7,777)
Other	(230)	(249)	(322)
Gross deferred tax liabilities	<u>(12,692)</u>	<u>(11,206)</u>	<u>(13,066)</u>
Net deferred tax assets	<u>\$ 31,730</u>	<u>\$ 31,993</u>	<u>\$ 26,744</u>

WesBanco determined that it was not required to establish a valuation allowance for deferred tax assets since management believes that deferred tax assets are likely to be realized through a carry back to taxable income in prior years, future reversals of existing taxable temporary differences and future taxable income.

Under the provisions of the Internal Revenue Code, WesBanco has approximately \$10.0 million of general business credit carryforwards which expire between 2027 and 2031. WesBanco also has \$3.0 million of alternative minimum tax credits that may be carried forward indefinitely. WesBanco has federal net operating loss carryforwards of \$1.9 million which expire between 2024 and 2025.

As a result of the acquisitions of Western Ohio Financial Corporation, Winton Financial Corporation and Oak Hill Financial, Inc., retained earnings at December 31, 2011 and 2010 include \$11.8 million of qualifying and non-qualifying tax bad debt reserves existing as of December 31, 1987, upon which no provision for income taxes has been recorded. The related amount of unrecognized deferred tax liability is \$4.4 million for 2011 and 2010. If this portion of retained earnings is used in the future for any purpose other than to absorb bad debts, it will be added to future taxable income.

Federal and state income taxes applicable to securities transactions totaled \$0.4 million, \$1.2 million, and \$2.3 million for the years ended December 31, 2011, 2010 and 2009, respectively.

At December 31, 2011 and December 31, 2010, WesBanco had approximately \$0.8 million and \$0.9 million, respectively, of unrecognized tax benefits and interest. As of December 31, 2011, \$0.8 million of these tax benefits would affect the effective tax rate if recognized. As of December 31, 2011 and December 31, 2010, accrued interest related to uncertain tax positions was \$0.1 million, net of the related federal tax benefit. WesBanco accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes.

WesBanco is subject to U.S. federal income tax as well as to tax in various state income tax jurisdictions. WesBanco is no longer subject to any income tax examinations for years prior to 2008. WesBanco anticipates that a reduction in the unrecognized tax benefits of up to **\$0.4** million may occur in the next twelve months from the expiration of the 2008 statute of limitations, assuming no examination commences.

### Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of unrecognized tax benefits (excluding interest and the federal income tax benefit of unrecognized state tax benefits) is as follows:

<i>(in thousands)</i>	For the years ended December 31,		
	2011	2010	2009
Balance at beginning of year . . . . .	\$ 949	\$1,165	\$1,351
Additions based on tax positions related to the current year . . . . .	92	127	128
Reductions for tax positions of prior years . . . . .	—	(14)	(68)
Reductions due to the statute of limitations . . . . .	(257)	(329)	(246)
Settlements . . . . .	—	—	—
Balance at end of year . . . . .	<u>\$ 784</u>	<u>\$ 949</u>	<u>\$1,165</u>

### NOTE 16. FAIR VALUE MEASUREMENTS

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 or nonrecurring basis and valuation techniques applied to each:

*Securities available-for-sale:* The fair value of securities available-for-sale which are measured on a recurring basis are determined primarily by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other similar securities. These securities are classified within Level 1 or 2 of 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.

*Mortgage servicing rights:* The fair value of mortgage servicing rights is based on an independent valuation model that calculates the present value of estimated net servicing income. The valuation model incorporates assumptions based on management's best judgment that are significant inputs to the discounting calculations. If the carrying value exceeds fair value, they are considered impaired and are classified within Level 3 of the fair value hierarchy as a result.



*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 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 management's best judgment is a significant input in arriving at the fair value measure of the underlying collateral and therefore other real estate owned and repossessed assets are classified within Level 3 of the fair value hierarchy.

*Loans held for sale:* Loans held for sale are carried, in aggregate, at the lower of cost or fair value. The use of a valuation model and management's best judgment are significant inputs in arriving at the fair value and therefore loans held for sale are classified within Level 3 of the fair value hierarchy.

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis by level within the fair value hierarchy:

<i>(in thousands)</i>	Asset at Fair Value	December 31, 2011 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)
Securities—available-for-sale				
Other government agencies . . . . .	\$ 198,720	\$ —	\$ 198,720	\$ —
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	588,092	—	588,092	—
Obligations of state and political subdivisions . . .	180,433	—	180,386	47
Corporate debt securities . . . . .	44,066	—	44,066	—
Equity securities . . . . .	5,029	3,340	1,689	—
Total securities—available-for-sale . . . . .	<u>\$1,016,340</u>	<u>\$3,340</u>	<u>\$1,012,953</u>	<u>\$ 47</u>

The Company's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and 2 for the year ending December 31, 2011.

<i>(in thousands)</i>	Asset at Fair Value	December 31, 2010 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)
Securities—available-for-sale				
Other government agencies . . . . .	\$363,135	\$ —	\$363,135	\$ —
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies . . . . .	353,345	—	353,345	—
Obligations of state and political subdivisions . . . .	210,808	—	210,740	68
Corporate debt securities . . . . .	25,583	—	25,583	—
Equity securities . . . . .	4,610	2,884	1,726	—
Total securities—available-for-sale . . . . .	<u>\$957,481</u>	<u>\$2,884</u>	<u>\$954,529</u>	<u>\$ 68</u>

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

<i>(in thousands)</i>	<u>Other residential collateralized mortgage obligations</u>	<u>Obligations of state and political subdivisions</u>	<u>Equity securities</u>	<u>Total</u>
<b>For the Year ended December 31, 2011:</b>				
Beginning balance .....	\$ —	\$ 68	\$ —	\$ 68
Transfers out of Level 3 .....	—	—	—	—
Total gains and losses included in other comprehensive income .....	—	1	—	1
Settlements .....	—	(22)	—	(22)
Ending balance .....	<u>\$ —</u>	<u>\$ 47</u>	<u>\$ —</u>	<u>\$ 47</u>
<b>For the Year ended December 31, 2010:</b>				
Beginning balance .....	\$ 33	\$1,401	\$ 242	\$ 1,676
Transfers out of Level 3 .....	(19)	(815)	(242)	(1,076)
Total gains and losses included in other comprehensive income .....	3	(7)	—	(4)
Settlements .....	(17)	(511)	—	(528)
Ending balance .....	<u>\$ —</u>	<u>\$ 68</u>	<u>\$ —</u>	<u>\$ 68</u>

We may be required from time to time to measure certain assets at fair value on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following table presents assets measured at fair value on a nonrecurring basis. All assets measured on a nonrecurring basis below included Level 3 inputs to determine fair value:

<i>(in thousands)</i>	<u>Assets at Fair Value</u>	
	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Impaired loans (1) .....	<b>\$7,548</b>	\$28,512
Other real estate owned and repossessed assets (2) .....	<b>3,029</b>	8,069
Mortgage servicing rights (3) .....	<b>1,311</b>	1,675
Loans held for sale (4) .....	<b>6,084</b>	10,800

- (1) Represents the carrying value of loans for which adjustments are based on the appraised value and management's judgment of the value of collateral.
- (2) 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.
- (3) Represents the carrying value of mortgage servicing rights whose value has been impaired and therefore carried at their fair value as determined from independent valuations.
- (4) Loans held for sale are carried, in aggregate, at the lower of cost or fair value.

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

<i>(in thousands)</i>	December 31,			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Cash and due from banks . . . . .	\$ 140,325	\$ 140,325	\$ 79,136	\$ 79,136
Securities available-for-sale . . . . .	1,016,340	1,016,340	957,481	957,481
Securities held-to-maturity . . . . .	592,925	621,472	468,710	465,902
Net loans . . . . .	3,184,558	3,068,799	3,227,625	3,070,061
Loans held for sale . . . . .	6,084	6,084	10,800	10,800
Accrued interest receivable . . . . .	19,268	19,268	20,536	20,536
Bank owned life insurance . . . . .	110,074	110,074	106,502	106,502
<b>Financial liabilities:</b>				
Deposits . . . . .	4,393,866	4,420,102	4,172,423	4,201,934
Federal Home Loan Bank borrowings . . . . .	168,186	174,926	253,606	263,983
Other borrowings . . . . .	196,887	197,922	187,385	189,094
Junior subordinated debt . . . . .	106,066	56,515	106,034	55,397
Accrued interest payable . . . . .	4,975	4,975	6,559	6,559

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

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

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

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

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

**Bank-Owned Life Insurance:** The carrying value of bank-owned life insurance represents the net cash surrender value of the underlying insurance policies, should these policies be terminated. Management believes that the carrying value approximates 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 the 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:** Fair values for federal funds purchased and repurchase agreements are based on quoted market prices, if available. If market prices are not available, then quoted market prices of similar instruments are used.

**Junior subordinated debt owed to unconsolidated subsidiary trusts:** Due to the pooled nature of these instruments, which are not actively traded on an equity market, estimated fair value is based on broker prices from recent similar sales.

**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 not presented in the above table.

## NOTE 17. COMPREHENSIVE INCOME

The components of other comprehensive income are as follows:

<i>(in thousands)</i>	<b>For the years ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net income .....	<b>\$43,809</b>	\$35,611	\$23,933
Securities available-for-sale:			
Net change in unrealized gains (losses) on securities available-for-sale .....	<b>11,226</b>	(801)	9,313
Related income tax (expense) benefit (1) .....	<b>(4,209)</b>	433	(3,478)
Unrealized gains on securities transferred from available-for-sale to			
held-to-maturity .....	—	(8,877)	—
Related income tax expense (1) .....	—	3,256	—
Net securities gains reclassified into earnings .....	<b>(963)</b>	(3,362)	(6,046)
Related income tax expense (1) .....	<b>359</b>	1,233	2,258
Net effect on other comprehensive income for the period .....	<b>6,413</b>	(8,118)	2,047
Securities held-to-maturity:			
Unrealized gains on securities transferred from available-for-sale to			
held-to-maturity .....	—	8,877	—
Related income tax expense (1) .....	—	(3,256)	—
Amortization of unrealized gain previously recognized in other			
comprehensive income .....	<b>(2,060)</b>	(2,106)	—
Related income tax expense (1) .....	<b>733</b>	773	—
Net effect on other comprehensive income for the period .....	<b>(1,327)</b>	4,288	—
Defined benefit pension plan:			
Amortization of prior service costs .....	<b>59</b>	(117)	(117)
Related income tax (expense) benefit (1) .....	<b>(22)</b>	43	43
Recognition of unrealized (loss) gain .....	<b>(9,907)</b>	1,886	6,636
Related income tax benefit (expense) (1) .....	<b>3,751</b>	(800)	(2,478)
Net effect on other comprehensive income for the period .....	<b>(6,119)</b>	1,012	4,084
Total other comprehensive income (loss) .....	<b>(1,033)</b>	(2,818)	6,131
Comprehensive income .....	<b>\$42,776</b>	\$32,793	\$30,064

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

The activity in accumulated other comprehensive income (loss) for the years ended December 31, 2011, 2010 and 2009 is as follows:

<i>(in thousands)</i>	<u>Defined Benefit Pension Plan</u>	<u>Unrealized Gains (Losses) on Securities Available-for-Sale</u>	<u>Unrealized Gains on Securities Transferred from Available-for-Sale to Held-to-Maturity</u>	<u>Total</u>
Balance at December 31, 2008 .....	\$(14,132)	\$10,950	\$ —	\$(3,182)
Period change, net of tax .....	4,084	2,047	—	6,131
Balance at December 31, 2009 .....	<u>\$(10,048)</u>	<u>\$12,997</u>	<u>\$ —</u>	<u>\$ 2,949</u>
Period change, net of tax .....	1,012	(8,118)	4,288	(2,818)
Balance at December 31, 2010 .....	<u>\$ (9,036)</u>	<u>\$ 4,879</u>	<u>\$ 4,288</u>	<u>\$ 131</u>
<b>Period change, net of tax .....</b>	<b><u>(6,119)</u></b>	<b><u>6,413</u></b>	<b><u>(1,327)</u></b>	<b><u>(1,033)</u></b>
<b>Balance at December 31, 2011 .....</b>	<b><u>\$(15,155)</u></b>	<b><u>\$11,292</u></b>	<b><u>\$ 2,961</u></b>	<b><u>\$ (902)</u></b>

**NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES**

**Commitments**—In the normal course of business, WesBanco offers off-balance sheet credit arrangements to enable its customers to meet their financing objectives. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the financial statements. WesBanco’s exposure to credit losses in the event of non-performance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is limited to the contractual amount of those instruments. WesBanco uses the same credit policies in making commitments and conditional obligations as for all other lending. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The allowance for credit losses associated with commitments was \$0.5 million and \$1.4 million as of December 31, 2011 and 2010, respectively and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Letters of credit are considered guarantees. The liability associated with letters of credit is recorded at its estimated fair value of \$0.1 million as of both December 31, 2011 and 2010, respectively, and is included in other liabilities on the Consolidated Balance Sheets.

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

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

<i>(in thousands)</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Lines of credit .....	<b>\$602,923</b>	\$513,717
Loans approved but not closed .....	<b>113,113</b>	53,808
Overdraft limits .....	<b>85,981</b>	81,142
Letters of credit .....	<b>37,719</b>	35,794
Contingent obligations to purchase loans funded by other entities .....	<b>7,685</b>	8,013

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

**NOTE 19. WESBANCO BANK COMMUNITY DEVELOPMENT CORPORATION**

WesBanco Bank Community Development Corporation (“WBCDC”), a consolidated subsidiary of WesBanco, is a Certified Development Entity (“CDE”) with \$60 million of New Markets Tax Credits (“NMTC”). The NMTC program is administered by the Community Development Financial Institutions Fund of the U.S. Treasury and is aimed at stimulating economic and community development and job creation in low-income communities. The program provides federal tax credits to investors who make qualified equity investments (“QEIs”) in a CDE. The CDE is required to invest the proceeds of each QEI in low-income communities, which are generally defined as those census tracts with poverty rates greater than 20 percent and/or median family incomes that are less than or equal to 80 percent of the area median family income.

The credit provided to the investor totals 39 percent of each QEI in a CDE and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount the investor paid to the CDE for each QEI. For each of the remaining four years, the investor receives a credit equal to six percent of the total amount the investor paid to the CDE for each QEI. WesBanco will be eligible to receive \$23.4 million in tax credits over the seven-year credit allowance period for its investment of up to \$60.0 million in WBCDC. At December 31, 2011, a total of **\$49.0** million of the \$60.0 million in NMTC authority had been invested in WBCDC with **\$5.0** million invested in 2011.

WesBanco Bank recognized **\$2.1** million and \$2.4 million in NMTC in its income tax provision for the years ended December 31, 2011 and 2010, respectively. The following table sets forth the NMTC expected to be claimed by WesBanco Bank on its federal income tax returns for years 2012 through 2015 with respect to aggregate QEI amounts invested as of December 31, 2011. These tax credits are subject to certain general business tax credit limitations, as well as the alternative minimum tax, and are therefore limited in deductibility currently due to the applicability of alternative minimum tax on WesBanco’s federal income tax return. A total of \$7.0 million of such NMTC have been carried forward to future tax years. An additional \$11.0 million of QEI’s are expected to be invested in WBCDC by 2013.

<i>(in thousands)</i> Year	Aggregate QEI Amount	New Markets Tax Credit			
		2012	2013	2014	2015
2004 .....	\$10,000	\$ —	\$ —	\$ —	\$ —
2005 .....	10,000	—	—	—	—
2008 .....	7,500	450	450	450	—
2009 .....	2,500	150	150	150	150
2010 .....	14,000	700	840	840	840
2011 .....	5,000	250	250	300	300
Total .....	<u>\$49,000</u>	<u>\$1,550</u>	<u>\$1,690</u>	<u>\$1,740</u>	<u>\$1,290</u>

The new markets tax credits claimed by WesBanco Bank, with respect to each QEI, remain subject to recapture over each QEI’s credit allowance period upon the occurrence of any of the following:

- if less than substantially all (generally defined as 85%) of the QEI proceeds are not used by WBCDC to make qualified low income community investments;
- WBCDC ceases to be a CDE; or
- WBCDC redeems its QEI investment prior to the end of the current credit allowance periods.

At December 31, 2011, 2010 and 2009 none of the above recapture events had occurred, nor in the opinion of management are such events anticipated to occur in the foreseeable future.

The following condensed financial statements summarize the financial position of WBCDC as of December 31, 2011, and the results of its operations and cash flows for the year ended December 31, 2011.

## BALANCE SHEET

<u>(in thousands)</u>	<u>December 31, 2011</u>
<b>Assets</b>	
Cash and due from banks .....	\$17,422
Loans, net of allowance for loan losses of \$242 .....	38,106
Investments .....	794
Other assets .....	348
<b>Total Assets</b> .....	<u>\$56,670</u>
<b>Liabilities</b> .....	\$ 382
<b>Shareholders' Equity</b> .....	56,288
<b>Total Liabilities and Shareholders' Equity</b> .....	<u>\$56,670</u>

## STATEMENT OF INCOME

<u>(in thousands)</u>	<u>For the year ended December 31, 2011</u>
<b>Interest income</b>	
Loans .....	\$1,393
Total interest income .....	1,393
Provision for loan losses .....	229
<b>Net interest income after provision for loan losses</b>	1,164
Loss on investments .....	(103)
Non-interest expense .....	103
<b>Income before taxes</b> .....	958
Provision for income taxes .....	364
<b>Net income</b> .....	<u>\$ 594</u>

## STATEMENT OF CASH FLOWS

<i>(in thousands)</i>	<u>For the year ended December 31, 2011</u>
<b>Operating Activities</b>	
Net income .....	\$ 594
Provision for losses on loans .....	229
Loss on investments .....	103
Net change in other assets .....	(225)
Net change in liabilities .....	(46)
Net cash provided by operating activities .....	<u>655</u>
<b>Investing Activities</b>	
Increase in investments .....	(897)
Increase in loans .....	<u>(7,592)</u>
Net cash used in investing activities .....	<u>(8,489)</u>
<b>Financing Activities</b>	
Qualified equity investment by parent company .....	<u>5,000</u>
Net cash provided by financing activities .....	<u>5,000</u>
<b>Net decrease in cash and cash equivalents</b> .....	<b>(2,834)</b>
Cash and cash equivalents at beginning of year .....	<u>20,256</u>
<b>Cash and cash equivalents at end of year</b> .....	<u><u>\$17,422</u></u>

### NOTE 20. TRANSACTIONS WITH RELATED PARTIES

Certain directors and officers (including their affiliates, families and entities in which they are principal owners) of WesBanco and its subsidiaries are customers of, or suppliers to, those subsidiaries and have had, and are expected to have, transactions with the subsidiaries in the ordinary course of business. In addition, certain directors are also directors or officers of corporations, which are customers of, or suppliers to, the Bank and have had, and are expected to have, transactions with the Bank in the ordinary course of business. In the opinion of management, such transactions are consistent with prudent banking practices and are within applicable banking regulations. Indebtedness of related parties aggregated approximately **\$5.6** million, \$6.6 million and \$16.5 million as of December 31, 2011, 2010, and 2009, respectively. During 2011, **\$6.5** million in related party loans were funded and **\$7.5** million were repaid. At December 31, 2011, 2010 and 2009, none of the outstanding related party loans were past due 90 days or more, on non-accrual, or considered to be a TDR.

### NOTE 21. REGULATORY MATTERS

The Federal Reserve Bank is the primary regulator for the parent company, WesBanco. WesBanco Bank is a state non-member bank jointly regulated by the FDIC and the West Virginia Department of Banking. WesBanco is a legal entity separate and distinct from its subsidiaries and is dependent upon dividends from its subsidiary bank, WesBanco Bank, to provide funds for the payment of dividends to shareholders, fund its current stock repurchase plan and to provide for other cash requirements. The payment of dividends by WesBanco Bank to WesBanco is subject to state and federal banking regulations. Under applicable law, bank regulatory agency approval is required if the total of all dividends declared by a bank in any calendar year exceeds the available retained earnings or exceeds the aggregate of the bank's net profits (as defined by regulatory agencies) for that year and its retained net profits for the preceding two years. As of December 31, 2011, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of up to **\$16.0** million from WesBanco Bank.



WesBanco and its banking subsidiary are also required to maintain non-interest bearing reserve balances with the Federal Reserve Bank. The average required reserve balance was **\$5.0** million during both 2011 and 2010.

Additionally, WesBanco and WesBanco Bank are subject to various regulatory capital requirements (risk-based capital ratios) administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by the regulators that, if undertaken, could have a material adverse effect on WesBanco's financial results.

All bank holding companies and banking subsidiaries are required to have core capital ("Tier 1") of at least 4% of risk-weighted assets, total capital of at least 8% of risk-weighted assets, and for banking subsidiaries a minimum Tier 1 leverage ratio of 4% of adjusted quarterly average assets. Tier 1 capital consists principally of shareholders' equity; excluding items recorded in accumulated other comprehensive income, less goodwill and other intangibles. Total capital consists of Tier 1 capital plus the allowance for loan losses subject to limitation. The regulations also define well-capitalized levels of Tier 1, total capital, and Tier 1 leverage as 6%, 10%, and 5%, respectively. WesBanco and its banking subsidiary were categorized as "well-capitalized" under the Federal Deposit Insurance Corporation Improvement Act at December 31, 2011 and 2010. There are no conditions or events since December 31, 2011 that management believes have changed WesBanco's "well-capitalized" category.

WesBanco currently has **\$106.1** million in junior subordinated debt in its Consolidated Balance Sheets presented as a separate category of long-term debt. For regulatory purposes, trust preferred securities totaling **\$103.0** million, issued by unconsolidated trust subsidiaries of WesBanco, Inc. underlying such junior subordinated debt, is included in Tier 1 capital in accordance with current regulatory reporting requirements. A grandfather provision of the Dodd-Frank Act permits bank holding companies with consolidated assets of less than \$15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature.

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

<i>(dollars in thousands)</i>	<u>Minimum Value (1)</u>	<u>Well Capitalized (2)</u>	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
			<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
<b>WesBanco, Inc.</b>						
Tier 1 leverage . . . . .	4.00%(3)	N/A	<b>\$457,568</b>	<b>8.71%</b>	\$428,001	8.35%
Tier 1 capital to risk-weighted assets . . .	4.00%	6.00%	<b>457,568</b>	<b>12.68%</b>	428,001	11.94%
Total capital to risk-weighted assets . . .	8.00%	10.00%	<b>502,800</b>	<b>13.93%</b>	473,020	13.20%
<b>WesBanco Bank, Inc.</b>						
Tier 1 leverage . . . . .	4.00%	5.00%	<b>\$417,241</b>	<b>7.97%</b>	\$398,171	7.80%
Tier 1 capital to risk-weighted assets . . .	4.00%	6.00%	<b>417,241</b>	<b>11.62%</b>	398,171	11.15%
Total capital to risk-weighted assets . . .	8.00%	10.00%	<b>462,268</b>	<b>12.87%</b>	443,013	12.41%

- (1) Minimum requirements to remain adequately capitalized.
- (2) Well capitalized under prompt corrective action regulations.
- (3) Minimum requirement is 3% for certain highly-rated bank holding companies.

## NOTE 22. CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

Presented below are the Condensed Balance Sheets, Statements of Income and Statements of Cash Flows for the Parent Company:

### BALANCE SHEETS

<i>(in thousands)</i>	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and short-term investments	\$ 24,658	\$ 12,816
Investment in subsidiaries—Bank	695,716	679,304
Investment in subsidiaries—Nonbank	5,454	5,698
Securities available-for-sale, at fair value	2,331	2,393
Other assets	15,590	15,411
<b>Total Assets</b>	<b>\$743,749</b>	<b>\$715,622</b>
<b>LIABILITIES</b>		
Junior subordinated debt owed to unconsolidated subsidiary trusts	\$106,066	\$106,034
Dividends payable and other liabilities	3,893	2,725
<b>Total Liabilities</b>	<b>109,959</b>	<b>108,759</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>633,790</b>	<b>606,863</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$743,749</b>	<b>\$715,622</b>

### STATEMENTS OF INCOME

<i>(in thousands)</i>	For the years ended December 31,		
	2011	2010	2009
Dividends from subsidiaries—Bank	\$29,000	\$33,500	\$ 73,500
Dividends from subsidiaries—Nonbank	725	333	250
Income from securities	97	108	110
Net securities losses	(88)	(41)	(176)
Other income	61	(243)	158
Total income	29,795	33,657	73,842
Total expense	5,158	5,465	7,477
Income before income tax benefit and undistributed net income of subsidiaries	24,637	28,192	66,365
Income tax benefit	(1,959)	(2,292)	(3,021)
Income before excess dividends of subsidiaries	26,596	30,484	69,386
Equity in undistributed net income (excess dividends) of subsidiaries	17,213	5,127	(45,453)
<b>NET INCOME</b>	<b>\$43,809</b>	<b>\$35,611</b>	<b>\$ 23,933</b>
Preferred dividends and expense associated with unamortized discount and issuance costs	—	—	5,233
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$43,809</b>	<b>\$35,611</b>	<b>\$ 18,700</b>

## STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	For the years ended December 31,		
	2011	2010	2009
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 43,809	\$ 35,611	\$ 23,933
Adjustments to reconcile net income to net cash provided by operating activities:			
(Equity in undistributed net income) excess dividends of subsidiaries	(17,213)	(5,127)	45,453
Losses on securities	88	41	176
(Increase) decrease in other assets	(193)	(568)	6,413
Other—net	1,290	(1,268)	507
Net cash provided by operating activities	<u>27,781</u>	<u>28,689</u>	<u>76,482</u>
<b>INVESTING ACTIVITIES</b>			
Acquisitions and additional capitalization of subsidiaries, net of cash acquired	—	—	(600)
Net cash used in investing activities	<u>—</u>	<u>—</u>	<u>(600)</u>
<b>FINANCING ACTIVITIES</b>			
Repurchase of preferred stock	—	—	(75,000)
Repurchase of common stock warrant	—	—	(950)
Repayment of junior subordinated debt	—	(5,000)	—
Treasury shares sold—net	26	30	111
Dividends paid to common and preferred shareholders	(15,965)	(14,883)	(28,896)
Net cash used in financing activities	<u>(15,939)</u>	<u>(19,853)</u>	<u>(104,735)</u>
Net increase (decrease) in cash and cash equivalents	11,842	8,836	(28,853)
Cash and short-term investments at beginning of year	12,816	3,980	32,833
Cash and short-term investments at end of year	<u>\$ 24,658</u>	<u>\$ 12,816</u>	<u>\$ 3,980</u>

### NOTE 23. 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 of the trust and investment services segment was approximately \$3.0 billion, \$2.9 billion and \$2.7 billion at December 31, 2011, 2010, and 2009, respectively. These assets are held by WesBanco, in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

<i>(in thousands)</i>	Community Banking	Trust and Investment Services	Consolidated
<b>For the year ended December 31, 2011:</b>			
Interest income . . . . .	\$224,167	\$ —	\$224,167
Interest expense . . . . .	54,802	—	54,802
Net interest income . . . . .	169,365	—	169,365
Provision for credit losses . . . . .	35,311	—	35,311
Net interest income after provision for credit losses . . . . .	134,054	—	134,054
Non-interest income . . . . .	42,715	17,173	59,888
Non-interest expense . . . . .	129,771	10,524	140,295
Income before provision for income taxes . . . . .	46,998	6,649	53,647
Provision for income taxes . . . . .	7,178	2,660	9,838
Net income . . . . .	<u>\$ 39,820</u>	<u>\$ 3,989</u>	<u>\$ 43,809</u>
<b>For the year ended December 31, 2010:</b>			
Interest income . . . . .	\$236,528	\$ —	\$236,528
Interest expense . . . . .	70,436	—	70,436
Net interest income . . . . .	166,092	—	166,092
Provision for credit losses . . . . .	44,578	—	44,578
Net interest income after provision for credit losses . . . . .	121,514	—	121,514
Non-interest income . . . . .	43,764	15,835	59,599
Non-interest expense . . . . .	131,527	9,625	141,152
Income before provision for income taxes . . . . .	33,751	6,210	39,961
Provision for income taxes . . . . .	1,866	2,484	4,350
Net income . . . . .	<u>\$ 31,885</u>	<u>\$ 3,726</u>	<u>\$ 35,611</u>
<b>For the year ended December 31, 2009:</b>			
Interest income . . . . .	\$257,364	\$ —	\$257,364
Interest expense . . . . .	98,992	—	98,992
Net interest income . . . . .	158,372	—	158,372
Provision for credit losses . . . . .	50,372	—	50,372
Net interest income after provision for credit losses . . . . .	108,000	—	108,000
Non-interest income . . . . .	50,843	13,746	64,589
Non-interest expense . . . . .	140,345	9,303	149,648
Income before provision for income taxes . . . . .	18,498	4,443	22,941
Provision for income taxes . . . . .	(2,769)	1,777	(992)
Net income . . . . .	<u>\$ 21,267</u>	<u>\$ 2,666</u>	<u>\$ 23,933</u>

Total non-fiduciary assets of the trust and investment services segment were \$2.7 million, \$2.1 million, and \$1.4 million at December 31, 2011, 2010, and 2009, respectively. All goodwill and other intangible assets were allocated to the community banking segment.

## NOTE 24. CONDENSED QUARTERLY STATEMENTS OF INCOME (UNAUDITED)

The following tables set forth unaudited consolidated selected quarterly statements of income for the years ended December 31, 2011 and 2010.

<i>(dollars in thousands, except per share amounts)</i>	2011 Quarter ended				Annual Total
	March 31,	June 30,	September 30,	December 31,	
Interest income	\$56,098	\$57,042	\$56,287	\$54,740	\$224,167
Interest expense	14,622	13,989	13,386	12,806	54,802
Net interest income	41,476	43,053	42,901	41,934	169,365
Provision for credit losses	8,041	6,802	10,836	9,631	35,311
Net interest income after provision for credit losses	33,435	36,251	32,065	32,303	134,054
Non-interest income	14,487	15,002	14,532	14,903	58,925
Net securities gains	17	14	67	865	963
Non-interest expense	35,491	35,703	33,607	35,494	140,295
Income before income taxes	12,448	15,564	13,057	12,577	53,647
Provision for income taxes	2,208	3,646	2,044	1,940	9,838
Net income available to common shareholders	\$10,240	\$11,918	\$11,013	\$10,637	\$ 43,809
Earnings per common share—basic	\$ 0.39	\$ 0.45	\$ 0.41	\$ 0.40	\$ 1.65
Earnings per common share—diluted	\$ 0.39	\$ 0.45	\$ 0.41	\$ 0.40	\$ 1.65

<i>(dollars in thousands, except per share amounts)</i>	2010 Quarter ended				Annual Total
	March 31,	June 30,	September 30,	December 31,	
Interest income	\$60,565	\$59,597	\$58,576	\$57,795	\$236,528
Interest expense	19,932	18,449	16,590	15,469	70,436
Net interest income	40,633	41,148	41,986	42,326	166,092
Provision for credit losses	11,500	11,675	11,778	9,625	44,578
Net interest income after provision for credit losses	29,133	29,473	30,208	32,701	121,514
Non-interest income	13,636	13,687	13,995	14,919	56,237
Net securities gains	1,405	898	981	78	3,362
Non-interest expense	35,394	34,567	35,681	35,511	141,152
Income before income taxes	8,780	9,491	9,503	12,187	39,961
Provision for income taxes	870	1,253	350	1,877	4,350
Net income available to common shareholders	\$ 7,910	\$ 8,238	\$ 9,153	\$10,310	\$ 35,611
Earnings per common share—basic	\$ 0.30	\$ 0.31	\$ 0.34	\$ 0.39	\$ 1.34
Earnings per common share—diluted	\$ 0.30	\$ 0.31	\$ 0.34	\$ 0.39	\$ 1.34

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

WesBanco's management carried out an evaluation, under the supervision and with the participation of the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of WesBanco's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2011, pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the chief executive officer along with the chief financial officer concluded that WesBanco's disclosure controls and procedures as of December 31, 2011, are effective in timely alerting them to material information relating to WesBanco (including its consolidated subsidiaries) required to be included in WesBanco's periodic filings under the Exchange Act.

No changes in WesBanco's internal control over financial reporting have occurred during our fiscal quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

Management's Report on internal control over financial reporting and the audit report of Ernst & Young LLP, the Company's independent registered public accounting firm, on internal control over financial reporting is included within this report immediately following "*Item 7A. Quantitative and Qualitative Disclosures about Market Risk*" and is incorporated in this Item 9A by reference.

**ITEM 9B. OTHER INFORMATION**

None.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item 10 is incorporated by reference to the applicable information in our Proxy Statement set forth under the headings Election of Directors, Continuing Directors, Executive Officers of the Corporation, Section 16(a) Beneficial Ownership Reporting Compliance and Audit Committee.

#### CODE OF ETHICS

WesBanco has adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, including WesBanco's Chief Executive Officer, Chief Financial Officer, Controller and other executive officers. WesBanco's "Code of Business Conduct and Ethics" can be found posted on our website at <http://www.wesbanco.com> in the "About Us" section under "Investor Relations" under "Governance Documents". WesBanco intends to disclose any changes or amendments to or waivers from this code of ethics on its website as well as the required filing of Form 8-K, under Item 5.05.

WesBanco will provide a printed copy, free of charge, of WesBanco's Code of Ethics to any shareholder requesting such information. To obtain a copy of WesBanco's Code of Ethics, contact: **Linda Woodfin, WesBanco, Inc., 1 Bank Plaza, Wheeling, WV 26003. (304) 234-9201**

#### ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference to the applicable information in our Proxy Statement set forth under the headings Summary Compensation Table, Meetings of Board of Directors and Committees and Compensation of Members, Compensation Committee Interlocks and Insider Participation, Compensation Committee Report, Compensation Discussion and Analysis, Annual Incentive Awards and certain other sections.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item 12 (other than the information provided below under the heading Equity Compensation Plan Information) is incorporated by reference to the applicable information in our Proxy Statement set forth under the headings Summary Compensation Table, Ownership of Securities by Directors, Nominees and Officers and Beneficial Owners of More Than 5% of the Common Stock of the Corporation.

The following table sets forth certain information with respect to securities authorized for issuance under our equity compensation plans as of December 31, 2011.

#### Equity Compensation Plan Information

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options</u>	<u>Weighted average exercise price of outstanding options</u>	<u>Number of securities remaining for future issuance under equity compensation plans</u>
Equity compensation plans approved by security holders . . . . .	408,693	\$23.27	806,437
Equity compensation plans not approved by security holders . . . . .	None	None	None

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 is incorporated by reference to the applicable information in our Proxy Statement set forth under the headings Transactions with Directors and Officers and Election of Directors. Additional information concerning related party transactions is set forth in the Annual Report under Note 20, “Transactions with Related Parties” in the Consolidated Financial Statements.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item 14 is incorporated by reference to the applicable information in our Proxy Statement set forth under the heading Independent Auditors.



## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (A) CERTAIN DOCUMENTS FILED AS PART OF THE FORM 10-K

(1) **CONSOLIDATED FINANCIAL STATEMENTS:** Reference is made to Part II- Item 8, of this Annual Report on Form 10-K.

(2) **FINANCIAL STATEMENT SCHEDULES:** No financial statement schedules are being filed since the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related Notes.

#### (3) EXHIBIT LISTING

Exhibits listed in this Exhibit Index of this Annual Report on Form 10-K are filed herein or are incorporated by reference.

### EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Document</u>	<u>Location:</u>
2.1	Branch Purchase and Assumption Agreement, dated January 21, 2009, by and between WesBanco, Inc., and AmTrust Bank.	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 23, 2009.
3.1	Restated Articles of Incorporation of WesBanco, Inc.	Incorporated by reference to a prior Registration Statement on Form S-4 under Registration No. 333-03905 filed by the Registrant with the Securities and Exchange Commission on May 16, 1996.
3.2	Articles of Amendment to the Articles of Incorporation of WesBanco, Inc.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on May 15, 1998.
3.3	Bylaws of WesBanco, Inc. (As Amended and Restated February 24, 2011).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 25, 2011.
4.1	Specimen Certificate of WesBanco, Inc. Common Stock.	Incorporated by reference to a prior Registration Statement on Form S-4 under Registration No. 33-42157 filed by the Registrant with the Securities and Exchange Commission on August 9, 1991.
4.2	Junior Subordinated Indenture dated June 19, 2003 entered into between WesBanco, Inc., as issuer and The Bank of New York, as Trustee.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.3	Amended and Restated Declaration of Trust of WesBanco, Inc. Capital Trust II.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.4	Form of Common Securities Certificate of WesBanco, Inc. Capital Trust II (included as an exhibit to Exhibit 4.3).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.

<u>Exhibit Number</u>	<u>Document</u>	<u>Location:</u>
4.5	Form of Preferred Securities Certificate of WesBanco, Inc. Capital Trust II (included as an exhibit to Exhibit 4.3).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.6	Guarantee Agreement between WesBanco, Inc. and The Bank of New York.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.7	Indenture dated June 26, 2003 entered into between WesBanco, Inc., as issuer and U.S. Bank National Association, as Trustee.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.8	Amended and Restated Declaration of Trust of WesBanco, Inc. Capital Statutory Trust III.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.9	Form of Capital Security Certificate of WesBanco, Inc. Capital Statutory Trust III (included as an exhibit to Exhibit 4.8).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.10	Form of Common Security Certificate of WesBanco, Inc. Capital Statutory Trust III (included as an exhibit to Exhibit 4.8).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.11	Guarantee Agreement between WesBanco, Inc. and U.S. Bank National Association.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
4.12	Indenture dated June 17, 2004 entered into between WesBanco, Inc., as issuer and Wilmington Trust Company, as Trustee.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.13	Amended and Restated Declaration of Trust of WesBanco Capital Trust IV dated June 17, 2004.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.14	Form of Capital Security Certificate of WesBanco Capital Trust IV (included as an exhibit to Exhibit 4.13).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.15	Form of Common Security Certificate of WesBanco Capital Trust IV (included as an exhibit to Exhibit 4.13).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.16	Guarantee Agreement by and between WesBanco, Inc. and Wilmington Trust Company dated June 17, 2004.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.17	Indenture dated June 17, 2004 entered into between WesBanco, Inc., as issuer and Wilmington Trust Company, as Trustee.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.18	Amended and Restated Declaration of Trust of WesBanco Capital Trust V dated June 17, 2004.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.19	Form of Capital Security Certificate of WesBanco Capital Trust V (included as an exhibit to Exhibit 4.18).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.

<u>Exhibit Number</u>	<u>Document</u>	<u>Location:</u>
4.20	Form of Common Security Certificate of WesBanco Capital Trust V (included as an exhibit to Exhibit 4.18).	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.21	Guarantee Agreement by and between WesBanco, Inc. and Wilmington Trust Company dated June 17, 2004.	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 9, 2004.
4.22	Indenture dated March 17, 2005 entered into between WesBanco, Inc. and Wilmington Trust Company, as Trustee.	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 18, 2005.
4.23	Amended and Restated Declaration of Trust of WesBanco Capital Trust VI dated March 17, 2005.	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 18, 2005.
4.24	Form of Capital Security Certificate of WesBanco Capital Trust VI (included as an exhibit to Exhibit 4.23).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 18, 2005.
4.25	Form of Common Security Certificate of WesBanco Capital Trust VI (included as an exhibit to Exhibit 4.23).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 18, 2005.
4.26	Guarantee Agreement by and between WesBanco, Inc. and Wilmington Trust Company dated March 17, 2005.	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on March 18, 2005.
4.27	Notice of redemption to the holders of Oak Hill Capital Trust I 10 7/8% Fixed Rate Capital Pass-Thru Securities®	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 12, 2010.
10.1	WesBanco, Inc. Incentive Bonus, Option and Restricted Stock Plan.**	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 22, 2010.
10.2	Employment Agreements with Paul M. Limbert, John W. Moore and Jerome B. Schmitt.**	Incorporated by reference to a prior Registration Statement on Form S-4 under Registration No. 33-72228 filed by the Registrant with The Securities and Exchange Commission on November 30, 1993.
10.3	Employment Agreement with Larry G. Johnson.**	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 15, 1998.
10.4	Employment Continuity Agreement with Larry G. Johnson.**	Incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 11, 1999.
10.5	Form of Salary Continuation Agreement by and between WesBanco, Inc., WesBanco Bank, Inc. and Edward M. George.**	Incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 30, 2000.
10.6	Employment Agreement, dated November 30, 2001, by and between WesBanco Bank, Inc., WesBanco, Inc. and Brent E. Richmond.**	Incorporated by reference to a prior Registration Statement on Form S-4 under Registration No. 333-74814 filed by the Registrant with the Securities and Exchange Commission on December 10, 2001.

<u>Exhibit Number</u>	<u>Document</u>	<u>Location:</u>
10.7	Employment Agreement dated June 30, 2001, by and between WesBanco Bank, Inc., Robert H. Young and WesBanco, Inc.**	Incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 29, 2002.
10.8	Employment Agreement dated May 28, 2003, by and between WesBanco Bank, Inc., and Peter W. Jaworski and WesBanco, Inc.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 13, 2003.
10.9	Revolving Credit Agreement dated July 12, 2006, between WesBanco, Inc., (as borrower) and JP Morgan Chase Bank, N.A. (as lender).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 17, 2006.
10.10	Amendment, dated June 8, 2009, to the Amended and Restated Credit Agreement, dated July 12, 2006, between WesBanco, Inc., (as borrower) and JPMorgan Chase Bank, N.A. (as lender).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 10, 2009.
10.11	Amended and Restated Credit Agreement, dated September 16, 2009, to the Amended and Restated Credit Agreement dated as of July 12, 2006, between WesBanco, Inc., (as borrower) and JPMorgan Chase Bank, N.A. (as lender).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on September 21, 2009.
10.12	Amendment, dated August 2, 2010, to the Amended and Restated Credit Agreement dated September 16, 2009, between WesBanco, Inc., (as borrower) and JPMorgan Chase Bank, N.A. (as lender).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 12, 2010.
10.13	Amended and Restated Credit Agreement, dated August 1, 2011, to the Amended and Restated Credit Agreement dated September 16, 2009, as amended August 2, 2010, between WesBanco, Inc., (as borrower) and JPMorgan Chase Bank, N.A. (as lender).	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on August 5, 2011.
10.14	Employment Agreement dated November 2, 2004 by and between WesBanco Bank, Inc., WesBanco, Inc. and Dennis G. Powell.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on November 9, 2004.
10.15	Form of Amended and Restated Change in Control Agreement by and between WesBanco, Inc., WesBanco Bank, Inc., Paul M. Limbert, Jerome B. Schmitt, John W. Moore, Dennis G. Powell and Robert H. Young.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 5, 2005.
10.16	Form of Amendment to Salary Continuation Agreement by and between WesBanco Bank, Inc. and Paul M. Limbert, John W. Moore and Jerome B. Schmitt.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 5, 2005.

<u>Exhibit Number</u>	<u>Document</u>	<u>Location:</u>
10.17	Form of Amended and Restated Salary Continuation Agreement by and between WesBanco Bank, Inc. and executive officers (along with their related 10 year benefit at age 65) as follows: Paul M. Limbert (\$100,000); John W. Moore (\$35,000) and Jerome B. Schmitt (\$60,000).**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 5, 2005.
10.18	Form of Amended and Restated Salary Continuation Agreement – With Change in Control Provision by and between WesBanco Bank, Inc. and executive officers (along with their related 10 year benefit at age 65) as follows: Robert H. Young (\$40,000); Peter W. Jaworski (\$25,000) and Brent E. Richmond (\$12,000).**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 5, 2005.
10.19	Amended and Restated WesBanco, Inc. KSOP.**	Incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 10, 2006.
10.20	WesBanco, Inc. Deferred Compensation Plan—For Directors and Eligible Employees (as amended).**	Incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 10, 2006.
10.21	Form of Amended and Restated Change in Control Agreement by and between WesBanco, Inc., WesBanco Bank, Inc., Peter W. Jaworski and Brent E. Richmond.**	Incorporated by reference to Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 28, 2006.
10.22	Form of Executive Compensation Amendment Agreement by and between WesBanco, Inc., WesBanco Bank, Inc., Paul M. Limbert, Robert H. Young, Dennis G. Powell, Jerome B. Schmitt and Bernard B. Twigg.**	Incorporated by reference to Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 10, 2009.
10.23	Amendment No. 1, Second Amendment, and Third Amendment to the WesBanco, Inc., KSOP.**	Incorporated by reference to Form S-8 filed by the Registrant with the Securities and Exchange Commission on April 24, 2009.
10.24	Form of Executive Compensation Amendment Agreement by and between WesBanco, Inc., WesBanco Bank, Inc., and each of Paul M. Limbert, Robert H. Young, Dennis G. Powell, and Jerome B. Schmitt.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on August 10, 2009.
10.25	Form of WesBanco, Inc. Incentive Bonus, Option & Restricted Stock Plan—Stock Option Agreement.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on July 30, 2010.
10.26	Form of WesBanco, Inc. Incentive Bonus, Option & Restricted Stock Plan—Restricted Stock Agreement.**	Incorporated by reference to Form 10-Q filed by the Registrant with the Securities and Exchange Commission on July 30, 2010.

<u>Exhibit Number</u>	<u>Document</u>	<u>Location:</u>
11	Computation of Earnings Per Common Share.	Computation of earnings per common share is set forth under Note 2, "Earnings Per Common Share" of this Annual Report on Form 10-K.
21	Significant Subsidiaries of the Registrant.	*
23	Consent of Independent Registered Public Accounting Firm, Ernst & Young LLP.	*
24	Power of Attorney.	*
31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).	*
31.2	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).	*
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	*
101	The following materials from WesBanco's Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at December 31, 2011 and 2010, (ii) the Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009, (iv) the Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010, and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.	***

\* Filed herewith

\*\* Indicates management compensatory plan, contract, or arrangement

\*\*\* Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

## SIGNATURES

Pursuant to the Requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 29, 2012.

### WESBANCO, INC.

By:           /s/  PAUL M. LIMBERT            
**Paul M. Limbert**  
**President and Chief Executive Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on February 29, 2012.

By:           /s/  PAUL M. LIMBERT            
**Paul M. Limbert**  
**President, Chief Executive Officer, and Director**  
**(Principal Executive Officer)**

By:           /s/  ROBERT H. YOUNG            
**Robert H. Young**  
**Executive Vice President and Chief Financial Officer**  
**(Principal Financial and Accounting Officer)**

By:           /s/  JAMES C. GARDILL            
**James C. Gardill**  
**Chairman of the Board**

The Directors of WesBanco (listed below) executed a power of attorney appointing Paul M. Limbert their attorney-in-fact, empowering him to sign this report on their behalf.

By:           /s/  PAUL M. LIMBERT            
**Paul M. Limbert**  
**Attorney-in-fact**

**Ray A. Byrd**  
**Christopher V. Criss**  
**Abigail M. Feinknopf**  
**John W. Fisher II**  
**Ernest S. Fragale**  
**Vaughn L. Kiger**  
**D. Bruce Knox**

**Jay T. McCamic**  
**F. Eric Nelson, Jr.**  
**Henry L. Schulhoff**  
**Joan C. Stamp**  
**Reed J. Tanner**

## WESBANCO, INC. OFFICERS & DIRECTORS

### OFFICERS

James C. Gardill  
*Chairman of the Board*

Paul M. Limbert  
*President & Chief Executive Officer*

Robert H. Young  
*Executive Vice President & Chief Financial Officer*

Peter W. Jaworski  
*Executive Vice President & Chief Credit Officer*

Jerome B. Schmitt  
*Executive Vice President Investments & Trust*

Brent E. Richmond  
*Executive Vice President Treasury & Strategic Planning*

John W. Moore, Jr.  
*Executive Vice President Human Resources*

Bernard P. Twigg  
*Executive Vice President Commercial Lending*

Gregory A. Dugan  
*Executive Vice President Senior Operations Officer*

Michael L. Perkins  
*Senior Vice President Risk Management*

Stephen J. Lawrence  
*Senior Vice President & Auditor*

Anthony R. Costantino  
*Senior Vice President & Controller*

Larry G. Johnson  
*Secretary*

### DIRECTORS \*\*

Ray A. Byrd \*  
*Attorney-at Law Schrader, Byrd & Companion, PLLC Wheeling, WV*

Christopher V. Criss \*  
*President & Chief Executive Officer Atlas Towing Company Parkersburg, WV*

Abigail M. Feinknopf  
*Marketing Representative Feinknopf Photography Columbus, OH*

John W. Fisher, II  
*Professor of Law West Virginia University Morgantown, WV*

Ernest S. Fragale  
*Vice President Daisy Development Company Bridgeport, WV*

James C. Gardill \*  
*Attorney-at-Law Phillips, Gardill, Kaiser & Altmeyer PLLC Wheeling, WV*

Vaughn L. Kiger \*  
*President Old Colony, Realtors Morgantown, WV*

D. Bruce Knox  
*Investor McArthur, OH*

Paul M. Limbert \*  
*President & Chief Executive Officer WesBanco, Inc. & WesBanco Bank, Inc. Wheeling, WV*

Jay T. McCamic  
*Attorney-at-Law McCamic, Sacco, Pizzuti & McCoid PLLC Wheeling, WV*

F. Eric Nelson, Jr.  
*President Nelson Enterprises, Inc. Charleston, WV*

Henry L. Schulhoff \*  
*President Schulhoff & Co., Inc. Cincinnati, OH*

Joan C. Stamp  
*Director West Virginia University Foundation Wheeling, WV*

Neil S. Strawser  
*President Parrott & Strawser Properties, Inc. Cincinnati, OH*

Reed J. Tanner, CPA  
*RTanner Associates, PLLC Morgantown, WV*

### DIRECTORS EMERITI

James E. Altmeyer  
R. Peterson Chalfant  
James D. Entress, DMD  
Edward M. George  
John D. Kidd  
Robert K. Kirkbride  
John W. Raisbeck

\* Executive Committee

\*\* Directors of WesBanco, Inc. also serve as Directors of WesBanco Bank, Inc.



## SHAREHOLDER INFORMATION

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	2011		Dividend Declared
	High	Low	
Fourth quarter	\$21.19	\$16.06	\$0.160
Third quarter	20.78	16.34	0.160
Second quarter	21.44	18.45	0.150
First quarter	20.99	17.76	0.150

	2010		Dividend Declared
	High	Low	
Fourth quarter	\$19.98	\$15.92	\$0.140
Third quarter	17.90	14.15	0.140
Second quarter	20.18	16.04	0.140
First quarter	17.40	11.90	0.140

### STOCK REGISTRAR & TRANSFER AGENT

First Class/Registered/Certified Mail  
Computershare Investor Services, LLC  
P.O. Box 43078  
Providence, RI 02940-3078

Courier Service  
Computershare  
250 Royall Street  
Canton, MA 02021

(888) 294-8217 or  
(781) 575-3120 (non-U.S.)  
[www.computershare.com/investor](http://www.computershare.com/investor)  
Email: [web.queries@computershare.com](mailto:web.queries@computershare.com)

### STOCK TRADING

The NASDAQ Global Select Market  
Symbol: WSBC

### CORPORATE HEADQUARTERS

1 Bank Plaza, Wheeling, WV 26003  
Phone: (304) 234-9000  
Fax: (304) 234-9450  
[www.wesbanco.com](http://www.wesbanco.com)

### MARKET MAKERS IN WESBANCO STOCK

This list represents the top ten registered market makers by volume in 2011 excluding electronic trading networks: Barclays Capital Inc.; Citadel Securities LLC; Citigroup Global Markets, Inc.; Credit Suisse Securities USA; Goldman, Sachs & Co.; Latour Trading LLC; Merrill Lynch; Morgan Stanley & Co., Inc.; Susquehanna Capital Group; UBS Securities LLC.

### AUTOMATIC DIVIDEND REINVESTMENT PLAN

Shareholders may elect to reinvest their dividends in additional shares of WesBanco common stock through the Corporation's Dividend Reinvestment Plan. Shareholders also may invest optional cash payments of up to \$5,000 per month in our common stock at an average market price. To arrange automatic purchase of shares with quarterly dividend proceeds, please contact Computershare Investor Services, LLC at the address, phone or email noted previously.

### ANNUAL MEETING

The Annual Meeting of Shareholders will be held Wednesday, April 18, 2012 at 12:00 noon E.D.T. at: Glessner Auditorium  
Wilson Lodge  
Oglebay Resort and Conference Center  
Wheeling, WV 26003

### DIRECT DEPOSIT

If you have a deposit relationship with WesBanco, cash dividends can be deposited directly to your bank account. Dividends will be deposited on the date the dividend is payable, and you will receive a confirmation of payment when the dividend is deposited to your account.

### ANNUAL DISCLOSURE STATEMENT

This Annual Report on Form 10-K serves as the annual disclosure statement as required by the FDIC. To obtain a copy, contact:  
Linda Woodfin  
WesBanco, Inc.  
1 Bank Plaza  
Wheeling, WV 26003  
(304) 234-9201

### NOTICE OF FORM 10-K

Upon written request of any shareholder, the Corporation will provide, without charge, a copy of its 2011 Annual Report on Form 10-K, including financial statements and schedules, as required to be filed with the Securities and Exchange Commission. To obtain a copy of Form 10-K, contact Linda Woodfin at the address noted previously. The Form 10-K is also available electronically on WesBanco's website at [www.wesbanco.com](http://www.wesbanco.com) or at the SEC's website at [www.sec.gov](http://www.sec.gov).

### CODE OF ETHICS

WesBanco has adopted a Code of Business Conduct and Ethics that applies to our directors, officers and employees, including the Company's Chief Executive Officer, Chief Financial Officer, Controller and other executive officers. WesBanco's "Code of Business Conduct and Ethics" can be found posted on our website at [www.wesbanco.com](http://www.wesbanco.com) in the "Investor Relations" section under "Governance Documents". WesBanco intends to disclose any changes or amendments to this code of ethics on its website.

### WESBANCO EMAIL ALERTS

Readers may subscribe to WesBanco email alerts for company events, document filings, press releases, and WesBanco's nightly closing stock price in the "Investor Relations" section of the WesBanco website at [www.wesbanco.com](http://www.wesbanco.com).

### EQUAL OPPORTUNITY EMPLOYER

WesBanco, Inc. is an Equal Opportunity Employer.



WESBANCO, INC.  
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