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Section 1: 10-Q (10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

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

For the transition period from __________ to __________

Commission File Number 000-08467

WESBANCO, INC.
(Exact name of Registrant as specified in its charter)

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

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was 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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of April 22, 2019, there were 54,599,127 shares of WesBanco, Inc. common stock, $2.0833 par value, outstanding.

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands, except shares)	March 31, 2019	December 31, 2018
ASSETS		
Cash and due from banks, including interest bearing amounts of **$177,797** and $44,536, respectively	**$ 336,894**	$ 169,186
Securities:		
Equity securities, at fair value	**11,978**	11,737
Available-for-sale debt securities, at fair value	**2,145,089**	2,114,129
Held-to-maturity debt securities (fair values of **$948,641** and $1,020,743, respectively)	**936,484**	1,020,934
Total securities	**3,093,551**	3,146,800
Loans held for sale	**8,358**	8,994
Portfolio loans, net of unearned income	**7,666,081**	7,656,281
Allowance for loan losses	**(48,866)**	(48,948)
Net portfolio loans	**7,617,215**	7,607,333
Premises and equipment, net	**180,651**	166,925
Accrued interest receivable	**39,662**	38,853
Goodwill and other intangible assets, net	**915,597**	918,850
Bank-owned life insurance	**226,636**	225,317
Other assets	**182,844**	176,374
Total Assets	**$12,601,408**	$12,458,632
LIABILITIES		
Deposits:		
Non-interest bearing demand	**$ 2,511,140**	$ 2,441,041
Interest bearing demand	**2,159,654**	2,146,508
Money market	**1,148,295**	1,142,925
Savings deposits	**1,672,967**	1,645,549
Certificates of deposit	**1,424,275**	1,455,610
Total deposits	**8,916,331**	8,831,633
Federal Home Loan Bank borrowings	**1,031,796**	1,054,174
Other short-term borrowings	**301,547**	290,522
Subordinated debt and junior subordinated debt	**179,632**	189,842
Total borrowings	**1,512,975**	1,534,538
Accrued interest payable	**6,030**	4,627
Other liabilities	**142,933**	109,007
Total Liabilities	**10,578,269**	10,479,805
SHAREHOLDERS' EQUITY		
Preferred stock, no par value; 1,000,000 shares authorized; none outstanding	**—**	—
Common stock, $2.0833 par value; **100,000,000** shares authorized; **54,604,294** shares issued in 2019 and 2018, respectively; **54,599,127** and 54,598,134 shares outstanding in 2019 and 2018, respectively	**113,758**	113,758
Capital surplus	**1,167,761**	1,166,701
Retained earnings	**761,002**	737,581
Treasury stock (**5,167** and 6,160 shares in 2019 and 2018, respectively, at cost)	**(229)**	(274)
Accumulated other comprehensive loss	**(18,098)**	(37,871)
Deferred benefits for directors	**(1,055)**	(1,068)
Total Shareholders' Equity	**2,023,139**	1,978,827
Total Liabilities and Shareholders' Equity	**$12,601,408**	$12,458,632

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands, except shares and per share amounts)	For the Three Months Ended March 31, 2019	2018
INTEREST AND DIVIDEND INCOME		
Loans, including fees	**$ 95,502**	$ 69,237
Interest and dividends on securities:		
Taxable	**16,733**	11,543
Tax-exempt	**5,541**	4,834
Total interest and dividends on securities	**22,274**	16,377
Other interest income	**1,277**	803
Total interest and dividend income	**119,053**	86,417
INTEREST EXPENSE		
Interest bearing demand deposits	**3,946**	2,524
Money market deposits	**1,899**	878
Savings deposits	**522**	189
Certificates of deposit	**3,903**	2,536
Total interest expense on deposits	**10,270**	6,127
Federal Home Loan Bank borrowings	**6,337**	4,498
Other short-term borrowings	**1,556**	558
Subordinated debt and junior subordinated debt	**2,529**	1,942
Total interest expense	**20,692**	13,125
NET INTEREST INCOME	**98,361**	73,292
Provision for credit losses	**2,507**	2,168
Net interest income after provision for credit losses	**95,854**	71,124
NON-INTEREST INCOME		
Trust fees	**7,115**	6,503
Service charges on deposits	**6,549**	4,822
Electronic banking fees	**5,892**	4,829
Net securities brokerage revenue	**1,860**	1,670
Bank-owned life insurance	**1,319**	2,756
Mortgage banking income	**1,056**	1,004
Net securities gains (losses)	**657**	(39)
Net gain on other real estate owned and other assets	**136**	262
Other income	**3,189**	2,173
Total non-interest income	**27,773**	23,980
NON-INTEREST EXPENSE		
Salaries and wages	**30,940**	25,006
Employee benefits	**9,989**	6,912
Net occupancy	**5,566**	4,656
Equipment	**4,833**	3,949
Marketing	**1,243**	1,116
FDIC insurance	**1,353**	658
Amortization of intangible assets	**2,514**	1,086
Restructuring and merger-related expense	**3,107**	245
Other operating expenses	**14,887**	10,943
Total non-interest expense	**74,432**	54,571
Income before provision for income taxes	**49,195**	40,533
Provision for income taxes	**8,858**	7,004
NET INCOME	**$ 40,337**	$ 33,529
EARNINGS PER COMMON SHARE		
Basic	**$ 0.74**	$ 0.76
Diluted	**$ 0.74**	$ 0.76
AVERAGE COMMON SHARES OUTSTANDING		
Basic	**54,598,499**	44,050,701
Diluted	**54,706,337**	44,168,242
DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.31**	$ 0.29
COMPREHENSIVE INCOME	**$ 60,110**	$ 19,011

See Notes to Consolidated Financial Statements.

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

	For the Three Months Ended March 31, 2019 and 2018							
	Common Stock							
(unaudited, in thousands, except shares and per share amounts)	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Deferred Benefits for Directors	Total
December 31, 2018	54,598,134	$113,758	$1,166,701	$737,581	$ (274)	$ (37,871)	$(1,068)	$1,978,827
Net income	—	—	—	40,337	—	—	—	40,337
Other comprehensive income	—	—	—	—	—	19,773	—	19,773
Comprehensive income	—	—	—	—	—	—	—	60,110
Common dividends declared ($0.31 per share)	—	—	—	(16,916)	—	—	—	(16,916)
Treasury shares acquired	(7)	—	—	—	—	—	—	—
Stock options exercised	1,000	—	(25)	—	45	—	—	20
Stock compensation expense	—	—	1,075	—	—	—	—	1,075
Deferred benefits for directors- net	—	—	10	—	—	—	13	23
March 31, 2019	54,599,127	$113,758	$1,167,761	$761,002	$ (229)	$ (18,098)	$(1,055)	$2,023,139
December 31, 2017	44,043,244	$ 91,756	$ 684,730	$651,357	$ —	$ (31,495)	$(1,027)	$1,395,321
Net income	—	—	—	33,529	—	—	—	33,529
Other comprehensive loss	—	—	—	—	—	(14,518)	—	(14,518)
Comprehensive income	—	—	—	—	—	—	—	19,011
Common dividends declared ($0.29 per share)	—	—	—	(12,775)	—	—	—	(12,775)
Adoption of accounting standard ASU 2016-01	—	—	—	1,063	—	(1,063)	—	—
Stock options exercised	17,713	37	523	—	—	—	—	560
Stock compensation expense	—	—	909	—	—	—	—	909
Deferred benefits for directors- net	—	—	7	—	—	—	(7)	—
March 31, 2018	44,060,957	$ 91,793	$ 686,169	$673,174	$ —	$ (47,076)	$(1,034)	$1,403,026

See Notes to Consolidated Financial Statements.

WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)	For the Three Months Ended March 31, 2019	2018
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 51,190**	$ 31,907
INVESTING ACTIVITIES		
Net (increase) decrease in loans held for investment	**(5,287)**	19,923
Available-for-sale debt securities:		
Proceeds from sales	**66,095**	—
Proceeds from maturities, prepayments and calls	**79,051**	53,496
Purchases of securities	**(85,096)**	(540,624)
Held-to-maturity debt securities:		
Proceeds from maturities, prepayments and calls	**20,067**	17,121
Purchases of securities	**(4,308)**	(15,343)
Equity securities:		
Proceeds from sales	**590**	—
Proceeds from bank-owned life insurance	**—**	3,506
Purchases of premises and equipment – net	**(2,181)**	(328)
Net cash provided by (used in) investing activities	**68,931**	(462,249)
FINANCING ACTIVITIES		
Increase in deposits	**85,238**	183,012
Proceeds from Federal Home Loan Bank borrowings	**100,000**	375,000
Repayment of Federal Home Loan Bank borrowings	**(122,463)**	(156,261)
Increase in other short-term borrowings	**11,025**	27,848
Principal repayments of finance lease obligations	**(99)**	(94)
Decrease in federal funds purchased	**—**	(5,000)
Repayment of junior subordinated debt	**(10,310)**	—
Dividends paid to common shareholders	**(15,824)**	(11,450)
Issuance of common stock	**—**	560
Treasury shares sold—net	**20**	—
Net cash provided by financing activities	**47,587**	413,615
Net increase (decrease) in cash and cash equivalents	**167,708**	(16,727)
Cash and cash equivalents at beginning of the period	**169,186**	117,572
Cash and cash equivalents at end of the period	**$ 336,894**	$ 100,845
SUPPLEMENTAL DISCLOSURES		
Interest paid on deposits and other borrowings	**$ 19,645**	$ 12,496
Income taxes paid	**—**	—
Transfers of loans to other real estate owned	**402**	—
Transfer of held-to-maturity debt securities to available-for-sale debt securities	**67,393**	—

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation — The accompanying unaudited interim financial statements of WesBanco, Inc. and its consolidated subsidiaries (“WesBanco”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2018.

WesBanco’s interim financial statements have been prepared following the significant accounting policies disclosed in Note 1 of the Notes to the Consolidated Financial Statements of its 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of management, the accompanying interim financial information reflects all adjustments, including normal recurring adjustments, necessary to present fairly WesBanco’s financial position and results of operations for each of the interim periods presented. Certain prior period amounts have been reclassified to conform to the current period presentation. Such reclassifications had no impact on WesBanco’s net income and stockholders’ equity. Results of operations for interim periods are not necessarily indicative of the results of operations that may be expected for a full year.

Recent accounting pronouncements — In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract.” This ASU specifically aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software and hosting arrangements that include an internal-use software license. The ASU does not affect the accounting for the service element of a hosting arrangement that is a service contract. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. WesBanco is currently assessing the impact of ASU 2018-15 on WesBanco’s Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans.” This ASU modifies ASC 715-20 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The guidance is effective for fiscal years ending after December 15, 2020. Early adoption is permitted. WesBanco is currently assessing the impact of ASU 2018-14 on WesBanco’s Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.” This ASU modifies the disclosure objective paragraphs of ASC 820 to eliminate (1) “at a minimum” from the phrase “an entity shall disclose at a minimum” and (2) other similar “open ended” disclosure requirements to promote the appropriate exercise of discretion of entities. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. WesBanco is currently assessing the impact of ASU 2018-13 on WesBanco’s Consolidated Financial Statements.

In September 2016, the FASB issued ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326)”, which will require entities to use a new forward-looking “expected loss” model on trade and other receivables, held-to-maturity debt securities, loans and other instruments that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than reductions in the amortized cost of the securities. Entities will have to disclose significantly more information, including information they use to track credit quality by year of origination for most financing receivables. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, which for WesBanco will be effective for the fiscal year beginning January 1, 2020. Early adoption is permitted for fiscal years beginning after December 15, 2018. WesBanco formed a cross-functional team to oversee the implementation of this ASU, and has completed an initial data gap assessment, finalized the loan segmentation procedures, and is currently evaluating the various forecasting and modeling assumptions, including qualitative factors, that will be used to estimate the initial current expected credit loss allowance. Substantial progress has been made on the identification and staging of data, development of models, refinement of economic forecasting processes, and documentation of accounting policy decisions. In conjunction with this implementation, WesBanco is reviewing business processes and evaluating potential changes to the control environment. Acquired loans or pools of loans that have experienced more-than-insignificant credit deterioration are deemed to be purchased credit deteriorated (“PCD”) loans, and are grossed-up on day 1 by the initial credit estimate through goodwill as opposed to the provision for credit losses. At acquisition, WesBanco will consider several factors as indicators that an acquired loan or pool of loans has experienced more-than-insignificant credit deterioration. These factors may include loan 30 days or more past due, loans with an internal risk grade of below average or lower, loans classified as non-accrual by the acquired institution, materiality of the credit and loans that have been previously modified in a troubled debt restructuring. WesBanco plans to perform several parallel runs of the new methodology in 2019 prior to adoption of the ASU. WesBanco currently anticipates that an increase to the allowance for credit losses will be recognized upon adoption to provide for the expected credit losses over the estimated life of the financial assets. The magnitude of the increase will depend on economic conditions and trends in the loan portfolio at the time of adoption.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”, which requires entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases were not previously recognized in the balance sheet. Public business entities must apply the new requirements for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For WesBanco, this update was effective for the fiscal year beginning January 1, 2019. In January 2018, the FASB issued ASU 2018-01, which allows entities the option to apply the provisions of the new lease guidance at the effective date without adjusting the comparative periods presented. In July 2018, the FASB issued ASU 2018-10, which provides narrow-scope improvements to the lease standard and ASU 2018-11, which allows entities to choose an additional transition method, under which an entity initially applies the new lease standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Under this transitional method, the entity shall recognize and measure the leases that exist at the adoption date and the prior comparative periods are not adjusted. WesBanco adopted this ASU as of January 1, 2019 using the transitional method. In addition, WesBanco utilized the practical expedients that allowed the Company to retain the classifications of existing leases, not re-assess if existing leases have initial direct costs and hindsight when determining the lease term and assessment of impairment. WesBanco capitalized $20 million for right-of-use assets and lease liabilities, net of existing straight-line lease liabilities and unfavorable acquired lease liabilities. See additional disclosures in Note 6, “Leases”.

In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” The new guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies’ risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For WesBanco, this update was effective for the fiscal year beginning January 1, 2019. Upon adoption, WesBanco reclassified $67.3 million of callable held-to-maturity municipal debt securities to available-for-sale debt securities.

In October 2018, the FASB issued ASU 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes.” This ASU modifies ASC 815 for eligible benchmark interest rates. Due to concerns about the sustainability of the London Interbank Offered Rate (LIBOR), the Federal Reserve initiated an effort to introduce an alternative reference rate in the United States. The Overnight Index Swap (OIS) rate, which is based on SOFR is permitted as a U.S. benchmark interest rate for hedge accounting purposes. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For WesBanco, this update was effective for the fiscal year beginning January 1, 2019. The adoption of this pronouncement did not have a material impact on WesBanco’s Consolidated Financial Statements.

NOTE 2. MERGERS AND ACQUISITIONS

On August 20, 2018, WesBanco completed its acquisition of Farmers Capital Bank Corp. ("FFKT"), a bank holding company headquartered in Frankfort, KY. On the acquisition date, FFKT had approximately $1.6 billion in assets, excluding goodwill, which included approximately $1.0 billion in loans and $239.3 million in securities. The FFKT acquisition was valued at $428.9 million, based on WesBanco's closing stock price on August 20, 2018, of $49.40, and resulted in WesBanco issuing 7,920,387 shares of its common stock and $37.6 million in cash in exchange for all of the outstanding shares of FFKT common stock. The assets and liabilities of FFKT were recorded on WesBanco's Balance Sheet at their preliminary estimated fair values as of August 20, 2018, the acquisition date, and FFKT's results of operations have been included in WesBanco's Consolidated Statements of Income since that date. The fair values for certain assets and liabilities acquired from FFKT on August 20, 2018 represented preliminary estimates. Based on a preliminary purchase price allocation, WesBanco recorded $219.4 million in goodwill and $37.4 million in core deposit intangibles in its community banking segment and $2.6 million in trust customer relationship intangibles in its trust and investment services segment. None of the goodwill is deductible for income tax purposes, as the acquisition is accounted for as a tax-free exchange for tax purposes. As a result of the full integration of the operations of FFKT, it is not practicable to determine revenue or net income included in WesBanco's operating results relating to FFKT since the date of acquisition, as FFKT's results cannot be separately identified.

For the three months ended March 31, 2019, WesBanco recorded merger-related expenses of $3.1 million associated with the FFKT acquisition.

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

(unaudited, in thousands)	**August 20, 2018**
Purchase price:	
Fair value of WesBanco shares issued	**$ 391,267**
Cash consideration for outstanding FFKT shares	**37,634**
Total purchase price	**$ 428,901**
Fair value of:	
Tangible assets acquired	**$ 1,369,186**
Core deposit and other intangible assets acquired	**39,992**
Liabilities assumed	**(1,429,834)**
Net cash received in the acquisition	**230,139**
Fair value of net assets acquired	**209,483**
Goodwill recognized	**$ 219,418**

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

(unaudited, in thousands)	**August 20, 2018**
Assets acquired	
Cash and due from banks	**$ 230,139**
Securities	**239,321**
Loans	**1,025,800**
Goodwill and other intangible assets	**259,410**
Accrued income and other assets	**104,065**
Total assets acquired	**$ 1,858,735**
Liabilities assumed	
Deposits	**$ 1,330,328**
Borrowings	**71,780**
Accrued expenses and other liabilities	**27,726**
Total liabilities assumed	**$ 1,429,834**
Net assets acquired	**$ 428,901**

The following table presents the changes in the allocation of the purchase price of the assets acquired and the liabilities assumed at the date of the acquisition previously reported as of December 31, 2018:

(unaudited, in thousands)	August 20, 2018
Goodwill recognized as of December 31, 2018	**$ 220,240**
Change in fair value of net assets acquired:	
Assets	
Loans	**24**
Premises and equipment	**188**
Other real estate owned	**(749)**
Accrued income and other assets	**1,409**
Liabilities	
Accrued expenses and other liabilities	**(50)**
Fair value of net assets acquired	**$ 822**
Decrease in goodwill recognized	**(822)**
Goodwill recognized as of March 31, 2019	**$ 219,418**

The fair value estimates for loans, premises and equipment, deferred taxes and other assets/liabilities have continued to fluctuate as the final valuations and/or appraisals are completed. The Company expects to finalize the purchase price accounts of FFKT within one year of the date of acquisition.

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

	For the Three Months Ended March 31,	
(unaudited, in thousands, except shares and per share amounts)	2019	2018
Numerator for both basic and diluted earnings per common share:		
Net income	**$ 40,337**	$ 33,529
Denominator:		
Total average basic common shares outstanding	**54,598,499**	44,050,701
Effect of dilutive stock options and other stock compensation	**107,838**	117,541
Total diluted average common shares outstanding	**54,706,337**	44,168,242
Earnings per common share—basic	**$ 0.74**	$ 0.76
Earnings per common share—diluted	**$ 0.74**	$ 0.76

As of March 31, 2019, 117,600 options to purchase shares were excluded in the diluted shares computation because the exercise price was greater than the average market price of the common shares and, therefore, the effect would be antidilutive. All options to purchase shares were included in the diluted shares computation as of March 31, 2018.

As of March 31, 2019, contingently issuable shares, totaling 44,688, were estimated to be awarded under the 2018 and 2017 total shareholder return plans as stock performance targets were met and are included in the diluted calculation. Performance based restricted stock compensation totaling 17,081 shares were estimated to be awarded as of March 31, 2019 and are included in the diluted calculation. As of March 31, 2018, contingently issuable shares, totaling 39,216, were estimated to be awarded under the 2018, 2017 and 2016 total shareholder return plans as stock performance targets were met and are included in the diluted calculation. Performance based restricted stock compensation totaling 9,000 shares were estimated to be awarded as of March 31, 2018 and are included in the diluted calculation.

NOTE 4. SECURITIES

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

	March 31, 2019				December 31, 2018			
(unaudited, in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale debt securities								
U.S. Treasury	$ 19,699	$ 13	$ —	$ 19,712	$ 19,882	$ 3	$ (7)	$ 19,878
U.S. Government sponsored entities and agencies	138,380	1,535	(625)	139,290	142,852	556	(1,756)	141,652
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	1,590,044	8,646	(15,906)	1,582,784	1,585,864	2,912	(27,521)	1,561,255
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	177,168	1,179	(1,342)	177,005	171,671	264	(2,963)	168,972
Obligations of states and political subdivisions	182,603	3,613	(149)	186,067	184,057	2,039	(982)	185,114
Corporate debt securities	40,114	279	(162)	40,231	37,730	87	(559)	37,258
Total available-for-sale debt securities	$2,148,008	$ 15,265	$ (18,184)	$2,145,089	$2,142,056	$ 5,861	$ (33,788)	$2,114,129
Held-to-maturity debt securities								
U.S. Government sponsored entities and agencies	$ 10,627	$ 7	$ (357)	$ 10,277	$ 10,823	$ 6	$ (329)	$ 10,500
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	142,931	359	(2,258)	141,032	148,300	204	(4,170)	144,334
Obligations of states and political subdivisions	749,652	14,435	(637)	763,450	828,520	8,771	(4,012)	833,279
Corporate debt securities	33,274	644	(36)	33,882	33,291	12	(673)	32,630
Total held-to-maturity debt securities	$ 936,484	$ 15,445	$ (3,288)	$ 948,641	$1,020,934	$ 8,993	$ (9,184)	$1,020,743
Total debt securities	$3,084,492	$ 30,710	$ (21,472)	$3,093,730	$3,162,990	$ 14,854	$ (42,972)	$3,134,872

At March 31, 2019 and December 31, 2018, there were no holdings of any one issuer, other than U.S. government sponsored entities and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.

Equity securities, of which $8.5 million consist of investments in various mutual funds held in grantor trusts formed in connection with the Company's deferred compensation plan, are recorded at fair value and totaled $12.0 million and $11.7 million at March 31, 2019 and December 31, 2018, respectively.

The following table presents the fair value of available-for-sale and held-to-maturity debt securities by contractual maturity at March 31, 2019. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

	March 31, 2019					
(unaudited, in thousands)	One Year or less	One to Five Years	Five to Ten Years	After Ten Years	Mortgage-backed securities	Total
Available-for-sale debt securities						
U.S. Treasury	**$19,712**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 19,712**
U.S. Government sponsored entities and agencies	**496**	**5,948**	**18,353**	**16,042**	**98,451**	**139,290**
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies (1)	**—**	**—**	**—**	**—**	**1,582,784**	**1,582,784**
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies (1)	**—**	**—**	**—**	**—**	**177,005**	**177,005**
Obligations of states and political subdivisions	**11,253**	**47,331**	**83,027**	**44,456**	**—**	**186,067**
Corporate debt securities	**1,027**	**32,139**	**7,065**	**—**	**—**	**40,231**
Total available-for-sale debt securities	**$32,488**	**$ 85,418**	**$108,445**	**$ 60,498**	**$ 1,858,240**	**$2,145,089**
Held-to-maturity debt securities (2)						
U.S. Government sponsored entities and agencies	**$ —**	**$ —**	**$ —**	**$ —**	**$ 10,277**	**$ 10,277**
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies (1)		**—**	**—**	**—**	**141,032**	**141,032**
Obligations of states and political subdivisions	**9,048**	**117,502**	**352,924**	**283,976**	**—**	**763,450**
Corporate debt securities	**—**	**8,680**	**25,202**	**—**	**—**	**33,882**
Total held-to-maturity debt securities	**$ 9,048**	**$126,182**	**$378,126**	**$283,976**	**$ 151,309**	**$ 948,641**
Total debt securities	**$41,536**	**$211,600**	**$486,571**	**$344,474**	**$ 2,009,549**	**$3,093,730**

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

(2) The held-to-maturity debt securities portfolio is carried at an amortized cost of $936.5 million.

Securities with aggregate fair values of $2.0 billion at March 31, 2019 and December 31, 2018 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 $66.1 million and $0 million for the three months ended March 31, 2019 and 2018, respectively. Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income net of tax, as of March 31, 2019 and December 31, 2018 were $2.3 million and $21.5 million, respectively.

The following table presents the gross realized gains and losses on sales and calls of available-for-sale and held-to-maturity debt securities, as well as gains and losses on equity securities from both sales and market adjustments from the adoption of ASU 2016-01 effective January 1, 2018 for the three months ended March 31, 2019 and 2018, respectively.

	For the Three Months Ended March 31,	
(unaudited, in thousands)	2019	2018
Debt securities:		
Gross realized gains	**$ 242**	$ 7
Gross realized losses	**(191)**	(18)
Net gains (losses) on debt securities	**$ 51**	$ (11)
Equity securities:		
Net unrealized gains (losses) recognized on securities still held	**$ 603**	$ (28)
Net realized gains recognized on securities sold	**3**	—
Net gains (losses) on equity securities	**$ 606**	$ (28)
Net securities gains (losses)	**$ 657**	$ (39)

The following tables provide information on unrealized losses on debt securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of March 31, 2019 and December 31, 2018:

	March 31, 2019								
	Less than 12 months			12 months or more			Total		
(unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
U.S. Government sponsored entities and agencies	**$ 758**	**$ (4)**	**2**	**$ 62,057**	**$ (978)**	**14**	**$ 62,815**	**$ (982)**	**16**
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**37,601**	**(198)**	**8**	**896,540**	**(17,966)**	**286**	**934,141**	**(18,164)**	**294**
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**8,208**	**(25)**	**4**	**99,578**	**(1,317)**	**12**	**107,786**	**(1,342)**	**16**
Obligations of states and political subdivisions	**2,514**	**(7)**	**7**	**130,249**	**(779)**	**224**	**132,763**	**(786)**	**231**
Corporate debt securities	**8,369**	**(118)**	**4**	**9,886**	**(80)**	**5**	**18,255**	**(198)**	**9**
Total temporarily impaired securities	**$ 57,450**	**$ (352)**	**25**	**$1,198,310**	**$ (21,120)**	**541**	**$1,255,760**	**$ (21,472)**	**566**

	December 31, 2018								
	Less than 12 months			12 months or more			Total		
(unaudited, dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
U.S. Treasury	$ 9,972	$ (7)	1	$ —	$ —	—	$ 9,972	$ (7)	1
U.S. Government sponsored entities and agencies	18,926	(148)	8	76,385	(1,937)	14	95,311	(2,085)	22
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	285,534	(1,862)	44	922,698	(29,829)	291	1,208,232	(31,691)	335
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	9,186	(18)	6	111,068	(2,945)	14	120,254	(2,963)	20
Obligations of states and political subdivisions	104,469	(439)	207	303,681	(4,555)	513	408,150	(4,994)	720
Corporate debt securities	38,791	(898)	18	11,452	(334)	5	50,243	(1,232)	23
Total temporarily impaired securities	$466,878	$ (3,372)	284	$1,425,284	$ (39,600)	837	$1,892,162	$ (42,972)	1,121

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

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

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of FHLB of Pittsburgh, Cincinnati and Indianapolis stock totaling $50.4 million and $50.8 million at March 31, 2019 and December 31, 2018, 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.

NOTE 5. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs, and discounts on purchased loans. Net deferred loan costs were $4.2 million and $3.2 million at March 31, 2019 and December 31, 2018, respectively. The unamortized discount on purchased loans from acquisitions was $44.8 million at March 31, 2019, including $21.0 million related to FFKT, and $49.3 million at December 31, 2018.

(unaudited, in thousands)	**March 31, 2019**	**December 31, 2018**
Commercial real estate:		
Land and construction	**$ 505,127**	$ 528,072
Improved property	**3,337,281**	3,325,623
Total commercial real estate	**3,842,408**	3,853,695
Commercial and industrial	**1,274,992**	1,265,460
Residential real estate	**1,628,067**	1,611,607
Home equity	**590,462**	599,331
Consumer	**330,152**	326,188
Total portfolio loans	**7,666,081**	7,656,281
Loans held for sale	**8,358**	8,994
Total loans	**$7,674,439**	$ 7,665,275

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

	Allowance for Credit Losses By Category For the Three Months Ended March 31, 2019 and 2018							
(unaudited, in thousands)	**Commercial Real Estate - Land and Construction**	**Commercial Real Estate - Improved Property**	**Commercial & Industrial**	**Residential Real Estate**	**Home Equity**	**Consumer**	**Deposit Overdraft**	**Total**
Balance at December 31, 2018:								
Allowance for loan losses	**$ 4,039**	**$ 20,848**	**$ 12,114**	**$ 3,822**	**$4,356**	**$ 2,797**	**$ 972**	**$48,948**
Allowance for loan commitments	**169**	**33**	**262**	**12**	**226**	**39**	**—**	**741**
Total beginning allowance for credit losses	**4,208**	**20,881**	**12,376**	**3,834**	**4,582**	**2,836**	**972**	**49,689**
Provision for credit losses:								
Provision for loan losses	**(6)**	**(909)**	**1,050**	**122**	**223**	**233**	**575**	**1,288**
Provision for loan commitments	**25**	**(9)**	**1,181**	**(1)**	**22**	**1**	**—**	**1,219**
Total provision for credit losses	**19**	**(918)**	**2,231**	**121**	**245**	**234**	**575**	**2,507**
Charge-offs	**—**	**(222)**	**(635)**	**(320)**	**(357)**	**(661)**	**(441)**	**(2,636)**
Recoveries	**12**	**198**	**378**	**121**	**47**	**411**	**99**	**1,266**
Net charge-offs	**12**	**(24)**	**(257)**	**(199)**	**(310)**	**(250)**	**(342)**	**(1,370)**
Balance at March 31, 2019:								
Allowance for loan losses	**4,045**	**19,915**	**12,907**	**3,745**	**4,269**	**2,780**	**1,205**	**48,866**
Allowance for loan commitments	**194**	**24**	**1,443**	**11**	**248**	**40**	**—**	**1,960**
Total ending allowance for credit losses	**$ 4,239**	**$ 19,939**	**$ 14,350**	**$ 3,756**	**$4,517**	**$ 2,820**	**$ 1,205**	**$50,826**
Balance at December 31, 2017:								
Allowance for loan losses	$ 3,117	$ 21,166	$ 9,414	$ 3,206	$4,497	$ 3,063	$ 821	$45,284
Allowance for loan commitments	119	26	173	7	212	37	—	574
Total beginning allowance for credit losses	3,236	21,192	9,587	3,213	4,709	3,100	821	45,858
Provision for credit losses:								
Provision for loan losses	1,090	(895)	919	202	262	583	(48)	2,113
Provision for loan commitments	57	(5)	3	—	(4)	4	—	55
Total provision for credit losses	1,147	(900)	922	202	258	587	(48)	2,168
Charge-offs	—	(279)	(109)	(287)	(576)	(1,125)	(267)	(2,643)
Recoveries	117	287	270	131	120	546	109	1,580
Net charge-offs	117	8	161	(156)	(456)	(579)	(158)	(1,063)
Balance at March 31, 2018:								
Allowance for loan losses	4,324	20,279	10,494	3,252	4,303	3,067	615	46,334
Allowance for loan commitments	176	21	176	7	208	41	—	629
Total ending allowance for credit losses	$ 4,500	$ 20,300	$ 10,670	$ 3,259	$4,511	$ 3,108	$ 615	$46,963

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

(unaudited, in thousands)	Commercial Real Estate-Land and Construction	Commercial Real Estate-Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Over-draft	Total
	Allowance for Credit Losses and Recorded Investment in Loans							
March 31, 2019								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	**$ —**	**$ 59**	**$ 12**	**$ 13**	**$ 7**	**$ 1**	**$ —**	**$ 92**
Allowance for loans collectively evaluated for impairment	**4,045**	**19,856**	**12,895**	**3,732**	**4,262**	**2,779**	**1,205**	**48,774**
Allowance for loan commitments	**194**	**24**	**1,443**	**11**	**248**	**40**	**—**	**1,960**
Total allowance for credit losses	**$ 4,239**	**$ 19,939**	**$ 14,350**	**$ 3,756**	**$ 4,517**	**$ 2,820**	**$ 1,205**	**$ 50,826**
Portfolio loans:								
Individually evaluated for impairment(1)	**$ —**	**$ 2,133**	**$ 307**	**$ 5,078**	**$ 796**	**$ 103**	**$ —**	**$ 8,417**
Collectively evaluated for impairment	**504,885**	**3,327,142**	**1,273,810**	**1,621,169**	**589,666**	**330,049**	**—**	**7,646,721**
Acquired with deteriorated credit quality	**242**	**8,006**	**875**	**1,820**	**—**	**—**	**—**	**10,943**
Total portfolio loans	**$ 505,127**	**$3,337,281**	**$1,274,992**	**$1,628,067**	**$590,462**	**$330,152**	**$ —**	**$7,666,081**
December 31, 2018								
Allowance for credit losses:								
Allowance for loans individually evaluated for impairment	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Allowance for loans collectively evaluated for impairment	4,039	20,848	12,114	3,822	4,356	2,797	972	48,948
Allowance for loan commitments	169	33	262	12	226	39	—	741
Total allowance for credit losses	$ 4,208	$ 20,881	$ 12,376	$ 3,834	$ 4,582	$ 2,836	$ 972	$ 49,689
Portfolio loans:								
Individually evaluated for impairment(1)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Collectively evaluated for impairment	527,737	3,319,672	1,264,560	1,609,177	599,331	326,063	—	7,646,540
Acquired with deteriorated credit quality	335	5,951	900	2,430	—	125	—	9,741
Total portfolio loans	$ 528,072	$3,325,623	$1,265,460	$1,611,607	$599,331	$326,188	$ —	$7,656,281

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

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

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

Commercial and industrial ("C&I") loans consist of revolving lines of credit to finance accounts receivable, inventory and other general business purposes; term loans to finance fixed assets other than real estate, and letters of credit to support trade, insurance or governmental requirements for a variety of businesses. Most C&I borrowers are privately-held companies with annual sales up to

$100 million. Factors that are considered for C&I 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 overall financial condition and repayment capacity of any guarantors is also evaluated to determine the extent to which they mitigate other risks of the loan. The following paragraphs provide descriptions of risk grades that are applicable to commercial real estate and commercial and industrial loans.

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

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

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, and are considered non-accrual. However, recognition of loss may be deferred if there are reasonably specific pending factors that will reduce the risk if they occur.

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

	Commercial Loans by Internally Assigned Risk Grade			
(unaudited, in thousands)	Commercial Real Estate- Land and Construction	Commercial Real Estate- Improved Property	Commercial & Industrial	Total Commercial Loans
As of March 31, 2019				
Pass	**$ 497,566**	**$3,269,034**	**$1,241,697**	**$5,008,297**
Criticized—compromised	**5,599**	**47,464**	**16,628**	**69,691**
Classified—substandard	**1,962**	**20,783**	**16,667**	**39,412**
Classified—doubtful	**—**	**—**	**—**	**—**
Total	**$ 505,127**	**$3,337,281**	**$1,274,992**	**$5,117,400**
As of December 31, 2018				
Pass	$ 523,707	$3,267,304	$1,245,190	$5,036,201
Criticized—compromised	2,297	35,566	13,847	51,710
Classified—substandard	2,068	22,753	6,423	31,244
Classified—doubtful	—	—	—	—
Total	$ 528,072	$3,325,623	$1,265,460	$5,119,155

Residential real estate, home equity and consumer loans are not assigned internal risk grades other than as required by regulatory guidelines that are based primarily on the age of past due loans. WesBanco primarily evaluates the credit quality of residential real estate, home equity and consumer loans based on repayment performance and historical loss rates. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard in accordance with regulatory guidelines was $20.1 million at March 31, 2019 and $22.9 million at December 31, 2018, of which $2.0 and $3.9 million were accruing, for each period, respectively. The aggregate amount of residential real estate, home equity and consumer loans classified as substandard are not included in the tables above.

Acquired FFKT Loans – In conjunction with the FFKT acquisition, WesBanco acquired loans with a book value of $1,064.8 million as of August 20, 2018. These loans were recorded at the preliminary fair value of $1,025.8 million, with $988.3 million categorized as ASC 310-20 loans. The fair market value adjustment on these loans of $26.0 million at the acquisition date is expected to be recognized into interest income on a level yield basis over the remaining expected life of the loans. Loans acquired with deteriorated credit quality with a book value of $5.3 million were recorded at the preliminary fair value of $4.6 million, of which $2.4 million were accounted for under the cost recovery method in accordance with ASC 310-30 as cash flows cannot be reasonably estimated, and categorized as non-accrual. The carrying amount of loans acquired with deteriorated credit quality at March 31, 2019 was $3.2 million, while the outstanding customer balance was $3.8 million. At March 31, 2019, no allowance for loan losses has been recognized related to the FFKT-acquired impaired loans. Certain acquired underperforming loans with an acquired book value of $45.2 million were sold during the fourth quarter of 2018 for $32.9 million. The acquisition date fair value of the acquired loans was adjusted to the sale price resulting in no recognized gain or loss.

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

(unaudited, in thousands)	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Balance at beginning of period	**$ 6,203**	$ 1,724
Acquisitions	**1,300**	—
Reduction due to change in projected cash flows	**(74)**	(86)
Reclass from non-accretable difference	**831**	2,841
Transfers out	**—**	—
Accretion	**(968)**	(268)
Balance at end of period	**$ 7,292**	$ 4,211

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

(unaudited, in thousands)	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)
As of March 31, 2019							
Commercial real estate:							
Land and construction	**$ 503,148**	**$ 1,852**	**$ 127**	**$ —**	**$ 1,979**	**$ 505,127**	**$ —**
Improved property	**3,325,120**	**5,226**	**864**	**6,071**	**12,161**	**3,337,281**	**558**
Total commercial real estate	**3,828,268**	**7,078**	**991**	**6,071**	**14,140**	**3,842,408**	**558**
Commercial and industrial	**1,270,957**	**905**	**115**	**3,015**	**4,035**	**1,274,992**	**221**
Residential real estate	**1,610,652**	**6,993**	**2,656**	**7,766**	**17,415**	**1,628,067**	**1,096**
Home equity	**583,118**	**2,970**	**398**	**3,976**	**7,344**	**590,462**	**730**
Consumer	**327,589**	**1,579**	**783**	**201**	**2,563**	**330,152**	**135**
Total portfolio loans	**7,620,584**	**19,525**	**4,943**	**21,029**	**45,497**	**7,666,081**	**2,740**
Loans held for sale	**8,358**	**—**	**—**	**—**	**—**	**8,358**	**—**
Total loans	**$7,628,942**	**$ 19,525**	**$ 4,943**	**$21,029**	**$45,497**	**$7,674,439**	**$ 2,740**
Impaired loans included above are as follows:							
Non-accrual loans	**$ 9,203**	**$ 1,234**	**$ 1,501**	**$18,289**	**21,024**	**$ 30,227**	
TDRs accruing interest (1)	**5,181**	**196**	**104**	**—**	**300**	**5,481**	
Total impaired	**$ 14,384**	**$ 1,430**	**$ 1,605**	**$18,289**	**$21,324**	**$ 35,708**	
As of December 31, 2018							
Commercial real estate:							
Land and construction	$ 526,660	$ 62	$ 1,350	$ —	$ 1,412	$ 528,072	$ —
Improved property	3,314,765	2,266	2,250	6,342	10,858	3,325,623	175
Total commercial real estate	3,841,425	2,328	3,600	6,342	12,270	3,853,695	175
Commercial and industrial	1,261,536	323	594	3,007	3,924	1,265,460	13
Residential real estate	1,593,519	2,717	5,001	10,370	18,088	1,611,607	2,820
Home equity	591,623	2,500	1,273	3,935	7,708	599,331	705
Consumer	322,584	2,084	1,007	513	3,604	326,188	364
Total portfolio loans	7,610,687	9,952	11,475	24,167	45,594	7,656,281	4,077
Loans held for sale	8,994	—	—	—	—	8,994	—
Total loans	$7,619,681	$ 9,952	$ 11,475	$24,167	$45,594	$7,665,275	$ 4,077
Impaired loans included above are as follows:							
Non-accrual loans	$ 8,910	$ 337	$ 1,370	$20,083	21,790	$ 30,700	
TDRs accruing interest (1)	5,586	59	92	7	158	5,744	
Total impaired	$ 14,496	$ 396	$ 1,462	$20,090	$21,948	$ 36,444	

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

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The following tables summarize impaired loans:

	Impaired Loans					
	March 31, 2019			December 31, 2018		
(unaudited, in thousands)	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance	Unpaid Principal Balance (1)	Recorded Investment	Related Allowance
With no related specific allowance recorded:						
Commercial real estate:						
Land and construction	**$ 337**	**$ 285**	**$ —**	$ —	$ —	$ —
Improved property	**11,521**	**7,261**	**—**	14,038	9,293	—
Commercial and industrial	**3,987**	**3,067**	**—**	4,610	3,428	—
Residential real estate	**13,460**	**11,793**	**—**	20,270	18,016	—
Home equity	**5,337**	**4,523**	**—**	5,924	5,036	—
Consumer	**499**	**362**	**—**	846	671	—
Total impaired loans without a specific allowance	**35,141**	**27,291**	**—**	45,688	36,444	—
With a specific allowance recorded:						
Commercial real estate:						
Land and construction	**—**	**—**	**—**	—	—	—
Improved property	**2,154**	**2,133**	**59**	—	—	—
Commercial and industrial	**309**	**307**	**12**	—	—	—
Residential real estate	**5,519**	**5,078**	**13**	—	—	—
Home equity	**826**	**796**	**7**	—	—	—
Consumer	**144**	**103**	**1**	—	—	—
Total impaired loans with a specific allowance	**8,952**	**8,417**	**92**	—	—	—
Total impaired loans	**$44,093**	**$ 35,708**	**$ 92**	$45,688	$ 36,444	$ —

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

	Impaired Loans			
	For the Three Months Ended March 31, 2019		For the Three Months Ended March 31, 2018	
(unaudited, in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related specific allowance recorded:				
Commercial real estate:				
Land and construction	**$ 143**	**$ —**	$ 520	$ —
Improved property	**8,277**	**—**	11,591	345
Commercial and industrial	**3,246**	**—**	2,791	2
Residential real estate	**13,774**	**—**	18,367	66
Home equity	**4,780**	**—**	5,070	5
Consumer	**450**	**—**	878	3
Total impaired loans without a specific allowance	**30,670**	**—**	39,217	421
With a specific allowance recorded:				
Commercial real estate:				
Land and construction	**—**	**—**	—	—
Improved property	**1,067**	**14**	2,105	—
Commercial and industrial	**154**	**3**	—	—
Residential real estate	**2,539**	**58**	—	—
Home equity	**398**	**8**	—	—
Consumer	**52**	**1**	—	—
Total impaired loans with a specific allowance	**4,210**	**84**	2,105	—
Total impaired loans	**$ 34,880**	**$ 84**	$ 41,322	$ 421

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

(unaudited, in thousands)	Non-accrual Loans (1) March 31, 2019	December 31, 2018
Commercial real estate:		
Land and construction	**$ 285**	$ —
Improved property	**8,639**	8,413
Total commercial real estate	**8,924**	8,413
Commercial and industrial	**3,212**	3,260
Residential real estate	**12,871**	13,831
Home equity	**4,813**	4,610
Consumer	**407**	586
Total	**$ 30,227**	$ 30,700

(1) At March 31, 2019, there was one borrower with a loan greater than $1.0 million totaling $3.3 million, as compared to one borrower with a loan greater than $1.0 million totaling $3.4 million at December 31, 2018. Total non-accrual loans include loans that are also restructured. Such loans are also set forth in the following table as non-accrual TDRs.

	TDRs					
	March 31, 2019			December 31, 2018		
(unaudited, in thousands)	Accruing	Non-Accrual	Total	Accruing	Non-Accrual	Total
Commercial real estate:						
Land and construction	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —
Improved property	**755**	**1,378**	**2,133**	880	1,529	2,409
Total commercial real estate	**755**	**1,378**	**2,133**	880	1,529	2,409
Commercial and industrial	**162**	**145**	**307**	168	169	337
Residential real estate	**4,000**	**1,078**	**5,078**	4,185	921	5,106
Home equity	**506**	**290**	**796**	426	198	624
Consumer	**58**	**45**	**103**	85	38	123
Total	**$ 5,481**	**$ 2,936**	**$8,417**	$ 5,744	$ 2,855	$8,599

As of March 31, 2019 and December 31, 2018, there were no TDRs greater than $1.0 million. The concessions granted in the majority of loans reported as accruing and non-accrual TDRs are extensions of the maturity date or the amortization period, reductions in the interest rate below the prevailing market rate for loans with comparable characteristics, and/or permitting interest-only payments for longer than three months. WesBanco had unfunded commitments to debtors whose loans were classified as impaired of $0.1 million as of March 31, 2019 and December 31, 2018.

The following tables present details related to loans identified as TDRs during the three months ended March 31, 2019 and 2018, respectively:

	New TDRs (1) For the Three Months Ended					
	March 31, 2019			March 31, 2018		
(unaudited, dollars in thousands)	Number of Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Number of Modifications	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial real estate:						
Land and construction	**—**	**$ —**	**$ —**	—	$ —	$ —
Improved Property	**—**	**—**	**—**	—	—	—
Total commercial real estate	**—**	**—**	**—**	—	—	—
Commercial and industrial	**—**	**—**	**—**	—	—	—
Residential real estate	**4**	**194**	**192**	5	203	195
Home equity	**2**	**187**	**185**	—	—	—
Consumer	**2**	**19**	**18**	2	4	3
Total	**8**	**$ 400**	**$ 395**	7	$ 207	$ 198

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

The following table summarizes TDRs which defaulted (defined as past due 90 days) during the three months ended March 31, 2019 and 2018, respectively, that were restructured within the last twelve months prior to March 31, 2019 and 2018, respectively:

	Defaulted TDRs (1) For the Three Months Ended March 31, 2019		Defaulted TDRs (1) For the Three Months Ended March 31, 2018	
(unaudited, dollars in thousands)	**Number of Defaults**	**Recorded Investment**	**Number of Defaults**	**Recorded Investment**
Commercial real estate:				
Land and construction	**—**	**$ —**	—	$ —
Improved property	**—**	**—**	—	—
Total commercial real estate	**—**	**—**	—	—
Commercial and industrial	**—**	**—**	—	—
Residential real estate	**1**	**58**	1	122
Home equity	**—**	**—**	1	7
Consumer	**—**	**—**	—	—
Total	**1**	**$ 58**	2	$ 129

(1) Excludes loans that were either charged-off or cured by period end. The recorded investment is as of March 31, 2019 and 2018, respectively.

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

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

(unaudited, in thousands)	**March 31, 2019**	**December 31, 2018**
Other real estate owned	**$ 5,915**	$ 7,173
Repossessed assets	**86**	92
Total other real estate owned and repossessed assets	**$ 6,001**	$ 7,265

Residential real estate included in other real estate owned at March 31, 2019 and December 31, 2018 was $1.6 million and $1.3 million, respectively. At March 31, 2019 and December 31, 2018, formal foreclosure proceedings were in process on residential real estate loans totaling $4.4 million and $6.0 million, respectively.

NOTE 6. LEASES

Operating leases are recorded as a right of use ("ROU") asset and operating lease liability, included in premises and equipment, net and other liabilities, respectively, on the consolidated balance sheet beginning January 1, 2019 when WesBanco adopted ASU 2016-02 prospectively. Operating lease ROU assets represent the right to use an underlying asset during the lease term and operating lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and operating lease liabilities are recognized at lease commencement based on the present value of the remaining lease payments using a discount rate that represents our incremental borrowing rate at the lease commencement date. Operating lease expense, which is comprised of amortization of the ROU asset and the implicit interest accreted on the operating lease liability, is recognized on a straight-line basis over the lease term, and is recorded primarily in net occupancy expense in the consolidated statements of comprehensive income.

Operating leases relate primarily to bank branches, office space and license agreements with remaining lease terms of generally 1 to 21 years, which include options for multiple five- and ten- year extensions, with a weighted-average lease term of 9 years. As of March 31, 2019, operating lease ROU assets and liabilities were $19.0 million and $22.0 million, respectively. The lease expense for operating leases was $0.6 million for the three months ended March 31, 2019. The weighted average discount rate was 3.28% as of March 31, 2019.

Future minimum lease payments under non-cancellable leases with initial or remaining lease terms in excess of one year at March 31, 2019 are as follows (*unaudited, in thousands*):

Year	**Amount**
2020	**912**
2021	**1,875**
2022	**2,105**
2023	**2,875**
2024 and thereafter	**18,032**
Total lease payments	**$25,799**
Less: Interest	**(3,810)**
Present value of lease liabilties	**$21,989**

NOTE 7. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives

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

Loan Swaps

WesBanco executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting interest rate swaps that WesBanco executes with a third party, such that WesBanco minimizes its net risk exposure resulting from such transactions. As the interest rate swaps associated with this program do not meet the strict hedge accounting requirements of FASB ASC 815, changes in the fair value of both the customer swaps and the offsetting third-party swaps are recognized directly in earnings. As of March 31, 2019 and December 31, 2018, WesBanco had 46 and 43, respectively, interest rate swaps with an aggregate notional amount of $264.6 million and $229.8 million, respectively, related to this program. During the three months ended March 31, 2019 and 2018, WesBanco recognized net losses of $0.3 million and net gains of $0.2 million, respectively, related to the changes in fair value of these swaps. Additionally, WesBanco recognized $0.7 million and $0.4 million of income for the related swap fees for the three months ended March 31, 2019 and 2018, respectively.

Mortgage Loans Held for Sale and Loan Commitments

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

Fair Values of Derivative Instruments on the Balance Sheet

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

The table below presents the fair value of WesBanco's derivative financial instruments as well as their classification on the Balance Sheet as of March 31, 2019 and December 31, 2018:

	March 31, 2019			December 31, 2018		
(unaudited, in thousands)	Notional or Contractual Amount	Asset Derivatives	Liability Derivatives	Notional or Contractual Amount	Asset Derivatives	Liability Derivatives
Derivatives						
Loan Swaps:						
Interest rate swaps	**$ 264,628**	**$ 7,009**	**$ 7,752**	$ 229,778	$ 4,650	$ 5,081
Other contracts:						
Interest rate loan commitments	**30,065**	**155**	**—**	16,113	125	—
Forward TBA contracts	**34,500**	**—**	**260**	20,000	—	234
Total derivatives		**$ 7,164**	**$ 8,012**		$ 4,775	$ 5,315

Effect of Derivative Instruments on the Income Statement

The table below presents the change in the fair value of the Company's derivative financial instruments reflected within the other non-interest income line item of the consolidated income statement for the three months ended March 31, 2019 and 2018, respectively.

(unaudited, in thousands)	Location of Gain/(Loss)	For the Three Months Ended March 31, 2019	2018
Interest rate swaps	Other income	**$ (312)**	$ 167
Interest rate loan commitments	Mortgage banking income	**30**	136
Forward TBA contracts	Mortgage banking income	**(334)**	410
Total		**$ (616)**	$ 713

Credit-risk-related Contingent Features

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

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

WesBanco has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral with a market value of $11.8 million as of March 31, 2019. If WesBanco had breached any of these provisions at March 31, 2019, it could have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

NOTE 8. PENSION & POSTRETIREMENT MEDICAL BENEFIT PLANS

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

(unaudited, in thousands)	For the Three Months Ended March 31, 2019	2018
Service cost – benefits earned during year	**$ 554**	$ 699
Interest cost on projected benefit obligation	**1,298**	1,114
Expected return on plan assets	**(2,187)**	(2,204)
Amortization of prior service cost	**7**	6
Amortization of net loss	**799**	753
Net periodic pension cost	**$ 471**	$ 368

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

A minimum required contribution of $4.8 million is due for 2019, which could be all or partially offset by the Plan's $52.5 million available credit balance. WesBanco currently expects to make a voluntary contribution of $3.0 million to the Plan in June 2019.

WesBanco assumed FFKT's postretirement medical benefit plan, which had a liability totaling $15.0 million at the acquisition date. The plan covers FFKT employees who were hired before January 1, 2016 and meet certain age and length of full-time service requirements. The plan was modified in August 2018, which reduced the number of eligible employees. The modification resulted in a $5.5 million unrealized gain, which was recorded in Accumulated Other Comprehensive Income net of tax and will be recognized over the life of the plan participants, estimated to be approximately 17 years. Benefits provided under this plan are unfunded, and payments to the plan participants are made by WesBanco. The net periodic cost for the postretirement medical benefit plan totaled $58 thousand for the three months ended March 31, 2019. The net periodic cost consisted of $113 thousand in interest cost on projected benefit obligation, which was partially offset by a $55 thousand benefit of prior service cost amortization.

NOTE 9. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

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

The fair value amounts presented in the table below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position. The following tables set forth WesBanco's financial assets and liabilities that were accounted for at fair value on a recurring and nonrecurring basis by level within the fair value hierarchy as of March 31, 2019 and December 31, 2018:

		March 31, 2019 Fair Value Measurements Using:		
(unaudited, in thousands)	March 31, 2019	Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Recurring fair value measurements				
Equity securities	**$ 11,978**	**$ 11,978**	**$ —**	**$ —**
Available-for-sale debt securities				
U.S. Treasury	**19,712**	**—**	**19,712**	**—**
U.S. Government sponsored entities and agencies	**139,290**	**—**	**139,290**	**—**
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	**1,582,784**	**—**	**1,582,784**	**—**
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**177,005**	**—**	**177,005**	**—**
Obligations of state and political subdivisions	**186,067**	**—**	**184,484**	**1,583**
Corporate debt securities	**40,231**	**—**	**40,231**	**—**
Total available-for-sale debt securities	**$2,145,089**	**$ —**	**$2,143,506**	**$ 1,583**
Loans held for sale	**8,358**	**—**	**8,358**	**—**
Other assets—interest rate derivatives agreements	**7,009**	**—**	**7,009**	**—**
Total assets recurring fair value measurements	**$2,172,434**	**$ 11,978**	**$2,158,873**	**$ 1,583**
Other liabilities—interest rate derivatives agreements	**$ 7,752**	**$ —**	**$ 7,752**	**$ —**
Total liabilities recurring fair value measurements	**$ 7,752**	**$ —**	**$ 7,752**	**$ —**
Nonrecurring fair value measurements				
Other real estate owned and repossessed assets	**6,001**	**—**	**—**	**6,001**
Total nonrecurring fair value measurements	**$ 6,001**	**$ —**	**$ —**	**$ 6,001**

(in thousands)	December 31, 2018	December 31, 2018 Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Recurring fair value measurements				
Equity securities	$ 11,737	$ 11,737	$ —	$ —
Available-for-sale debt securities				
U.S. Treasury	19,878	—	19,878	—
U.S. Government sponsored entities and agencies	141,652	—	141,652	—
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	1,561,255	—	1,561,255	—
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	168,972	—	168,972	—
Obligations of state and political subdivisions	185,114	—	183,611	1,503
Corporate debt securities	37,258	—	37,258	—
Total available-for-sale debt securities	$ 2,114,129	$ —	$2,112,626	$ 1,503
Loans held for sale	8,994	—	8,994	—
Other assets—interest rate derivatives agreements	4,650	—	4,650	—
Total assets recurring fair value measurements	$ 2,139,510	$ 11,737	$2,126,270	$ 1,503
Other liabilities—interest rate derivatives agreements	$ 5,081	$ —	$ 5,081	$ —
Total liabilities recurring fair value measurements	$ 5,081	$ —	$ 5,081	$ —
Nonrecurring fair value measurements				
Other real estate owned and repossessed assets	7,265	—	—	7,265
Total nonrecurring fair value measurements	$ 7,265	$ —	$ —	$ 7,265

WesBanco's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers between level 1, 2 or 3 for the three months ended March 31, 2019 or for the year ended December 31, 2018.

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

(unaudited, in thousands)	Quantitative Information about Level 3 Fair Value Measurements: Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
March 31, 2019				
Other real estate owned and repossessed assets	**$ 6,001**	Appraisal of collateral (1), (2)		
December 31, 2018:				
Other real estate owned and repossessed assets	$ 7,265	Appraisal of collateral (1), (2)		

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

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

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

(unaudited, in thousands)	Carrying Amount	Fair Value Estimate	Fair Value Measurements at March 31, 2019 — Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Financial Assets					
Cash and due from banks	**$ 336,894**	**$ 336,894**	**$ 336,894**	**$ —**	**$ —**
Equity securities	**11,978**	**11,978**	**11,978**	**—**	**—**
Available-for-sale debt securities	**2,145,089**	**2,145,089**	**—**	**2,143,506**	**1,583**
Held-to-maturity debt securities	**936,484**	**948,641**	**—**	**948,077**	**564**
Net loans	**7,617,215**	**7,498,726**	**—**	**—**	**7,498,726**
Loans held for sale	**8,358**	**8,358**	**—**	**8,358**	**—**
Other assets—interest rate derivatives	**7,009**	**7,009**	**—**	**7,009**	**—**
Accrued interest receivable	**39,662**	**39,662**	**39,662**	**—**	**—**
Financial Liabilities					
Deposits	**8,916,331**	**8,919,921**	**7,492,056**	**1,427,865**	**—**
Federal Home Loan Bank borrowings	**1,031,796**	**1,028,648**	**—**	**1,028,648**	**—**
Other borrowings	**301,547**	**301,915**	**298,322**	**3,593**	**—**
Subordinated debt and junior subordinated debt	**179,632**	**166,298**	**—**	**166,298**	**—**
Other liabilities—interest rate derivatives	**7,752**	**7,752**	**—**	**7,752**	**—**
Accrued interest payable	**6,030**	**6,030**	**6,030**	**—**	**—**

(in thousands)	Carrying Amount	Fair Value Estimate	Fair Value Measurements at December 31, 2018 — Quoted Prices in Active Markets for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Financial Assets					
Cash and due from banks	$ 169,186	$ 169,186	$ 169,186	$ —	$ —
Equity securities	11,737	11,737	11,737	—	—
Available-for-sale debt securities	2,114,129	2,114,129	—	2,112,626	1,503
Held-to-maturity debt securities	1,020,934	1,020,743	—	1,020,195	548
Net loans	7,607,333	7,422,825	—	—	7,422,825
Loans held for sale	8,994	8,994	—	8,994	—
Other assets—interest rate derivatives	4,650	4,650	—	4,650	—
Accrued interest receivable	38,853	38,853	38,853	—	—
Financial Liabilities					
Deposits	8,831,633	8,836,390	7,376,023	1,460,367	—
Federal Home Loan Bank borrowings	1,054,174	1,051,401	—	1,051,401	—
Other borrowings	290,522	290,854	288,918	1,936	—
Subordinated debt and junior subordinated debt	189,842	174,448	—	174,448	—
Other liabilities—interest rate derivatives	5,081	5,081	—	5,081	—
Accrued interest payable	4,627	4,627	4,627	—	—

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

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

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

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

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

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

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

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

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

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

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

NOTE 10. SHAREHOLDERS' EQUITY

The activity in shareholders equity for the three months ended March 31, 2019 and 2018 is as follows:

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

	For the Three Months Ended March 31, 2019 and 2018							
	Common Stock							
(unaudited, in thousands, except shares and per share amounts)	Shares Outstanding	Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Deferred Benefits for Directors	Total
December 31, 2018	54,598,134	$113,758	$1,166,701	$737,581	$ (274)	$ (37,871)	$ (1,068)	$1,978,827
Net income	**—**	**—**	**—**	**40,337**	**—**	**—**	**—**	**40,337**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**19,773**	**—**	**19,773**
Comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**60,110**
Common dividends declared ($0.31 per share)	**—**	**—**	**—**	**(16,916)**	**—**	**—**	**—**	**(16,916)**
Treasury shares acquired	**(7)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Stock options exercised	**1,000**	**—**	**(25)**	**—**	**45**	**—**	**—**	**20**
Stock compensation expense	**—**	**—**	**1,075**	**—**	**—**	**—**	**—**	**1,075**
Deferred benefits for directors- net	**—**	**—**	**10**	**—**	**—**	**—**	**13**	**23**
March 31, 2019	**54,599,127**	**$113,758**	**$1,167,761**	**$761,002**	**$ (229)**	**$ (18,098)**	**$ (1,055)**	**$2,023,139**
December 31, 2017	44,043,244	$ 91,756	$ 684,730	$651,357	$ —	$ (31,495)	$ (1,027)	$1,395,321
Net income	—	—	—	33,529	—	—	—	33,529
Other comprehensive loss	—	—	—	—	—	(14,518)	—	(14,518)
Comprehensive income	—	—	—	—	—	—	—	19,011
Common dividends declared ($0.29 per share)	—	—	—	(12,775)	—	—	—	(12,775)
Adoption of accounting standard ASU 2016-01	—	—	—	1,063	—	(1,063)	—	—
Stock options exercised	17,713	37	523	—	—	—	—	560
Stock compensation expense	—	—	909	—	—	—	—	909
Deferred benefits for directors- net	—	—	7	—	—	—	(7)	—
March 31, 2018	44,060,957	$ 91,793	$ 686,169	$673,174	$ —	$ (47,076)	$ (1,034)	$1,403,026

NOTE 11. REVENUE RECOGNITION

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

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

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

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

Payment processing fees: Payment processing fees are fees earned from the bill payment and electronic funds transfer ("EFT") services provided under the name FirstNet. The fees are derived from both the individual consumer banking transactions and from businesses or service providers through monthly billing for total transactions occurring. These fees are earned at the time the transaction or customer activity occurs. The fees are debited from the customers' deposit accounts or charged directly to the business or service provider.

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

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

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

The following table summarizes the point of revenue recognition and the income recognized for each of the revenue streams for the three months ended March 31, 2019 and 2018, respectively:

(unaudited, in thousands)	Point of Revenue Recognition	For the Three Months Ended March 31, 2019	2018
Revenue Streams			
Trust fees			
Trust account fees	Over time	**$ 5,056**	$ 4,292
WesMark fees	Over time	**2,059**	2,211
Total trust fees		**7,115**	6,503
Service charges on deposits			
Commercial banking fees	Over time	**468**	407
Personal service charges	At a point in time & over time	**6,081**	4,415
Total service charges on deposits		**6,549**	4,822
Net securities brokerage revenue			
Annuity commissions	At a point in time	**1,362**	1,200
Equity and debt security trades	At a point in time	**102**	102
Managed money	Over time	**157**	141
Trail commissions	Over time	**239**	227
Total net securities brokerage revenue		**1,860**	1,670
Payment processing fees (1)	At a point in time & over time	**648**	—
Electronic banking fees	At a point in time	**5,892**	4,829
Mortgage banking income	At a point in time	**1,056**	1,004
Gain/loss on sale of OREO/other assets	At a point in time	**136**	262

(1) Payment processing fees are included in other non-interest income.

NOTE 12. COMPREHENSIVE INCOME/(LOSS)

The activity in accumulated other comprehensive income for the three months ended March 31, 2019 and 2018 is as follows:

	Accumulated Other Comprehensive Income/(Loss) [1]			
(unaudited, in thousands)	Defined Benefit Plans	Unrealized Gains (Losses) on Debt Securities Available-for-Sale	Unrealized Gains on Debt Securities Transferred from Available-for-Sale to Held-to-Maturity	Total
Balance at December 31, 2018	$(16,542)	$ (21,522)	$ 193	$(37,871)
Other comprehensive income before reclassifications	**—**	**19,302**	**—**	**19,302**
Amounts reclassified from accumulated other comprehensive income	**543**	**(33)**	**(39)**	**471**
Period change	**543**	**19,269**	**(39)**	**19,773**
Balance at March 31, 2019	**$(15,999)**	**$ (2,253)**	**$ 154**	**$(18,098)**
Balance at December 31, 2017	$(18,626)	$ (13,250)	$ 381	$(31,495)
Other comprehensive income before reclassifications	—	(14,905)	—	(14,905)
Amounts reclassified from accumulated other comprehensive income	437	—	(50)	387
Period change	437	(14,905)	(50)	(14,518)
Adoption of Accounting Standard ASU 2016-01	—	(1,063)	—	(1,063)
Balance at March 31, 2018	$(18,189)	$ (29,218)	$ 331	$(47,076)

(1) All amounts are net of tax. Related income tax expense or benefit is calculated using a combined Federal and State income tax rate approximating 23%.

The following table provides details about amounts reclassified from accumulated other comprehensive income for the three months ended March 31, 2019 and 2018:

Details about Accumulated Other Comprehensive Income/(Loss) Components	Amounts Reclassified from Accumulated Other Comprehensive Income/(Loss) For the Three Months Ended March 31,		Affected Line Item in the Statement of Net Income
(unaudited, in thousands)	2019	2018	
Debt securities available-for-sale [1]:			
Net securities gains reclassified into earnings	**$ (43)**	$ —	Net securities gains (Non-interest income)
Related income tax expense	**10**	—	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	**(33)**	—	
Debt securities held-to-maturity [1]:			
Amortization of unrealized gain transferred from available-for-sale	**(55)**	(66)	Interest and dividends on securities (Interest and dividend income)
Related income tax expense	**16**	16	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	**(39)**	(50)	
Defined benefit plans [2]:			
Amortization of net loss and prior service costs	**750**	756	Employee benefits (Non-interest expense)
Related income tax benefit	**(207)**	(319)	Provision for income taxes
Net effect on accumulated other comprehensive income for the period	**543**	437	
Total reclassifications for the period	**$ 471**	$ 387	

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

(2) Included in the computation of net periodic pension cost. See Note 8, "Pension & Postretirement Medical Benefit Plans" for additional detail.

NOTE 13. 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 $2.0 million and $0.7 million as of March 31, 2019 and December 31, 2018, respectively, and is included in other liabilities on the Consolidated Balance Sheets.

Letters of credit are conditional commitments issued by banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including normal business activities, bond financing and similar transactions. Letters of credit are considered guarantees. The liability associated with letters of credit was $0.2 million as of March 31, 2019 and December 31, 2018.

Contingent obligations to purchase loans funded by other entities include affordable housing plan guarantees, credit card guarantees, loans sold with recourse as well as obligations to the FHLB. 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:

(unaudited, in thousands)	**March 31, 2019**	**December 31, 2018**
Lines of credit	**$1,919,110**	$ 1,894,030
Loans approved but not closed	**333,186**	258,778
Overdraft limits	**153,469**	153,572
Letters of credit	**43,587**	42,841
Contingent obligations and other guarantees	**50,159**	61,509

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

NOTE 14. BUSINESS SEGMENTS

WesBanco operates two reportable segments: community banking and trust and investment services. WesBanco's community banking segment offers services traditionally offered by full-service commercial banks, including commercial demand, individual demand and time deposit accounts, as well as commercial, mortgage and individual installment loans, and certain non-traditional offerings, such as insurance and securities brokerage services. The trust and investment services segment offers trust services as well as various alternative investment products including mutual funds. The market value of assets managed or held in custody by the trust and investment services segment was approximately $4.5 billion and $4.0 billion at March 31, 2019 and 2018, respectively. These assets are held by WesBanco in fiduciary or agency capacities for their customers and therefore are not included as assets on WesBanco's Consolidated Balance Sheets.

Condensed financial information by business segment is presented below:

(unaudited, in thousands)	Community Banking	Trust and Investment Services	Consolidated
For the Three Months ended March 31, 2019:			
Interest and dividend income	**$ 119,053**	**$ —**	**$ 119,053**
Interest expense	**20,692**	**—**	**20,692**
Net interest income	**98,361**	**—**	**98,361**
Provision for credit losses	**2,507**	**—**	**2,507**
Net interest income after provision for credit losses	**95,854**	**—**	**95,854**
Non-interest income	**20,658**	**7,115**	**27,773**
Non-interest expense	**70,275**	**4,157**	**74,432**
Income before provision for income taxes	**46,237**	**2,958**	**49,195**
Provision for income taxes	**8,237**	**621**	**8,858**
Net income	**$ 38,000**	**$ 2,337**	**$ 40,337**
For the Three Months ended March 31, 2018:			
Interest and dividend income	$ 86,417	$ —	$ 86,417
Interest expense	13,125	—	13,125
Net interest income	73,292	—	73,292
Provision for credit losses	2,168	—	2,168
Net interest income after provision for credit losses	71,124	—	71,124
Non-interest income	17,477	6,503	23,980
Non-interest expense	50,894	3,677	54,571
Income before provision for income taxes	37,707	2,826	40,533
Provision for income taxes	6,411	593	7,004
Net income	$ 31,296	$ 2,233	$ 33,529

Total non-fiduciary assets of the trust and investment services segment were $4.1 million (including $2.4 million of trust customer intangibles) and $1.8 million at March 31, 2019 and 2018, respectively. All other assets, including goodwill and the remainder of other intangible assets, were allocated to the Community Banking segment.

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

Management's Discussion and Analysis ("MD&A") represents an overview of the results of operations and financial condition of WesBanco for the three months ended March 31, 2019. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this report relating to WesBanco's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The information contained in this report should be read in conjunction with WesBanco's Form 10-K for the year ended December 31, 2018 and documents subsequently filed by WesBanco with the Securities and Exchange Commission ("SEC"), which are available at the SEC's website, www.sec.gov or at WesBanco's website, www.wesbanco.com. Investors are cautioned that forward-looking statements, which are not historical fact, involve risks and uncertainties, including those detailed 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, the FDIC, the SEC, FINRA, the Municipal Securities Rulemaking Board, the Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; cyber security breaches; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco's operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

OVERVIEW

WesBanco is a multi-state bank holding company operating through 203 branches and 196 ATM machines in West Virginia, Ohio, western Pennsylvania, Kentucky, and southern Indiana, offering retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco's businesses are significantly impacted by economic factors such as market interest rates, federal monetary and regulatory policies, local and regional economic conditions and the competitive environment's effect upon WesBanco's business volumes. WesBanco's deposit levels are affected by numerous factors including personal savings rates, personal income, and competitive rates on alternative investments, as well as competition from other financial institutions within the markets we serve and liquidity needs of WesBanco. Loan levels are also subject to various factors including construction demand, business financing needs, consumer spending and interest rates, as well as loan terms offered by competing lenders.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

WesBanco's critical accounting policies involving the significant judgments and assumptions used in the preparation of the Consolidated Financial Statements as of March 31, 2019 have remained unchanged from the disclosures presented in WesBanco's Annual Report on Form 10-K for the year ended December 31, 2018 within the section "Management's Discussion and Analysis of Financial Condition and Results of Operations."

RESULTS OF OPERATIONS

EARNINGS SUMMARY

Net income for the three months ended March 31, 2019 was $40.3 million, with diluted earnings per share of $0.74, compared to $33.5 million and $0.76 per diluted share, respectively, for the first quarter of 2018. Excluding after-tax merger-related expenses (non-GAAP measure) in both periods, net income and diluted earnings per share would have increased 26.9% to $42.8 million, or $0.78 per diluted share for the three months ended March 31, 2019, as compared to the prior year quarter.

	For the Three Months Ended March 31,			
	2019		*2018*	
(unaudited, dollars in thousands, except per share amounts)	*Net Income*	*Diluted Earnings Per Share*	*Net Income*	*Diluted Earnings Per Share*
Net income (Non-GAAP)[(1)]	**$ 42,791**	**$ 0.78**	$ 33,722	$ 0.76
Less: After tax merger-related expenses	**(2,454)**	**(0.04)**	(193)	—
Net income (GAAP)	**$ 40,337**	**$ 0.74**	$ 33,529	$ 0.76

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

Net interest income increased $25.1 million or 34.2% in the first quarter of 2019 compared to the same quarter of 2018 due to a 23.0% increase in average earning assets. In addition, the yield on earning assets has increased a total of 47 basis points since the first quarter of 2018 while there was somewhat of an offset by a 26 basis points increase in the cost of interest bearing liabilities, producing an increase in the net spread on earning assets of 21 basis points year-over-year. The net interest margin increased by 30 basis points to 3.68% in the first quarter of 2019 compared to 3.38% in the first quarter of 2018. The net interest margin benefited from increases in the Federal Reserve Board's target federal funds rate over the past year as well as an increase in non-interest bearing demand deposits. The increase in the cost of interest bearing liabilities is primarily due to higher rates for interest bearing public funds, higher certificates of deposit costs and certain Federal Home Loan Bank and other borrowings. Accretion from prior acquisitions benefited the first quarter net interest margin by approximately 19 basis points, as compared to six basis points in the prior year period.

The provision for credit losses increased to $2.5 million in the first quarter of 2019, compared to $2.2 million in the first quarter of 2018. The increased provision is due primarily to a $40.7 million increase in criticized and classified loans as of March 31, 2019 as compared to March 31, 2018. The increase was primarily the result of WesBanco's normal loan grade review process post-acquisition of FFKT, as well as two larger downgraded relationships in the legacy loan portfolio. Net charge-offs, as a percentage of average portfolio loans was 0.07% for both the first quarter of 2019 and 2018.

For the first quarter of 2019, non-interest income increased $3.8 million or 15.8% compared to the first quarter of 2018. Service charges on deposits increased $1.7 million or 35.8%, electronic banking fees increased $1.1 million or 22.0%, payment processing fees increased $0.6 million or 100% and trust fees increased $0.6 million or 9.4% for the first quarter of 2019 compared to the first quarter of 2018. Payment processing fees are from a business acquired from FFKT, which provides bill payment and electronic funds transfer services for its customers. Bank owned-life insurance decreased $1.4 million or 52.1%, due to higher death benefits received during the first quarter of 2018 compared to the first quarter of 2019.

Non-interest expense in the first quarter of 2019 grew by $19.9 million or 36.4%, compared to the 2018 first quarter, which is primarily due to the FTSB and FFKT acquisitions. Salaries and wages increased $5.9 million or 23.7% and employee benefit expense increased $3.0 million or 44.5% compared to last year's first quarter as full-time equivalent personnel increased 20.1% due in part to the FTSB and FFKT acquisitions as well as additions to key revenue-producing positions throughout the markets. For the first quarter of 2019, merger-related expenses were $3.1 million related to the FFKT merger.

During the first quarter, the effective tax rate was 18.01% as compared to 17.28% last year, while the provision for income taxes increased $1.9 million to $8.9 million due to higher year-over-year pre-tax income.

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NET INTEREST INCOME

TABLE 1. NET INTEREST INCOME

(unaudited, dollars in thousands)	For the Three Months Ended March 31, 2019	2018
Net interest income	**$ 98,361**	$ 73,292
Taxable equivalent adjustment to net interest income	**1,473**	1,285
Net interest income, fully taxable equivalent	**$ 99,834**	$ 74,577
Net interest spread, non-taxable equivalent	**3.34%**	3.12%
Benefit of net non-interest bearing liabilities	**0.29%**	0.20%
Net interest margin	**3.63%**	3.32%
Taxable equivalent adjustment	**0.05%**	0.06%
Net interest margin, fully taxable equivalent	**3.68%**	3.38%

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, primarily deposits and short and long-term borrowings. Net interest income is affected by the general level of, and changes in interest rates, the steepness and shape of the yield curve, changes in the amount and composition of interest earning assets and interest bearing liabilities, as well as the frequency of repricing of existing assets and liabilities. Net interest income increased $25.1 million or 34.2% in 2019 compared to 2018, due to a 23.0% increase in average earning asset balances, primarily driven by the acquisitions of FTSB and FFKT and related net asset accretion from purchase accounting. Average loan balances increased by 20.8% in the first quarter of 2019 from the acquisitions of FTSB and FFKT compared to the first quarter of 2018, as organic loan growth decreased 1.3% from lower home equity loan balances due to a lower demand as a result of higher interest rates and tax changes, elevated levels of commercial real estate loans moving to the secondary market and continued deleveraging by commercial customers reflective of the current operating environment and higher cash levels from tax reform. Total average deposits increased in the first quarter of 2019 by $1.7 billion or 23.9% compared to the first quarter of 2018, due specifically to the deposits acquired from FTSB and FFKT. The net interest margin increased by 30 basis points to 3.68% in the first quarter of 2019 from the same period of 2018. The margin benefited from the effect of four increases in the Federal Reserve's target federal funds rate during 2018, higher margins on the acquired FFKT assets and control of deposit cost increases. Yields increased for all significant earning asset categories in 2019. The cost of interest bearing liabilities increased by 26 basis points from the first quarter of 2019 to the first quarter of 2018. The increase in the cost is primarily due to rate increases for larger balance customers in interest bearing demand deposits, which include public funds, and higher rates for customer repurchase agreements, short to medium-term Federal Home Loan Bank borrowings and junior subordinated debentures. Approximately 19 basis points of accretion from the FTSB, FFKT and other prior acquisitions was included in the first quarter 2019 net interest margin compared to 6 basis points in the 2018 first quarter net interest margin.

Interest income increased $32.6 million or 37.8% in the first quarter of 2019 compared to the first quarter of 2018 due to higher overall earning assets, particularly from the FTSB and FFKT acquisitions, and higher yields in every significant earning asset category. Earning asset yields were influenced positively in the first quarter of 2019 compared to the first quarter of 2018 due to four federal funds rate increases occurring through 2018. Average loan balances increased by $1.3 billion or 20.8% in the first quarter of 2019 compared to the first quarter of 2018, due to the acquisitions of FTSB and FFKT. Loan yields increased by 63 basis points during this same period to 5.06% from the previously mentioned federal funds rate increases and accretion from purchase accounting from the FTSB and FFKT acquisitions. Loans provide the greatest impact on interest income and the yield on earning assets as they have the largest balance and the highest yield within major earning asset categories. In the first quarter of 2019, average loans represented 69.9% of average earning assets, a decrease from 71.2% in 2018, primarily due to purchases of investment securities throughout 2018 and from those assumed in the FTSB and FFKT acquisitions exceeding average total loan growth on a percentage basis. Average taxable securities balances increased by $564.5 million or 31.5% from the first quarter of 2018, consistent with management's strategy of growing total assets above $10 billion in the first quarter of 2018. Total securities yields increased by 18 basis points in the first quarter of 2019 from the first quarter of 2018 due to higher market rates on all securities acquired and purchased in mid to late 2018 and into the first quarter of 2019, as taxable securities yields increased by 26 basis points and tax-exempt securities yields increased by 5 basis points. Slightly mitigating the yield increase in investment securities, the average balance of tax-exempt securities, which have the highest yields within securities, decreased to 25.6% of total average securities in the first quarter of 2019 compared to 28.6% in the first quarter of 2018, mostly due to the previously mentioned purchases of taxable securities and the sale of lower-yielding tax-exempt municipal securities late in the first quarter.

Total portfolio loans increased $1.3 billion or 21.3% over the last twelve months, while total commercial loans increased $1.0 billion or 23.8%. Loan growth was achieved through $2.3 billion in total loan originations, led by $1.4 billion in business loan originations for the past twelve months. Loan growth was driven by the acquisitions of FTSB and FFKT, expanded market areas and additional commercial personnel in our core markets, partially offset by significant loan paydowns or payoffs as some loans moved into the secondary lending market by customers who refinanced their commercial real estate mortgages.

Interest expense increased $7.6 million or 57.7% in the first quarter of 2019 compared to the first quarter of 2018, due primarily to increases in the balances of interest bearing liabilities from the acquisitions of FTSB and FFKT and increases in the rates paid on all interest bearing liability categories. The cost of interest bearing liabilities increased by 26 basis points from the first quarter of 2018 to 1.06% in 2019. Average interest bearing deposits increased by $1.2 billion or 22.0% from the first quarter of 2018, due to the acquisitions of FTSB and FFKT. The rate on interest bearing deposits increased by 18 basis points from the first quarter of 2018, primarily from increases in rates on interest bearing public funds and for certain larger balance customers. Average non-interest bearing demand deposits increased from the first quarter of 2018 to the first quarter of 2019 by $550.8 million or 29.5% and were 27.5% of total average deposits at March 31, 2019, compared to 26.3% at March 31, 2018, reflecting the acquisitions' non-interest bearing demand deposits and marketing strategies. Organic average non-interest bearing demand deposits increased by $92.9 million or 4.8% during this same time period. The increase in non-interest bearing deposits reflects positively on the net interest margin, as the benefit of non-interest bearing liabilities increased by nine basis points from the first quarter of 2018 to 2019. The average balance of FHLB borrowings increased by only $15.6 million from the first quarter of 2018 to 2019; however, the average rate paid increased by 68 basis points to 2.44% over this same time period due to higher interest rates and the replacement of some legacy lower-rate borrowings with those of current higher rates throughout 2018 and the first quarter of 2019. Average other borrowings and junior subordinated debt balances increased by $148.2 million or 40.1% from the first quarter of 2018 to 2019 due to the acquisitions of FTSB and FFKT, and their average rates paid increased by 82 and 62 basis points, respectively, over this same time period due to increases in LIBOR, the index upon which most of this variable-rate type of borrowing is priced.

TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

	For the Three Months Ended March 31,			
	2019		2018	
(unaudited, dollars in thousands)	Average Balance	Average Rate	Average Balance	Average Rate
ASSETS				
Due from banks—interest bearing	**$ 76,731**	**1.70%**	$ 8,727	2.06%
Loans, net of unearned income (1)	**7,659,542**	**5.06%**	6,339,550	4.43%
Securities: (2)				
Taxable	**2,353,856**	**2.84%**	1,789,336	2.58%
Tax-exempt (3)	**810,702**	**3.46%**	717,624	3.41%
Total securities	**3,164,558**	**3.00%**	2,506,960	2.82%
Other earning assets	**52,114**	**7.30%**	50,388	6.02%
Total earning assets (3)	**10,952,945**	**4.45%**	8,905,625	3.98%
Other assets	**1,557,087**		1,087,739	
Total Assets	**$12,510,032**		$9,993,364	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Interest bearing demand deposits	**$ 2,129,601**	**0.75%**	$1,697,755	0.60%
Money market accounts	**1,154,563**	**0.67%**	1,005,236	0.35%
Savings deposits	**1,659,751**	**0.13%**	1,288,120	0.06%
Certificates of deposit	**1,438,468**	**1.10%**	1,241,228	0.83%
Total interest bearing deposits	**6,382,383**	**0.65%**	5,232,339	0.47%
Federal Home Loan Bank borrowings	**1,053,014**	**2.44%**	1,037,441	1.76%
Other borrowings	**327,839**	**1.92%**	204,833	1.10%
Subordinated debt and junior subordinated debt	**189,524**	**5.41%**	164,334	4.79%
Total interest bearing liabilities (1)	**7,952,760**	**1.06%**	6,638,947	0.80%
Non-interest bearing demand deposits	**2,420,462**		1,869,624	
Other liabilities	**134,100**		83,522	
Shareholders' equity	**2,002,710**		1,401,271	
Total Liabilities and Shareholders' Equity	**$12,510,032**		$9,993,364	
Taxable equivalent net interest spread		**3.39%**		3.18%
Taxable equivalent net interest margin		**3.68%**		3.38%

(1) Gross of allowance for loan losses and net of unearned income. Includes non-accrual and loans held for sale. Loan fees included in interest income on loans totaled $0.6 million for both the three months ended March 31, 2019 and 2018, respectively. Additionally, loan accretion included in net interest income on loans acquired from acquisitions was $4.9 million and $1.2 million for the three months ended March 31, 2019 and 2018, respectively, while accretion on interest bearing liabilities from acquisitions was $0.4 million and $0.2 million for the three months ended March 31, 2019 and 2018, respectively.

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

(3) Taxable equivalent basis is calculated on tax-exempt securities using a rate of 21% for each period presented.

TABLE 3. RATE/VOLUME ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE

	Three Months Ended March 31, 2019 Compared to March 31, 2018		
(unaudited, in thousands)	Volume	Rate	Net Increase (Decrease)
Increase (decrease) in interest income:			
Due from banks—interest bearing	$ 520	$ (238)	$ 282
Loans, net of unearned income	15,631	10,634	26,265
Taxable securities	3,922	1,268	5,190
Tax-exempt securities (1)	804	91	895
Other earning assets	26	166	192
Total interest income change (1)	20,903	11,921	32,824
Increase (decrease) in interest expense:			
Interest bearing demand deposits	722	700	1,422
Money market accounts	147	874	1,021
Savings deposits	67	266	333
Certificates of deposit	446	921	1,367
Federal Home Loan Bank borrowings	68	1,771	1,839
Other borrowings	446	552	998
Subordinated debt and junior subordinated debt	319	268	587
Total interest expense change	2,215	5,352	7,567
Net interest income increase (decrease) (1)	$18,688	$ 6,569	$ 25,257

(1) Taxable equivalent basis is calculated on tax-exempt securities using a tax rate of 21%.

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 losses incurred within the loan portfolio. The provision for credit losses also includes the amount to be added to the reserve for loan commitments to bring that reserve to a level considered appropriate to absorb losses incurred on unfunded commitments. The provision for credit losses increased to $2.5 million in the first quarter of 2019 compared to $2.2 million in the first quarter of 2018 due primarily to the increase in the provision for loan commitments. Non-performing loans (including TDRs), and non-performing assets both improved as a percentage of total portfolio loans from March 31, 2018. Total non-performing loans were 0.47% of total loans at March 31, 2019, decreasing from 0.62% of total loans at the end of the first quarter of 2018. Non-performing assets were 0.54% of total loans and other real estate and repossessed assets at March 31, 2019, decreasing from 0.68% at the end of the first quarter of 2018. Criticized and classified loans were 1.42% of total loans, increasing from 1.08% at March 31, 2018. Past due loans at March 31, 2019 were 0.32% of total loans, compared to 0.25% at March 31, 2018. Annualized net loan charge-offs remained flat at 0.07% at March 31, 2019 and 2018. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).

NON-INTEREST INCOME

TABLE 4. NON-INTEREST INCOME

(unaudited, dollars in thousands)	For the Three Months Ended March 31, 2019	2018	$ Change	% Change
Trust fees	**$ 7,115**	$ 6,503	$ 612	9.4
Service charges on deposits	**6,549**	4,822	1,727	35.8
Electronic banking fees	**5,892**	4,829	1,063	22.0
Net securities brokerage revenue	**1,860**	1,670	190	11.4
Bank-owned life insurance	**1,319**	2,756	(1,437)	(52.1)
Mortgage banking income	**1,056**	1,004	52	5.2
Payment processing fees	**648**	—	648	100.0
Net securities gains (losses)	**657**	(39)	696	1,784.6
Net gain on other real estate owned and other assets	**136**	262	(126)	(48.1)
Net insurance services revenue	**908**	892	16	1.8
Swap fee and valuation income	**369**	517	(148)	(28.6)
Other	**1,264**	764	500	65.4
Total non-interest income	**$ 27,773**	$ 23,980	$ 3,793	15.8

Non-interest income is a significant source of revenue and an important part of WesBanco's results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco's ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. For the first quarter of 2019, non-interest income increased $3.8 million or 15.8% compared to the first quarter of 2018 primarily due to the acquisitions of FTSB and FFKT. The increase is driven by a $1.7 million increase in service charges on deposits, a $1.1 million increase in electronic banking fees, a $0.7 million increase in net securities gains, a $0.6 million increase in payment processing fees and a $0.6 million increase in trust fees, which was partially offset by $1.4 million decreases in bank-owned life insurance compared to the first quarter of 2018.

Trust fees increased $0.6 million or 9.4% compared to the first quarter of 2018 due to the acquisition of FFKT as well as market improvements and customer and revenue development initiatives. Total trust assets have increased $0.5 billion from $4.0 billion at March 31, 2018 to $4.5 billion at March 31, 2019. At March 31, 2019, trust assets include managed assets of $3.9 billion and non-managed (custodial) assets of $0.6 billion. Assets managed for the WesMark Funds, a proprietary group of mutual funds that is advised by WesBanco Trust and Investment Services, were $913.4 million as of March 31, 2019 and $933.6 million at March 31, 2018 and are included in trust-managed assets.

Service charges on deposits increased $1.7 million or 35.8% primarily because of the FTSB and FFKT acquisitions. Deposits increased $1.7 billion to $8.9 billion as of March 31, 2019 as compared to $7.2 billion as of March 31, 2018.

Electronic banking fees, which include debit card interchange fees, continued to grow, increasing $1.0 million or 22.0% compared to the first three months of 2018 due to a higher customer base from the FTSB and FFKT acquisitions as well as increased volume of debit card transactions from WesBanco's legacy customers. The volume increase in legacy customers is due to a higher percentage of customers using these products as well as marketing initiatives. Beginning on July 1, 2019, debit card interchange fees will decrease by an estimated $2.0-$3.0 million per quarter due to the impact of the Durbin amendment from the 2010 passage of the Dodd-Frank Act on banks with total assets of $10 billion or greater.

Bank-owned life insurance decreased $1.4 million or 52.1% compared to first quarter of 2018 due to higher death benefits received during the prior period. The total cash surrender value of bank-owned life insurance increased $34.8 million to $226.6 million as of March 31, 2019 as compared to March 31, 2018, which is primarily attributable to the bank-owned life insurance acquired from FFKT.

Mortgage banking income remained flat at $1.1 million compared to $1.0 million at first quarter of 2018. Mortgage production was $94.1 million, which was an increase of 28.3% from the comparable 2018 quarter. However, mortgages sold into the secondary market represented $39.6 million or 42.1% of overall mortgage loan production in the first three months of 2019 compared to $38.6 million or 52.7% in the first three months of 2018. Included in the mortgage banking income is $0.3 million loss and $0.3 million gain from the fair value adjustments on loans held for sale and loan commitments for the three months ended March 31, 2019 and 2018, respectively.

Payment processing fees are earned from the bill payment and electronic funds transfer ("EFT") services provided under the name FirstNet, which was acquired from FFKT. Payment processing fee income was $0.6 million for the first three months of 2019. There was no prior period income.

Net securities gains (losses) increased $0.7 million compared to the first quarter of 2018. Included in net securities gains is a $0.6 million market adjustment for deferred compensation and $0.1 million related to net gains on sales and calls of debt securities.

NON-INTEREST EXPENSE

TABLE 5. NON-INTEREST EXPENSE

(unaudited, dollars in thousands)	For the Three Months Ended March 31, 2019	2018	$ Change	% Change
Salaries and wages	**$ 30,940**	$ 25,006	$ 5,934	23.7
Employee benefits	**9,989**	6,912	3,077	44.5
Net occupancy	**5,566**	4,656	910	19.5
Equipment	**4,833**	3,949	884	22.4
Marketing	**1,243**	1,116	127	11.4
FDIC insurance	**1,353**	658	695	105.6
Amortization of intangible assets	**2,514**	1,086	1,428	131.5
Restructuring and merger-related expenses	**3,107**	245	2,862	1,168.2
Franchise and other miscellaneous taxes	**3,026**	2,235	791	35.4
Consulting, regulatory, accounting and advisory fees	**1,817**	1,532	285	18.6
ATM and electronic banking interchange expenses	**1,723**	1,216	507	41.7
Postage and courier expenses	**1,549**	959	590	61.5
Legal fees	**679**	713	(34)	(4.8)
Communications	**930**	488	442	90.6
Supplies	**1,140**	687	453	65.9
Other real estate owned and foreclosure expenses	**12**	199	(187)	(94.0)
Other	**4,011**	2,914	1,097	37.6
Total non-interest expense	**$ 74,432**	$ 54,571	$19,861	36.4

Non-interest expense in the first quarter of 2019 increased by $19.9 million or 36.4% compared to the same quarter in 2018, principally from the FTSB and FFKT acquisitions, which closed in the second and third quarters of 2018. In the first quarter of 2019, there was $3.1 million in merger-related expenses for the FFKT acquisition compared to $0.2 million in merger-related expenses for the FTSB acquisition in the first quarter of 2018. Excluding merger-related expenses, non-interest expense increased $17.0 million or 31.3% compared to the first quarter of 2018.

Salaries and wages increased $5.9 million or 23.7% from the first quarter of 2018 due to increased compensation expense related to a 20.1% increase in full-time equivalent employees from the FTSB and FFKT acquisitions. Employee benefits expense increased $3.1 million compared to the first quarter of 2018, primarily from a $0.9 million increase in health care costs, a $0.7 million increase in employer payroll taxes and a $0.6 million increase in the fair value of certain executive deferred compensation benefits, which is fully offset in net securities gains. Salaries and wages expense and benefits expense should benefit somewhat from a reduction in full-time equivalent employees that occurred after the core technology and branch conversions of FFKT in the first quarter of 2019.

Net occupancy costs increased $0.9 million or 19.5% compared to the first three months of 2018, primarily due to increased building-related costs from the additional branches acquired in the FTSB and FFKT acquisitions including utilities, lease expense, depreciation, repairs and other seasonal maintenance costs, such as snow removal. Upon core conversion of FFKT in the first quarter of 2019, WesBanco closed six branches in Kentucky to reduce redundant locations, which allows the Company to operate more cost effectively.

FDIC insurance increased $0.7 million or 105.6% compared to the first three months of 2018 due to a higher assessment rates resulting from the FTSB and FFKT acquisitions increasing WesBanco's total assets over $10 billion and WesBanco now being assessed as a large bank. WesBanco expects to receive $3.1 million of small bank credits against future assessments once the FDIC insurance fund reaches 1.38%.

Amortization of intangible assets increased $1.4 million or 131.5% compared to the same quarter of 2018. The FTSB acquisition added approximately $8.1 million in core deposit intangibles. The FFKT acquisition added approximately $37.4 million in core deposit intangibles and $2.6 million in trust customer relationship intangibles.

Merger-related expenses in 2019 related to the FFKT acquisition that closed on August 20, 2018, and increased $2.9 million from the $0.2 million in merger-related expenses that were recorded in the first quarter of 2018 for the FTSB acquisition. The $3.1 million of expenses recorded in the first quarter of 2019 include $1.3 million in branch consolidation costs, as six branches were closed or consolidated and four branches were transferred to held for sale, $1.0 million in conversion costs and professional fees, $0.4 million in staffing costs and $0.4 million in contract termination costs.

Franchise and other miscellaneous taxes increased by $0.8 million or 35.4% from the same quarter of 2018 due to a $0.3 million increase in the Kentucky corporate franchise tax from the FFKT acquisition, which was headquartered in Kentucky. Real and personal property taxes also increased by $0.2 million due to the addition of FTSB and FFKT's branches.

INCOME TAXES

The provision for income taxes increased $1.9 million or 26.5% in the first quarter of 2019 compared to the first quarter of 2018, primarily due to a $8.7 million increase in pre-tax income. The effective tax rate increased to 18.01% compared to 17.28% in the first quarter of 2018.

FINANCIAL CONDITION

Total assets increased 1.1%, while deposits and shareholders' equity increased 1.0% and 2.2%, respectively, compared to December 31, 2018. Total securities decreased by $53.2 million or 1.7% from December 31, 2018 to March 31, 2019, primarily driven by the sale of lower yielding municipal securities and the repayment of mortgage-backed securities, which were partially offset by a $25.0 million reduction in unrealized losses in the available-for-sale portfolio. Total portfolio loans remained virtually unchanged increasing $9.8 million or 0.1%. Deposits increased $84.7 million from year-end resulting from a 1.8% increase in demand deposits, a 1.7% increase in savings deposits and a 0.5% increase in money market deposits, which more than offset the 2.2% decrease in certificates of deposit. The decrease in certificates of deposit is a result of periodically offering lower than median competitive rates for maturing certificates of deposit, primarily for single-service customers, and customer preferences for other deposit types, coupled with an $8.7 million decrease in CDARS® balances. The increase in demand deposits and savings deposits were attributable to marketing, incentives paid to customers, focused retail and business strategies to obtain more account relationships, and customers' preference for short-term maturities, coupled with deposits from bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. Total borrowings decreased 1.4% during the first three months of 2019 as FHLB maturities exceeded new borrowings by $22.5 million and $10.3 million of junior subordinated debentures were redeemed during the first three months of 2019, which were partially offset by an $11.0 million increase in short-term borrowings. Total shareholders' equity increased by approximately $44.3 million or 2.2%, compared to December 31, 2018, primarily due to net income exceeding dividends for the period by $23.4 million and a $19.8 million other comprehensive income gain.

TABLE 6. COMPOSITION OF SECURITIES (1)

(unaudited, dollars in thousands)	March 31, 2019	December 31, 2018	$ Change	% Change
Equity securities (at fair value)	**$ 11,978**	$ 11,737	$ 241	2.1
Available-for-sale debt securities (at fair value)				
U.S. Treasury	**19,712**	19,878	(166)	(0.8)
U.S. Government sponsored entities and agencies	**139,290**	141,652	(2,362)	(1.7)
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**1,582,784**	1,561,255	21,529	1.4
Commercial mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**177,005**	168,972	8,033	4.8
Obligations of states and political subdivisions	**186,067**	185,114	953	0.5
Corporate debt securities	**40,231**	37,258	2,973	8.0
Total available-for-sale debt securities	**$2,145,089**	$ 2,114,129	$ 30,960	1.5
Held-to-maturity debt securities (at amortized cost)				
U.S. Government sponsored entities and agencies	**$ 10,627**	$ 10,823	$ (196)	(1.8)
Residential mortgage-backed securities and collateralized mortgage obligations of government sponsored entities and agencies	**142,931**	148,300	(5,369)	(3.6)
Obligations of states and political subdivisions	**749,652**	828,520	(78,868)	(9.5)
Corporate debt securities	**33,274**	33,291	(17)	(0.1)
Total held-to-maturity debt securities	**936,484**	1,020,934	(84,450)	(8.3)
Total securities	**$3,093,551**	$ 3,146,800	$(53,249)	(1.7)
Available-for-sale and equity securities:				
Weighted average yield at the respective period end (2)	**2.79%**	2.78%		
As a % of total securities	**69.7%**	67.6%		
Weighted average life (in years)	**4.8**	5.0		
Held-to-maturity securities:				
Weighted average yield at the respective period end (2)	**3.54%**	3.47%		
As a % of total securities	**30.3%**	32.4%		
Weighted average life (in years)	**3.8**	4.6		
Total securities:				
Weighted average yield at the respective period end (2)	**3.02%**	3.00%		
As a % of total securities	**100.0%**	100.0%		
Weighted average life (in years)	**4.5**	4.2		

(1) At March 31, 2019 and December 31, 2018, there were no holdings of any one issuer, other than U.S. government sponsored entities and its agencies, in an amount greater than 10% of WesBanco's shareholders' equity.
(2) Weighted average yields have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 21%.

Total investment securities, which are a source of liquidity for WesBanco as well as a contributor to interest income, decreased by $53.3 million or 1.7% from December 31, 2018 to March 31, 2019. Through the first three months of 2019, the available-for-sale portfolio increased by $31.0 million or 1.5%, while the held-to-maturity portfolio decreased by $84.5 million or 8.3% due to $67.4 million of held-to-maturity callable municipal securities being transferred to available-for-sale, with the adoption of ASU 2017-12. WesBanco elected to use the one-time transition election to transfer these securities as they were some of the lower yielding securities in the municipal portfolio, and subsequently sold $66.1 million of these securities at a $51 thousand net gain. The weighted average yield of the portfolio increased by two basis points from 3.00% at December 31, 2018 to 3.02% at March 31, 2019. Though market rates decreased in the first quarter of 2019, the tax-equivalent yield increased by approximately two basis points on the entire portfolio from year-end due to the previously mentioned sales.

Net unrealized losses on available-for-sale securities included in accumulated other comprehensive income, net of tax, as of March 31, 2019 and December 31, 2018 were $3.6 million and $25.3 million, respectively. With approximately 30% of the investment portfolio in the held-to-maturity category, the recent volatility in interest rates does not have as much impact on other comprehensive income as if the entire portfolio were included in the category available-for-sale.

Equity securities, of which a portion consist of investments in various mutual funds held in grantor trusts formed in connection with a key officer and director deferred compensation plan, are recorded at fair value. Gains and losses due to fair value fluctuations on equity securities are included in net securities gains or losses. For those equity securities relating to the key officer and director deferred compensation plan, the corresponding change in the obligation to the employee is recognized in employee benefits expense.

WesBanco's municipal portfolio comprises 30.2% of the overall securities portfolio as of March 31, 2019 compared to 32.2% as of December 31, 2018, and it carries different risks that are not as prevalent in other security types contained in the portfolio. The following table presents the allocation of the municipal bond portfolio based on the combined S&P and Moody's ratings of the individual bonds (at fair value):

TABLE 7. MUNICIPAL BOND RATINGS

	March 31, 2019		December 31, 2018	
(unaudited, dollars in thousands)	Amount	% of Total	Amount	% of Total
Municipal bonds (at fair value) (1):				
Moody's: Aaa / S&P: AAA	**$117,264**	**12.3**	$ 101,557	10.0
Moody's: Aa1 ; Aa2 ; Aa3 / S&P: AA+ ; AA ; AA-	**688,158**	**72.5**	654,787	64.3
Moody's: A1 ; A2 ; A3 / S&P: A+ ; A ; A-	**123,633**	**13.0**	237,847	23.4
Moody's: Baa1 ; Baa2 ; Baa3 / S&P: BBB+ ; BBB ; BBB- (2)	**5,364**	**0.6**	7,607	0.7
Not rated by either agency	**15,098**	**1.6**	16,595	1.6
Total municipal bond portfolio	**$949,517**	**100.0**	$1,018,393	100.0

(1) The lowest available rating was used when placing the bond into a category in the table.
(2) As of March 31, 2019 and December 31, 2018, there are no securities in the municipal portfolio rated below investment grade.

WesBanco's municipal bond portfolio at March 31, 2019 consists of $185.9 million taxable (primarily Build America Bonds) and $763.6 million of tax-exempt general obligation and revenue bonds. The following table presents additional information regarding the municipal bond type and issuer (at fair value):

TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES

	March 31, 2019		December 31, 2018	
(unaudited, dollars in thousands)	Amount	% of Total	Amount	% of Total
Municipal bond type:				
General Obligation	**$646,077**	**68.0**	$ 690,463	67.8
Revenue	**303,440**	**32.0**	327,930	32.2
Total municipal bond portfolio	**$949,517**	**100.0**	$1,018,393	100.0
Municipal bond issuer:				
State Issued	**$ 87,444**	**9.2**	$ 98,468	9.7
Local Issued	**862,073**	**90.8**	919,925	90.3
Total municipal bond portfolio	**$949,517**	**100.0**	$1,018,393	100.0

WesBanco's municipal bond portfolio is broadly spread across the United States. The following table presents the top five states of municipal bond concentration based on total fair value at March 31, 2019:

TABLE 9. CONCENTRATION OF MUNICIPAL SECURITIES

	March 31, 2019	
(unaudited, dollars in thousands)	Fair Value	% of Total
Pennsylvania	**$ 187,439**	**19.7**
Texas	**104,746**	**11.0**
Ohio	**100,352**	**10.6**
Kentucky	**56,170**	**5.9**
Illinois	**43,339**	**4.6**
All other states (1)	**457,471**	**48.2**
Total municipal bond portfolio	**$ 949,517**	**100.0**

(1) WesBanco's municipal bond portfolio contains obligations in the state of West Virginia totaling $37.6 million or 4.0% of the total municipal portfolio.

WesBanco uses prices from independent pricing services and, to a lesser extent, indicative (non-binding) quotes from independent brokers, to measure the fair value of its securities. WesBanco validates prices received from pricing services or brokers using a variety of methods, including, but not limited to, comparison to secondary pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, review of pricing by personnel familiar with market liquidity and other market-related conditions, review of pricing service methodologies, review of independent auditor reports received from the pricing service regarding its internal controls, and through review of inputs and assumptions used in pricing certain securities thinly traded or with limited observable data points. The procedures in place provide management with a sufficient understanding of the valuation models, assumptions, inputs and pricing to reasonably measure the fair value of WesBanco's securities. For additional disclosure relating to fair value measurements, refer to Note 9, "Fair Value Measurement" in the Consolidated Financial Statements.

LOANS AND CREDIT RISK

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

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

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

TABLE 10. COMPOSITION OF LOANS (1)

	March 31, 2019		December 31, 2018	
(unaudited, dollars in thousands)	Amount	% of Loans	Amount	% of Loans
Commercial real estate:				
Land and construction	**$ 505,127**	**6.6**	$ 528,072	6.9
Improved property	**3,337,281**	**43.5**	3,325,623	43.4
Total commercial real estate	**3,842,408**	**50.1**	3,853,695	50.3
Commercial and industrial	**1,274,992**	**16.6**	1,265,460	16.5
Residential real estate	**1,628,067**	**21.2**	1,611,607	21.0
Home equity	**590,462**	**7.7**	599,331	7.8
Consumer	**330,152**	**4.3**	326,188	4.3
Total portfolio loans	**7,666,081**	**99.9**	7,656,281	99.9
Loans held for sale	**8,358**	**0.1**	8,994	0.1
Total loans	**$7,674,439**	**100.0**	$7,665,275	100.0

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

Total loans increased $9.2 million or 0.1% from December 31, 2018 while portfolio loans increased $1.3 billion or 21.3% over the last twelve months. Total loan growth over the last twelve months was primarily due to the acquisitions of FTSB and FFKT. Total organic loans were down 1.3% year-over-year, resulting from lower home equity loan balances due to lower demand as a result of higher interest rates and tax changes, elevated levels of commercial real estate loans that moved to the secondary financing market, and continued deleveraging by commercial customers reflective of the current operational environment and higher cash levels from tax reform.

Total loan commitments of $2.5 billion, including loans approved but not closed, increased $88.8 million or 3.7% from December 31, 2018 due primarily to loans approved but not closed. The line utilization percentage for the commercial portfolio was 47.8% at March 31, 2019 and 47.6% at December 31, 2018.

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

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

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

TABLE 11. NON-PERFORMING ASSETS

(unaudited, dollars in thousands)	**March 31, 2019**	December 31, 2018
Non-accrual loans:		
Commercial real estate—land and construction	**$ 285**	$ —
Commercial real estate—improved property	**8,639**	8,413
Commercial and industrial	**3,212**	3,260
Residential real estate	**12,871**	13,831
Home equity	**4,813**	4,610
Consumer	**407**	586
Total non-accrual loans (1)	**30,227**	30,700
TDRs accruing interest:		
Commercial real estate—land and construction	**—**	—
Commercial real estate—improved property	**755**	880
Commercial and industrial	**162**	168
Residential real estate	**4,000**	4,185
Home equity	**506**	426
Consumer	**58**	85
Total TDRs accruing interest (1)	**5,481**	5,744
Total non-performing loans	**$ 35,708**	$ 36,444
Other real estate owned and repossessed assets	**6,001**	7,265
Total non-performing assets	**$ 41,709**	$ 43,709
Non-performing loans/total portfolio loans	**0.47%**	0.48%
Non-performing assets/total assets	**0.33%**	0.35%
Non-performing assets/total portfolio loans, other real estate and repossessed assets	**0.54%**	0.57%

(1) TDRs on nonaccrual of $2.9 million at March 31, 2019 and December 31, 2018, respectively, are included in total nonaccrual loans.

Non-performing loans, which consist of non-accrual loans and TDRs, decreased $0.7 million or 2.0%, from December 31, 2018, primarily due to the paydown of one large residential real estate loan in the first quarter. TDRs decreased slightly by $0.3 million due to normal repayments being slightly higher than additions to the category. (Please see the Notes to the Consolidated Financial Statements for additional discussion.)

Other real estate owned and repossessed assets decreased $1.3 million from December 31, 2018 primarily due to continued efforts to liquidate properties and write-downs on FFKT acquired other real estate owned.

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

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

(unaudited, dollars in thousands)	March 31, 2019	December 31, 2018
Loans past due 90 days or more:		
Commercial real estate—land and construction	**$ —**	$ —
Commercial real estate—improved property	**558**	175
Commercial and industrial	**221**	13
Residential real estate	**1,096**	2,820
Home equity	**730**	705
Consumer	**135**	364
Total loans past due 90 days or more	**2,740**	4,077
Loans past due 30 to 89 days:		
Commercial real estate—land and construction	**1,979**	1,412
Commercial real estate—improved property	**5,285**	4,439
Commercial and industrial	**861**	878
Residential real estate	**8,206**	6,542
Home equity	**2,778**	3,344
Consumer	**2,324**	2,954
Total loans past due 30 to 89 days	**21,433**	19,569
Total 30 days or more	**$ 24,173**	$ 23,646
Loans past due 90 days or more and accruing to total portfolio loans	**0.04%**	0.05%
Loans past due 30-89 days and accruing to total portfolio loans	**0.28%**	0.26%

Loans past due 30 days or more and accruing interest excluding non-accruals and TDRs increased $0.5 million or 2.2% from December 31, 2018. These loans continue to accrue interest because they are both well-secured and in the process of collection. The increase in the 30 to 89 days past due status was primarily due to a $1.7 million increase in the residential real estate category and represented 0.11% of total loans at March 31, 2019 and 0.09% at December 31, 2018. Loans past due 90 days or more decreased $1.3 million compared to December 31, 2018 and represented 0.04% of total loans at March 31, 2019 compared to 0.05% at December 31, 2018. The continued low levels of delinquency are the result of management's continued focus on sound initial underwriting, timely collection of loans at their earliest stage of delinquency, stable unemployment and generally improved economic conditions.

ALLOWANCE FOR CREDIT LOSSES

The allowance for loan losses of $48.9 million represented 0.64% of total portfolio loans at March 31, 2019 compared to 0.64% as of December 31, 2018 and 0.73% as of March 31, 2018. Included in the ratio are acquired FTSB and FFKT loans (recorded at fair value at the date of acquisition of $1.5 billion) and the related allowance on FTSB and FFKT acquired loans of $56 thousand at March 31, 2019 recorded since acquisitions.

The allowance for loans individually-evaluated increased $93 thousand from December 31, 2018 to March 31, 2019. The allowance for loans collectively-evaluated decreased from December 31, 2018 to March 31, 2019 by $0.2 million.

The allowance for loan commitments was $2.0 million at March 31, 2019 as compared to $0.7 million at December 31, 2018, and is included in other liabilities on the Consolidated Balance Sheets. The increase in the allowance for loan commitments is due to one unfunded commitment with a credit relationship that was downgraded to classified status.

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

The loss migration rate by internal risk grade is the primary factor for establishing the allowance for all commercial loans, and the portfolio segment loss history is the primary factor for establishing the allowance for residential real estate, home equity and consumer loans. The categorization of loans as non-performing is not as significant a factor as the loss migration rate by risk grade or the segment loss history, although certain non-performing loans that carry specific reserves are also typically considered classified under the internal risk grading system. Criticized and classified loans were 1.42% of total loans, increasing from 1.08% at December 31, 2018. Criticized and classified loans increased $26.1 million from December 31, 2018 to $109.1 million at March 31, 2019 primarily due to the post-acquisition loan grade review process and two larger downgraded relationships in the legacy loan portfolio.

Table 13 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio. The overall allowance for loans was relatively unchanged. The allowance for commercial and industrial loan commitments increased due to the downgrade of a commercial and industrial loan with a remaining undrawn commitment balance.

TABLE 13. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

(unaudited, dollars in thousands)	**March 31, 2019**	**Percent of Total**	**December 31, 2018**	**Percent of Total**
Allowance for loan losses:				
Commercial real estate—land and construction	**$ 4,045**	**7.9**	$ 4,039	8.1
Commercial real estate—improved property	**19,915**	**39.2**	20,848	42.0
Commercial and industrial	**12,907**	**25.4**	12,114	24.4
Residential real estate	**3,745**	**7.4**	3,822	7.7
Home equity	**4,269**	**8.4**	4,356	8.8
Consumer	**2,780**	**5.5**	2,797	5.6
Deposit account overdrafts	**1,205**	**2.3**	972	1.8
Total allowance for loan losses	**$ 48,866**	**96.1**	$ 48,948	98.4
Allowance for loan commitments:				
Commercial real estate—land and construction	**$ 194**	**0.4**	$ 169	0.4
Commercial real estate—improved property	**24**	**0.1**	33	0.1
Commercial and industrial	**1,443**	**2.8**	262	0.5
Residential real estate	**11**	**0.0**	12	0.0
Home equity	**248**	**0.5**	226	0.5
Consumer	**40**	**0.1**	39	0.1
Total allowance for loan commitments	**1,960**	**3.9**	741	1.6
Total allowance for credit losses	**$ 50,826**	**100.0**	$ 49,689	100.0

Although the allowance for credit losses is allocated as described in Table 13, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management’s estimation of probable losses and actual incurred losses in subsequent periods for any category may necessitate future adjustments to the provision for loan losses applicable to the category. Management believes the allowance for credit losses is appropriate to absorb probable losses at March 31, 2019.

DEPOSITS

TABLE 14. DEPOSITS

(unaudited, dollars in thousands)	March 31, 2019	December 31, 2018	$ Change	% Change
Deposits				
Non-interest bearing demand	**$2,511,140**	$ 2,441,041	$ 70,099	2.9
Interest bearing demand	**2,159,654**	2,146,508	13,146	0.6
Money market	**1,148,295**	1,142,925	5,370	0.5
Savings deposits	**1,672,967**	1,645,549	27,418	1.7
Certificates of deposit	**1,424,275**	1,455,610	(31,335)	(2.2)
Total deposits	**$8,916,331**	$ 8,831,633	$ 84,698	1.0

Deposits, which represent WesBanco's primary source of funds, are offered in various account forms at various rates through WesBanco's 203 financial centers. The FDIC insures deposits up to $250,000 per account.

Total deposits increased by $84.7 million or 1.0% during the first three months of 2019. Non-interest bearing demand, savings deposits, interest bearing demand and money market deposits increased 2.9%, 1.7%, 0.6% and 0.5%, respectively. This growth is primarily attributable to marketing, customer incentives, focused retail and business strategies to obtain more account relationships and customers' preferences for shorter-term maturities. Deposit balances were also impacted by bonus and royalty payments for Marcellus and Utica shale gas payments from energy companies in WesBanco's southwestern Pennsylvania, eastern Ohio and northern West Virginia markets. Money market deposits were influenced through WesBanco's participation in the Insured Cash Sweep (ICS®) money market deposit program. ICS® reciprocal balances totaled $60.5 million at March 31, 2019 compared to $61.4 million at December 31, 2018. In addition, public funds increased in the first quarter due to the seasonality of local and municipal governmental tax receipts.

Certificates of deposit decreased $31.3 million due primarily to the effects of an overall corporate strategy designed to increase and remix retail deposit relationships and reducing single-service customers with a focus on overall products that can be offered at a lower cost to WesBanco. The decline was also impacted by lower offered rates on certain maturing certificates of deposit in a rising rate environment and customer preferences for other non-maturity deposit types. WesBanco does not generally solicit brokered or other deposits out-of-market or over the internet, but does participate in the Certificate of Deposit Account Registry Services (CDARS®) program. CDARS® balances totaled $40.7 million in outstanding balances at March 31, 2019, of which $17.0 million represented one-way buys, compared to $49.4 million in total outstanding balances at December 31, 2018, of which $22.0 million represented one-way buys. Certificates of deposit greater than $250,000 were approximately $320.6 million at March 31, 2019 compared to $323.2 million at December 31, 2018. Certificates of deposit of $100,000 or more were approximately $671.4 million at March 31, 2019 compared to $684.6 million at December 31, 2018. Certificates of deposit totaling approximately $806.4 million at March 31, 2019 with a cost of 1.15% are scheduled to mature within the next 12 months. WesBanco intends to continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time, the Bank may offer special promotions or match competitor rates on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs.

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BORROWINGS

TABLE 15. BORROWINGS

(unaudited, dollars in thousands)	March 31, 2019	December 31, 2018	$ Change	% Change
Federal Home Loan Bank Borrowings	**$1,031,796**	$ 1,054,174	$(22,378)	(2.1)
Other short-term borrowings	**301,547**	290,522	11,025	3.8
Subordinated debt and junior subordinated debt	**179,632**	189,842	(10,210)	(5.4)
Total	**$1,512,975**	$ 1,534,538	$(21,563)	(1.4)

While borrowings are a significant source of funding for WesBanco, they are less significant as compared to total deposits. During the first quarter of 2019, FHLB borrowings decreased $22.4 million, as $122.4 million in maturities, other principal paydowns and purchase accounting amortization offset $100.0 million in new advances. In addition, WesBanco extended the maturities of approximately $100.0 million of maturing FHLB borrowings in the first quarter with a prior cost of approximately 1.86%, at current short-term FHLB rates approximating 2.59% - 2.68%.

Other short-term borrowings, which may consist of federal funds purchased, callable repurchase agreements, overnight sweep checking accounts, and borrowings on a revolving line of credit, were $301.5 million at March 31, 2019 compared to $290.5 million at December 31, 2018. The increase is primarily due to a $6.4 million increase in callable repurchase agreements, coupled with a $4.6 million increase in overnight sweep checking accounts. At March 31, 2019, there were no outstanding federal funds purchased.

Subordinated debt and junior subordinated debt were $179.6 million at March 31, 2019 compared to $189.8 million at December 31, 2018. The decrease is primarily a result of the redemption of $10.3 million in junior subordinated debt during the first three months of 2019 from the FFKT acquisition. On May 1, 2019, WesBanco is redeeming $23.2 million in junior subordinated debt acquired from FFKT in 2018.

WesBanco has a revolving line of credit, which is a senior obligation of the parent company, with another financial institution. This line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregate unsecured borrowings of up to $25.0 million. There was no outstanding balance at March 31, 2019 or December 31, 2018.

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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 13, "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 $44.3 million or 2.2% from $2.0 billion at December 31, 2018. The increase resulted primarily from net income during the current three-month period of $40.3 million and a $19.8 million reduction in other comprehensive income losses, which was partially offset by the declaration of common shareholder dividends totaling $16.9 million for the three months ended March 31, 2019. WesBanco also increased its quarterly dividend rate to $0.31 per share in February, representing a 6.9% increase over the prior quarterly rate and a cumulative 121% increase since 2010.

WesBanco did not purchase any shares during the three-month period ended March 31, 2019 under the current share repurchase plans. At March 31, 2019, the remaining shares authorized to be purchased under the current repurchase plans totaled 1,092,535 shares.

On February 27, 2019, WesBanco granted 12,000 Total Shareholder Return Plan ("TSR") shares for the performance period beginning January 1, 2019 and ending December 31, 2021 to certain executives. The award is determined at the end of the three-year period if the TSR of WesBanco common stock is equal to or greater than the 50th percentile of the TSR of the peer group. The number of shares to be earned by the participant shall be 200% of the grant-date award if the TSR of WesBanco common stock is equal to or greater than the 75th percentile of the TSR of the peer group. Upon achieving the market-based metric, shares determined to be earned by the participant become time-based and vest in three equal annual installments.

Regulatory guidelines require bank holding companies and commercial banks to maintain certain minimum capital ratios and define companies as "well capitalized" that sufficiently exceed the minimum ratios. At March 31, 2019, regulatory capital levels for both the Bank and WesBanco were substantially greater than the minimum amounts needed to be considered "well capitalized" under the regulations. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to WesBanco. As of March 31, 2019, under FDIC regulations, WesBanco could receive, without prior regulatory approval, a dividend of approximately $115.7 million from the Bank. WesBanco expects to continue to improve its consolidated and Bank capital ratios as necessary over time, to fund organic growth and acquisitions, primarily from retaining a majority of its earnings.

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

			March 31, 2019			December 31, 2018		
(unaudited, dollars in thousands)	Minimum Value (1)	Well Capitalized (2)	Amount	Ratio	Minimum Amount (1)	Amount	Ratio	Minimum Amount (1)
WesBanco, Inc.								
Tier 1 leverage	4.00%	5.00%	**$1,276,504**	**10.98%**	**$465,164**	$1,258,605	10.74%	$468,824
Common equity Tier 1	4.50%	6.50%	**1,124,004**	**13.47%**	**375,195**	1,096,105	13.14%	375,254
Tier 1 capital to risk-weighted assets	6.00%	8.00%	**1,276,504**	**15.31%**	**500,261**	1,258,605	15.09%	500,338
Total capital to risk-weighted assets	8.00%	10.00%	**1,352,527**	**16.22%**	**667,014**	1,333,503	15.99%	667,118
WesBanco Bank, Inc.								
Tier 1 leverage	4.00%	5.00%	**$1,130,289**	**9.74%**	**$464,374**	$1,108,600	9.48%	$467,939
Common equity Tier 1	4.50%	6.50%	**1,130,289**	**13.56%**	**375,104**	1,108,600	13.30%	375,117
Tier 1 capital to risk-weighted assets	6.00%	8.00%	**1,130,289**	**13.56%**	**500,138**	1,108,600	13.30%	500,156
Total capital to risk-weighted assets	8.00%	10.00%	**1,206,312**	**14.47%**	**666,851**	1,183,498	14.20%	666,874

(1) Minimum requirements to remain adequately capitalized.
(2) Well-capitalized under prompt corrective action regulations.

LIQUIDITY RISK

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

WesBanco determines the degree of required liquidity by the relationship of total holdings of liquid assets to the possible need for funds to meet unexpected deposit losses and/or loan demands. The ability to quickly convert assets to cash at a minimal loss is a primary function of WesBanco's investment portfolio management. WesBanco believes its cash flow from the loan portfolio, the investment portfolio, and other sources, adequately meet its liquidity requirements. WesBanco's net loans to assets ratio was 60.4% at March 31, 2019 and deposit balances funded 70.8% of assets.

The following table lists the sources of liquidity from assets at March 31, 2019 expected within the next year:

(unaudited, in thousands)	
Cash and cash equivalents	**$ 336,894**
Securities with a maturity date within the next year and callable securities	**296,873**
Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1)	**244,100**
Loans held for sale	**8,358**
Accruing loans scheduled to mature	**1,088,626**
Normal loan repayments	**1,858,135**
Total sources of liquidity expected within the next year	**$3,832,986**

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled $8.9 billion at March 31, 2019. 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 $806.4 million at March 31, 2019, which includes jumbo regular certificates of deposit totaling $377.1 million with a weighted-average cost of 1.68%, and jumbo CDARS® deposits of $21.4 million with a weighted-average cost of 1.45%.

WesBanco maintains a line of credit with the FHLB as an additional funding source. Available credit with the FHLB approximated $2.3 billion at March 31, 2019 and December 31, 2018. The FHLB requires securities to be specifically pledged to the FHLB and maintained in a FHLB-approved custodial arrangement if the member wishes to include such securities in the maximum borrowing capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities. At March 31, 2019, the Bank had unpledged available-for-sale securities with an amortized cost of $431.9 million. A portion of these securities could be sold for additional liquidity, or such securities could be pledged to secure additional FHLB borrowings. Available liquidity through the sale of investment securities is currently limited, as only approximately 20.6% of the available-for-sale portfolio is unpledged, due to the pledging agreements that WesBanco has with their public deposit customers. Public deposit balances have increased significantly through the ESB, YCB, FTSB and FFKT acquisitions. WesBanco's held-to-maturity portfolio currently contains $628.4 million of unpledged securities. Most of these securities are tax-exempt municipal securities, which can only be pledged in limited circumstances. Except for certain limited, special circumstances, these securities cannot be sold without tainting the remainder of the held-to-maturity portfolio. If tainting occurs, all remaining securities with the held-to-maturity designation would be required to be reclassified as available-for-sale, and the held-to-maturity designation would no longer be available to WesBanco for some time.

WesBanco participates in the Federal Reserve Bank's Borrower-in-Custody Program ("BIC") whereby WesBanco pledges certain consumer loans as collateral for borrowings. At March 31, 2019, WesBanco had a BIC line of credit totaling $175.8 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling $275.0 million, none of which was outstanding at March 31, 2019, 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 $301.5 million at March 31, 2019 consisted of callable repurchase agreements and overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balances of the overnight sweep checking accounts during the first three months of 2019. The overnight sweep checking accounts require U.S. Government securities to be pledged equal to or greater than the average deposit balance in the related customer accounts.

The principal sources of parent company liquidity are dividends from the Bank, $131.1 million in cash and investments on hand, and a $25.0 million revolving line of credit with another bank, which did not have an outstanding balance at March 31, 2019. WesBanco is in compliance with all loan covenants. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of March 31, 2019, under FDIC and State of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately $115.7 million from the Bank. Management believes these are appropriate levels of cash for the parent company given the current environment. Management continuously monitors the adequacy of parent company cash levels and sources of liquidity through the use of metrics that relate current cash levels to historical and forecasted cash inflows and outflows.

WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating $2.4 billion at March 31, 2019 and December 31, 2018. On a historical basis, only a portion of these commitments will result in an outflow of funds. Please refer to Note 13, “Commitments and Contingent Liabilities,” of the Consolidated Financial Statements and the “Loans and Loan Commitments” section of this MD&A for additional information.

Federal financial regulatory agencies previously issued guidance in 2009 to provide for sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. WesBanco maintains a comprehensive management process for identifying, measuring, monitoring, and controlling liquidity risk, which is fully integrated into its risk management process. Management believes WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others and that WesBanco’s current liquidity risk management policies and procedures adequately address this guidance.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

MARKET RISK

The primary objective of WesBanco’s Asset/Liability Committee (“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 bond 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 is a Board-level committee with Board and executive management representation, including the Chief Executive Officer, Chief Financial Officer, Chief Risk Management Officer and Senior Treasury Officer. It is responsible for monitoring and managing interest rate risk within Board-approved policy limits. Interest rate risk is monitored through the use of an earnings sensitivity simulation model and an economic value-at-risk model, measuring the fair value of net shareholders’ equity. These models are 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 and reviewed at least quarterly by the ALCO, while appropriate documentation is maintained.

The earnings sensitivity 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, call dates, changes to deposit product betas and non-maturity deposit decay rates, which may not necessarily reflect the manner in which actual cash flows, yields, and costs respond to changes in market interest rates. Assumptions are based on historical experience, current market rates and economic forecasts and are periodically back-tested and reviewed by a third-party consultant. The net interest income sensitivity results presented in Table 1, “Net Interest Income Sensitivity,” assumes that the balance sheet composition of interest sensitive assets and liabilities existing at the end of the period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve, regardless of the duration of the maturity or re-pricing of specific assets and liabilities. Since the assumptions used in the model relative to changes in interest rates are uncertain, the simulation analysis may not be indicative of actual results. In addition, this analysis does not consider actions that management might employ in response to changes in interest rates as well as changes in earning asset and costing liability balances.

Management is aware of the significant effect that 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 immediate and sustained market interest rate increases and decreases of 100 - 400 basis points across the entire yield curve, compared to a stable rate environment or base model. WesBanco’s current policy limits this exposure for the noted interest rate changes to a reduction of between 10% - 20% or less of net interest income from the stable rate base model over a twelve-month period. The table below shows WesBanco’s interest rate sensitivity at March 31, 2019 and December 31, 2018, assuming the above-noted interest rate increases as compared to a base model. In the current interest rate environment, particularly for short-term rates, the 300 - 400 basis point decreasing changes for both years are not shown due to the unrealistic nature of results associated with short-term negative rates.

TABLE 1. NET INTEREST INCOME SENSITIVITY

Immediate Change in Interest Rates (basis points)	Percentage Change in Net Interest Income from Base over One Year: March 31, 2019	Percentage Change in Net Interest Income from Base over One Year: December 31, 2018	ALCO Guidelines
+400	**10.7%**	7.6%	(20.0%)
+300	**8.3%**	6.4%	(15.0%)
+200	**5.6%**	3.9%	(12.5%)
+100	**3.0%**	2.1%	(10.0%)
-100	**(2.3%)**	(2.1%)	(10.0%)
-200	**(7.3%)**	(5.8%)	(12.5%)

As per the table above, the earnings sensitivity simulation model at March 31, 2019 currently projects that net interest income for the next twelve-month period would decrease by 2.3% - 7.3% if interest rates were to fall immediately by 100 - 200 basis points, compared to a decrease of 2.1% - 5.8% as of December 31, 2018. For rising rate scenarios, net interest income would increase by between 3.0% - 10.7% if rates were to increase by between 100 - 400 basis points as of March 31, 2019, compared to increases of between 2.1% - 7.6% as of December 31, 2018.

In addition to the aforementioned earnings sensitivity simulation model, which utilizes a parallel rate shock scenario, ALCO also reviews a "dynamic" forecast scenario to project net interest income over a rolling two-year time period. This forecast is updated at least quarterly, incorporating revisions and updated assumptions into the model for estimated loan and deposit growth, expected balance sheet re-mixing strategies, changes in forecasted rates for various maturities, competitive market spreads for various products and other assumptions. Such modeling assists in predicting changes in forecasted outcomes and necessary adjustments to the plan to assist in achieving stated earnings goals.

The balance sheet shows somewhat higher asset sensitivity as of March 31, 2019, as compared to December 31, 2018, with differences resulting from changes in the mix of, and growth in, various earning assets and costing liabilities, as well as adjustments for various modeling assumptions such as deposit beta rates, decay rates for non-maturity deposits and loan prepayment speeds. Generally, deposit betas utilized in the parallel rate shock and "dynamic" models are estimated to be higher for future rate increases, if any, than the Bank's experience to date through nine federal funds rate increases since December 2015, four of which occurred in 2018. The total deposit beta for interest-bearing transaction accounts, other than certificates of deposit, was 24% for the trailing twelve months. Deposit decay rates and loan prepayment speeds are adjusted periodically for loans and non-maturity deposit products. Overall asset sensitivity in non-parallel rising rate scenarios may be mitigated due to slower prepayment speeds, rate floors, lower than forecasted increases to loan yields, spread compression between new asset yields and funding costs, extension risk associated with mortgage-related assets and other differences. Commercial loans with floors currently average 4.23% on approximately $1.5 billion or 29% of total commercial loans at March 31, 2019, as compared to $1.5 billion averaging 4.27% or 29% of commercial loans at December 31, 2018. Approximately 38% or $555.6 million of these loans are currently priced at their floor, as compared to 38% or $570.5 million at December 31, 2018. These loans typically do not adjust as rapidly from their current floor level as compared to loans without floors, due to the amount of the rate change as compared to the floor rate, or for reasons related to next repricing dates.

The net interest margin increased 30 basis points year-over-year and decreased four basis points from the fourth quarter of 2018. The first quarter increase from last year's first quarter was due to increased short-term rates, higher non-interest bearing deposits, lower than projected deposit betas and the contribution from FFKT's higher margin assets post-acquisition, plus higher purchase accounting from both 2018 acquisitions. The core net interest margin, net of purchase accounting-related accretion, was 3.49% in the first quarter as compared to 3.32% last year and 3.49% for the fourth quarter. Currently, the federal funds market is beginning to anticipate future Federal Reserve Board rate decreases, which if such interest rate environment occurs, would result in lower net interest income and margin, as the Company remains somewhat asset sensitive. The current flat-to-inverted yield curve environment has reduced our base case assumption about net interest income for the remainder of the year as compared to expectations in the fourth quarter. It is currently expected that the net interest margin in 2019 will remain relatively flat on a core basis and, on a total basis including purchase accounting accretion, will decline by one to two basis points per quarter throughout the year from an expected level of mid-teen basis points in purchase accounting accretion in the second quarter. Management currently anticipates no change in the federal funds rate in 2019, which is relatively consistent with Federal Reserve Board and consensus economist expectations. The shape of the yield curve, increases to deposit betas or rates beyond current modeling assumptions, or adjustments to the mix of earning assets and costing liabilities may have a negative impact on management's estimates of the future direction and level of the net interest margin.

Certificates of deposit totaling approximately $806.4 million mature within the next year at an average cost of 1.15%; replacement borrowings are currently more expensive than the average runoff rate of these certificates of deposit. Also, maturing borrowings' replacement rates are generally higher than the cost of the maturing borrowings' average rate, and management may elect to lengthen the maturing borrowings' terms at a higher cost for liquidity and asset/liability management purposes. Transaction account growth helps to control such factors and limit overall deposit costs.

The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh, the Federal Reserve Bank of Cleveland and various correspondent banks, and may utilize these funding sources or interest rate swap strategies as necessary to lengthen liabilities, offset mismatches in various asset maturities and manage liquidity. CDARS® and ICS® deposits also may be utilized for similar purposes for certain customers seeking higher-yielding instruments or maintaining deposit levels below FDIC insurance limits. Significant balance sheet strategies to assist in managing the net interest margin in the current environment include:

- increasing total loans, particularly commercial and home equity loans that have variable or adjustable features;
- selling a percentage of longer-term residential mortgage loan production into the secondary market;
- growing demand deposit account types to increase the relative portion of these account types to total deposits;
- employing back-to-back loan swaps for certain commercial loan customers desiring a term fixed rate loan equivalent with the Bank receiving a variable rate;
- extending FHLB short-term maturing borrowings to balance asset/liability mismatches;
- using the CDARS® and ICS® deposit programs to manage funding needs and overall liability mix, and
- adjusting the size, mix or duration of the investment portfolio as part of liquidity and balance sheet management strategies.

WesBanco also periodically measures the economic value of equity, which is defined as the market value of tangible equity in various rate scenarios. At March 31, 2019, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates a decrease of 4.7%, compared to an increase of 10.8% at December 31, 2018. In a 200 basis point falling rate environment at March 31, 2019, the model indicates a decrease of 1.3%, compared to a decrease of 2.3% as of December 31, 2018. In a 100 basis point rising rate environment at March 31, 2019, the model indicates a decrease of 1.7%, compared to a decrease of 4.8% at December 31, 2018. In a 100 basis point falling rate environment, the model indicates an increase of 1.0% at March 31, 2019, as compared to an increase of 2.7% at December 31, 2018. WesBanco's policy is to limit such change to minus 10% increments for each 100 basis point change in interest rates. Generally, changes in the economic value of equity relate to changes in various assets and liabilities, as well as changes in loan prepayment speeds and deposit decay rates.

ITEM 4. CONTROLS AND PROCEDURES

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

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

CHANGES IN INTERNAL CONTROLS—There were no changes in WesBanco's internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2019 as required to be reported by paragraph (d) of Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, that materially affected, or are reasonably likely to materially affect, WesBanco's internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

As of March 31, 2019, WesBanco had two active one million share stock repurchase plans. The first plan was originally approved by the Board of Directors on March 21, 2007 and the second, which is incremental to the first, was approved October 22, 2015. Each provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time.

The following table presents the monthly share purchase activity during the quarter ended March 31, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Plans
Balance at December 31, 2018				1,092,535
January 1, 2019 to January 31, 2019				
Open market repurchases	—	—	—	1,092,535
Other transactions (1)	23,625	$ 38.13	N/A	N/A
February 1, 2019 to February 28, 2019				
Open market repurchases	—	—	—	1,092,535
Other transactions (1)	7,564	$ 41.46	N/A	N/A
March 1, 2019 to March 31, 2019				
Open market repurchases	—	—	—	1,092,535
Other transactions (1)	1,622	$ 40.25	N/A	N/A
First Quarter 2019				
Open market repurchases	—	—	—	1,092,535
Other transactions (1)	32,811	$ 39.00	N/A	N/A
Total	32,811	$ 39.00	—	1,092,535

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

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ITEM 6. EXHIBITS

31.1	Certification of Chief Executive Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
31.2	Certification of Chief Financial Officer of Periodic Report Pursuant to Rule 13a-15(e) or Rule 15d-15(e).
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from WesBanco's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets at March 31, 2019 and December 31, 2018, (ii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018, (iii) the Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2019 and 2018, (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018, and (v) the Notes to Consolidated Financial Statements.

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SIGNATURES

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

WESBANCO, INC.

Date: May 1, 2019

/s/ Todd F. Clossin
Todd F. Clossin
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 1, 2019

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

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Section 2: EX-31.1 (EX-31.1)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
OF PERIODIC REPORT PURSUANT TO RULE 13a-15(e) or RULE 15d-15(e)

I, Todd F. Clossin, certify that:

1. I have reviewed this Report on Form 10-Q of WesBanco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing similar functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019

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

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Section 3: EX-31.2 (EX-31.2)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
OF PERIODIC REPORT PURSUANT TO RULE 13a-15(e) or RULE 15d-15(e)

I, Robert H. Young, certify that:

1. I have reviewed this Report on Form 10-Q of WesBanco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing similar functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2019	/s/ Robert H. Young
	Robert H. Young Executive Vice President and Chief Financial Officer

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Section 4: EX-32.1 (EX-32.1)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of WesBanco, Inc. on Form 10-Q as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacity and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of WesBanco, Inc.

Date: May 1, 2019	/s/ Todd F. Clossin
	Todd F. Clossin President and Chief Executive Officer
Date: May 1, 2019	/s/ Robert H. Young
	Robert H. Young Executive Vice President and Chief Financial Officer

The forgoing certifications are being furnished solely pursuant to Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code in accordance with Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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