WESBANCO INC
Form 10-K
March 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

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

For the transition period from to

Commission File Number 000-08467

WESBANCO, INC.

(Exact name of Registrant as specified in its charter)

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

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

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

Title of each class	**Name of each Exchange on which registered**
Common Stock $2.0833 Par Value	**NASDAQ Global Select Market**

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

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

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

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 þ No ¨

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

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

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

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

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

The aggregate market value of the registrant s outstanding voting common stock held by non-affiliates on June 30, 2012, determined using a per share closing price on that date of $21.26, was $528,102,822.

As of February 27, 2013, there were 29,216,560 shares of WesBanco, Inc. common stock $2.0833 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain specifically designated portions of WesBanco, Inc. s definitive proxy statement which will be filed by April 30, 2013 for its Annual Meeting of Shareholders (the Proxy Statement) to be held in 2013 are incorporated by reference into Part III of this Form 10-K.

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WESBANCO, INC. ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1. BUSINESS
GENERAL

WesBanco, Inc. (WesBanco), a bank holding company incorporated in 1968 and headquartered in Wheeling, West Virginia, offers a full range of financial services including retail banking, corporate banking, personal and corporate trust services, brokerage services, mortgage banking and insurance. WesBanco offers these services through two reportable segments, community banking and trust and investment services. For additional information regarding WesBanco s business segments, please refer to Note 24, Business Segments in the Consolidated Financial Statements.

On November 30, 2012, WesBanco completed the acquisition of Fidelity Bancorp, Inc. (Fidelity), a Pittsburgh-based bank holding company with $654.9 million in assets operated through 13 branch offices throughout the Pittsburgh metropolitan area.

At December 31, 2012, WesBanco operated one commercial bank, WesBanco Bank, Inc. (WesBanco Bank or the Bank), through 118 offices, one loan production office and 107 ATM machines located in West Virginia, Ohio, and Western Pennsylvania. Total assets of WesBanco Bank as of December 31, 2012 approximated $6.1 billion. WesBanco Bank also offers trust and investment services and various alternative investment products including mutual funds and annuities. The market value of assets under management of the trust and investment services segment was approximately $3.2 billion as of December 31, 2012. These assets are held by WesBanco Bank in fiduciary or agency capacities for its customers and therefore are not included as assets on WesBanco s Consolidated Balance Sheets.

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

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

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

WesBanco, Inc. has nine capital trusts, which are all wholly-owned trust subsidiaries of WesBanco formed for the purpose of issuing trust preferred securities (Trust Preferred Securities) and lending the proceeds to WesBanco. For more information regarding WesBanco s issuance of trust preferred securities please refer to Note 13, Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts in the Consolidated Financial Statements.

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

As of December 31, 2012, none of WesBanco s subsidiaries were engaged in any operations in foreign countries, and none had transactions with customers in foreign countries.

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EMPLOYEES

There were 1,507 full-time equivalent employees employed by WesBanco and its subsidiaries at December 31, 2012. None of the employees were represented by collective bargaining agreements. WesBanco believes its employee relations to be satisfactory.

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

All of WesBanco s electronic filings for 2012 filed with the Securities and Exchange Commission (the SEC), including this Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are made available at no cost on WesBanco s website, www.wesbanco.com, in the About Us section through the Investor Relations link as soon as reasonably practicable after WesBanco files such material with, or furnishes it to, the SEC. WesBanco s SEC filings are also available through the SEC s website at www.sec.gov.

Upon written request of any shareholder of record on December 31, 2012, WesBanco will provide, without charge, a printed copy of this 2012 Annual Report on Form 10-K, including financial statements and schedules, as required to be filed with the SEC. To obtain a copy of this 2012 Annual Report on Form 10-K, contact: Linda Woodfin, WesBanco, Inc., 1 Bank Plaza, Wheeling, WV 26003 (304) 234-9201.

COMPETITION

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

SUPERVISION AND REGULATION

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

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As indicated above, WesBanco presently operates one bank subsidiary, WesBanco Bank. The Bank is a West Virginia banking corporation and is not a member bank of the Federal Reserve System. It is subject to examination and supervision by the Federal Deposit Insurance Corporation (the FDIC) and the West Virginia Division of Banking. The deposits of WesBanco Bank are insured by the Deposit Insurance Fund of the FDIC. WesBanco s non-bank subsidiaries are subject to examination and supervision by the Federal Reserve Board and examination by other federal and state agencies, including, in the case of certain securities activities, regulation by the SEC, the Financial Institution Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board and the Securities Investors Protection Corporation. WesBanco Bank maintains one designated financial subsidiary, WesBanco Insurance, which, as indicated above, is a multi-line insurance agency specializing in property, casualty and life insurance, and benefit plan sales and administration, for personal and commercial clients.

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

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

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

HOLDING COMPANY REGULATIONS

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

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The Dodd-Frank Act requires a bank holding company to act as a source of financial strength to its subsidiary bank. Under this source of strength requirement, the Federal Reserve Board may require a bank holding company to make capital infusions into a troubled subsidiary bank, and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. A capital infusion conceivably could be required at a time when WesBanco may not have the resources to provide it.

PAYMENT OF DIVIDENDS

Dividends from the subsidiary bank are a significant source of funds for payment of dividends to WesBanco s shareholders. For the year ended December 31, 2012, WesBanco declared cash dividends to its common shareholders of approximately $19.1 million.

As of December 31, 2012, WesBanco Bank was well capitalized under the definition in Section 325.103 of the FDIC Regulations. Therefore, as long as the Bank remains well capitalized or even becomes adequately capitalized, there would be no basis under Section 325.105 to limit the ability of the Bank to pay dividends because it had not become undercapitalized, significantly undercapitalized or critically undercapitalized.

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

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

If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice which, depending on the financial condition of the bank, could include the payment of dividends, such authority may require, after notice and hearing, that such bank cease and desist from such practice. The Federal Reserve Board has issued policy statements which provide that insured banks and bank holding companies should generally only pay dividends out of current operating earnings. Additional information regarding dividend restrictions is set forth in Note 22, Regulatory Matters, in the Consolidated Financial Statements.

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

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In certain circumstances, defined by regulation relating to levels of earnings and capital, advance notification to, and in some circumstances, approval by the regulator could be required to declare a dividend or repurchase or redeem capital instruments. In addition, federal bank regulators have proposed rules that include capital buffer requirements. The proposed rules would require WesBanco and WesBanco Bank to have capital levels above the regulatory minimums in order to be able to pay dividends (discussed below in connection with the Basel III initiative under Item 1. Business Capital Requirements).

FDIC INSURANCE

FDIC insurance premiums are assessed by the FDIC using a risk-based approach that places insured institutions into categories based on capital and risk profiles. In 2012, WesBanco Bank paid deposit insurance premiums less than those paid in 2011. The decrease was largely due to the FDIC changing how deposit insurance premiums are calculated effective April 1, 2011 as required by the Dodd-Frank Act. The assessment base was expanded to include all liabilities (i.e. all assets minus tangible equity) rather than deposits only and assessment base rates were reduced. This change continues to benefit WesBanco Bank. Additionally, improving capital, net income and loan quality financial ratios used to calculate the assessment rate have further reduced the rate from $4.4 million in 2011 to $3.5 million in 2012.

In November 2009, the FDIC adopted a final rule requiring banks to prepay their estimated quarterly assessments for the fourth quarter of 2009, as well as all of 2010, 2011 and 2012, on December 30, 2009 along with their regular third quarter assessment. The assessment rate was based on the bank s total base assessment rate as of September 30, 2009 and was increased for 2011 and 2012, while a 5% annual growth rate in the deposit base was assumed. WesBanco Bank paid $24.1 million on December 30, 2009 to satisfy the requirements of this rule, with the portion related to the years 2010 2012 recorded as a prepaid expense, to be amortized on an actual, pro rata basis over those three years. Although the actual assessments corresponding to 2010 of $6.2 million did not materially differ from the prepaid estimates, the 2011 actual assessments were $3.6 million less and the 2012 actual assessments were $4.8 million less than the corresponding prepaid estimates due to the new calculation requirements enacted by the Dodd-Frank Act and WesBanco Bank s improving ratios.

WesBanco Bank s prepaid assessment balance is estimated to be $8.5 million after the fourth quarter payment in March 2013. This will mark the end of the prepayment period. Fidelity s bank subsidiary also had a prepaid balance of $1.6 million after its third quarter payment. Any unused balance after the March 2013 payment for the combined bank is expected to be refunded in June 2013.

CAPITAL REQUIREMENTS

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

Generally, under the applicable guidelines, a financial institution s capital is divided into two tiers. Tier 1, or core capital, includes common equity, qualifying noncumulative perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, less goodwill and, with certain limited exceptions, all other intangible assets. In addition, bank holding companies may include certain restricted capital instruments,

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including qualifying cumulative perpetual preferred stock and qualifying trust preferred securities, in their Tier 1 capital, up to a limit of 25% of Tier 1 capital. (See below within this section for more information regarding the capital treatment of trust preferred securities.)

Tier 2, or supplementary capital, includes, among other things, portions of trust preferred securities and cumulative perpetual preferred stock not otherwise counted in Tier 1 capital, as well as perpetual preferred stock, intermediate-term preferred stock, hybrid capital instruments, perpetual debt, mandatory convertible debt securities, term subordinated debt, unrealized holding gains on equity securities, and the allowance for loan and lease losses, all subject to certain limitations. Total capital is the sum of Tier 1 and Tier 2 capital. The amount of Tier 2 capital that exceeds the amount of Tier 1 capital must be excluded from the total capital calculation.

The Federal Reserve Board and the other federal banking regulators require that all intangible assets, with certain limited exceptions, be deducted from Tier 1 capital. Under the Federal Reserve Board s rules, the only types of intangible assets that may be included in (i.e., not deducted from) a bank holding company s capital are readily marketable mortgage servicing assets, non-mortgage servicing assets, and purchased credit card relationships, provided that, in the aggregate, the amount of these items included in capital shall be the lesser of 90% of their fair value or 100% of their book value.

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

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

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

As of December 31, 2012, WesBanco s Tier 1 and total capital to risk-adjusted assets ratios were 12.82% and 14.07%, respectively. As of December 31, 2012, WesBanco Bank also had capital in excess of the minimum requirements. Neither WesBanco nor the Bank had been advised by the appropriate federal banking regulator of any specific leverage ratio applicable to it. As of December 31, 2012, WesBanco s leverage ratio was 9.34%.

As of December 31, 2012, WesBanco had $113.8 million in junior subordinated debt on its Consolidated Balance Sheets presented as a separate category of long-term debt. For regulatory purposes, Trust Preferred Securities totaling $110.4 million underlying such junior subordinated debt were included in Tier 1 capital as of

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December 31, 2012, in accordance with regulatory reporting requirements. On March 1, 2005, the Federal Reserve Board adopted a rule retaining trust preferred securities in Tier 1 capital, but with stricter quantitative limits and clearer qualitative standards. Under this rule, the aggregate amount of trust preferred securities and certain other capital elements is limited to 25% of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit could be included in Tier 2 capital, subject to restrictions.

The Dodd-Frank Act requires the federal banking agencies to develop consolidated capital requirements applicable to bank holding companies and banks. These new requirements must be at least as stringent as those currently applicable to banks, meaning that trust preferred securities will generally be excluded from Tier 1 capital. A grandfather provision, however, will permit bank holding companies with consolidated assets of less than $15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature. For more information regarding trust preferred securities, please refer to Note 13, Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts in the Consolidated Financial Statements.

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

The federal regulatory authorities risk-based capital guidelines are based upon agreements reached by the Basel Committee on Banking Supervision (the Basel Committee). The Basel Committee is a committee of central banks and bank supervisors and regulators from the major industrialized countries that develops broad policy guidelines for use by each country s supervisors in determining the supervisory policies they apply. In December 2010, the Basel Committee issued a strengthened set of international capital and liquidity standards for banks and bank holding companies, known as Basel III. In June 2012, the U.S. federal banking agencies proposed rules to implement Basel III and aspects of the Dodd-Frank Act relating to minimum capital requirements, with a transition period that originally was to be effective beginning on January 1, 2013, and full implementation of the capital rules by January 1, 2019. However, the banking agencies have recently deferred the start date of these proposed rules, while changes are considered based on comments received from banks and other affected parties. When finalized, the proposed rules will increase both the quantity and quality of capital that banks and bank holding companies are required to hold.

When Basel III is fully phased-in on January 1, 2019, banks and bank holding companies will be required to maintain: (i) a minimum Tier 1 common equity ratio of at least 4.5%, (ii) a minimum Tier 1 capital ratio of at least 6%, (iii) a minimum total capital ratio (Tier 1 and Tier 2 capital) of at least 8%; and (iv) a non-risk-based minimum leverage ratio (Tier 1 capital to average consolidated assets) of 3%. Although not presented as a minimum requirement, banks and bank holding companies will not be able to pay dividends unless they have an additional capital conservation buffer equal to a Tier 1 common equity ratio of 2.5%. Adding the capital conservation buffer on top of the minimums, banks and bank holding companies will generally need a Tier 1 common equity ratio of 7 percent, a Tier 1 capital ratio of 8.5%, and a total capital ratio of 10.5%. Under Basel III, regulators would also be able to impose a countercyclical capital buffer during periods of excessive credit growth. The countercyclical capital buffer would be an additional Tier 1 common equity ratio of up to 2.5%. Under Basel III, regulatory adjustments to common equity will generally be eliminated by January 1, 2018, although an exception will permit a portion of mortgage servicing rights to continue being treated as common equity. The proposed rules would eliminate, over a ten-year period, the Tier 1 capital treatment of certain non-qualifying capital instruments such as trust preferred securities that are presently counted in Tier 1 capital for bank holding companies not subject to the phase-out rule in the Dodd-Frank Act.

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

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PROMPT CORRECTIVE ACTION

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

An institution is deemed to be well-capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater, and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be adequately capitalized if it has a total risk-based capital ratio of 8% or greater, a Tier 1 risk-based capital ratio of 4% or greater, and generally a Tier 1 leverage ratio of 4% or greater, and the institution does not meet the definition of a well-capitalized institution. An institution that does not meet one or more of the adequately capitalized tests is deemed to be undercapitalized. If the institution has a total risk-based capital ratio that is less than 6%, a Tier 1 risk-based capital ratio that is less than 3%, or a Tier 1 leverage ratio that is less than 3%, it is deemed to be significantly undercapitalized. Finally, an institution is deemed to be critically undercapitalized if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%. At December 31, 2012, WesBanco Bank had capital levels that met the well-capitalized standards under FDICIA and its implementing regulations.

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

GRAMM-LEACH-BLILEY ACT

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

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

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

DODD-FRANK ACT

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

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

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

As a publicly traded company, WesBanco is required by the Dodd-Frank Act to give shareholders an advisory vote on executive compensation, and, in some cases, golden parachute arrangements. Further, recent SEC and NASDAQ rulemaking under the Dodd-Frank Act will require NASDAQ-listed companies to have a compensation committee composed entirely of independent directors. Although the compensation committee independence requirements are not effective until 2014, WesBanco s compensation committee members currently satisfy the independence criteria. The Dodd-Frank Act also calls for regulators to issue new rules relating to incentive-based compensation arrangements deemed excessive, and proxy access by shareholders.

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

CONSUMER PROTECTION LAWS

In connection with its lending and leasing activities, WesBanco Bank is subject to a number of federal and state laws designed to protect consumers and promote lending and other financial services to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Electronic Fund Transfer Act, and, in some cases, their respective state law counterparts. The new Consumer Bureau created by the Dodd-Frank Act now has consolidated authority to write regulations implementing these and other laws. WesBanco s other subsidiaries that provide services relating to

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consumer financial products and services will also be subject to the Consumer Bureau s regulations. As an institution with assets of less than $10 billion, WesBanco Bank will continue to be examined by the FDIC for compliance with these rules. Relating to mortgage lending, the Dodd-Frank Act requires new disclosures, verification, and restrictions, some of which are expected to limit the creation of variable-rate mortgages. In addition, the Dodd-Frank Act required the Federal Reserve Board to write rules to limit debit card interchange fees to those reasonable and proportional to the cost of transactions, which were effective on October 1, 2011. Even though the limits on debit card interchange fees apply only to institutions with more than $10 billion in assets, market forces may over time limit debit card interchange fees as a source of revenue for all banks, including smaller banks like WesBanco Bank.

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

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

SECURITIES REGULATION

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

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

ANTI-MONEY LAUNDERING INITIATIVES AND THE USA PATRIOT ACT

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA Patriot Act) substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued various implementing regulations which apply certain requirements of the USA Patriot Act to financial institutions, such as WesBanco Bank and WesBanco s broker-dealer subsidiary. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of WesBanco and its subsidiaries to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for WesBanco and its subsidiaries.

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ITEM 1A. RISK FACTORS

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

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

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

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

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

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

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

- commercial banks and trust companies;
- mutual fund companies;
- investment advisory firms;

- law firms;
- brokerage firms; and
- other financial services companies.

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

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

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

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

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

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

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

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

Fluctuations in interest rates may negatively impact the business of the Bank. The Bank s main source of income from operations is net interest income, which is equal to the difference between the interest income received on interest-bearing assets (usually loans and investment securities) and the interest expense incurred in connection with interest-bearing liabilities (usually deposits and borrowings). These rates are highly sensitive to many factors beyond WesBanco s control, including general economic conditions, both domestic and foreign, and the monetary and fiscal policies of various governmental and regulatory authorities. WesBanco Bank s net interest income can be affected significantly by changes in market interest rates. Changes in relative interest rates may reduce the Bank s net interest income as the difference between interest income and interest expense decreases. As a result, the Bank has adopted asset and liability management policies to minimize the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments and funding sources. However, even with these policies in place, WesBanco cannot be certain that changes in interest rates or the shape of the interest rate yield curve will not negatively impact its results of operations or financial position.

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

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

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

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

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

When WesBanco acquires a business, a portion of the purchase price of the acquisition is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price which is allocated to goodwill and other intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. Under current accounting standards, if WesBanco determines that goodwill or intangible assets are impaired, it is required to write down the carrying value of these assets. WesBanco conducts an annual review to determine whether goodwill and other identifiable intangible assets are impaired. WesBanco completed such an impairment analysis in 2012 and concluded that no impairment charge was necessary for the year ended December 31, 2012. WesBanco cannot provide assurance that it will not be required to take an impairment charge in the future. Any impairment charge would have a negative effect on its shareholders equity and financial results and may cause a decline in our stock price.

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

WesBanco continually evaluates opportunities to acquire other businesses. However, WesBanco may not have the opportunity to make suitable acquisitions on favorable terms in the future, which could negatively impact the growth of its business. WesBanco expects that other banking and financial companies, many of which have significantly greater resources, will compete to acquire compatible businesses. This competition could

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increase prices for acquisitions that WesBanco would likely pursue, and its competitors may have greater resources than it does. Also, acquisitions of regulated businesses such as banks are subject to various regulatory approvals. If WesBanco fails to receive the appropriate regulatory approvals, it will not be able to consummate an acquisition that it believes is in its best interests.

WESBANCO IS SUBJECT TO EXTENSIVE GOVERNMENT REGULATION AND SUPERVISION.

WesBanco is subject to extensive federal and state regulation, supervision and examination. Banking regulations are primarily intended to protect depositors funds, federal deposit insurance funds and the banking system as a whole, rather than corporate shareholders. These regulations affect WesBanco s lending practices, capital structure, investment practices, dividend policy, operations and growth, among other things. These regulations also impose obligations to maintain appropriate policies, procedure and controls. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect WesBanco in substantial and unpredictable ways. Such changes could subject WesBanco to additional costs, limit the types of financial services and products that could be offered, and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil penalties and /or reputation damage, which could have a material adverse effect on WesBanco s business, financial condition and result of operations.

As of December 31, 2012, WesBanco had $113.8 million in junior subordinated debt presented as a separate category of long-term debt on its Consolidated Balance Sheets. For regulatory purposes, Trust Preferred Securities totaling $110.4 million underlying such junior subordinated debt are included in Tier 1 capital in accordance with regulatory reporting requirements. On March 1, 2005, the Federal Reserve Board adopted a rule that retains trust preferred securities in Tier 1 capital, but with stricter quantitative limits and clearer qualitative standards. Under the rule, the aggregate amount of trust preferred securities and certain other capital elements is limited to 25% of Tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit can be included in Tier 2 capital, subject to restrictions. The Dodd-Frank Act requires the federal banking agencies to develop new consolidated capital requirements applicable to bank holding companies and banks. These rules will generally exclude trust preferred securities from Tier 1 capital. A grandfather provision will permit bank holding companies with consolidated assets of less than $15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature.

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

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

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

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

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

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

The FHLB of Pittsburgh paid dividends in 2012 at an annualized rate of 0.17% with dividend income of $33,000. They also partially repurchased certain amounts of excess stock held by member banks. Both the payment of dividends and repurchase of excess stock were suspended in late 2008 with the stock repurchase restored in late 2010 and the payment of dividends restored in February 2012 for the three month period ending December 31, 2011. However, the FHLB also noted future dividend payments and capital stock repurchases will continue to be reviewed on a quarterly basis. The FHLB of Pittsburgh stock owned by WesBanco totaled $20.0 million and $20.4 million at December 31, 2012 and 2011, respectively. If the financial condition of the FHLB of Pittsburgh were to further deteriorate, the corresponding FHLB stock owned by WesBanco may be deemed a non-earning asset and could potentially be evaluated for impairment with any loss recognized through earnings.

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

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

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

Holders of shares of WesBanco s common stock are entitled to dividends if, when, and as declared by WesBanco s Board of Directors out of funds legally available for that purpose. Although the Board of Directors has declared cash dividends in the past, the current ability to pay dividends is largely dependent upon the receipt

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of dividends from the Bank. Federal and state laws impose restrictions on the ability of the Bank to pay dividends, which restrictions are more fully described in Item 1. Business Payment of Dividends. In general, future dividend policy is subject to the discretion of the Board of Directors and will depend upon a number of factors, including WesBanco s and the Bank s future earnings, liquidity and capital requirements, regulatory constraints and financial condition.

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

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

WesBanco recently completed the acquisition of Fidelity on November 30, 2012 and integration issues such as those described above could be experienced as a result.

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

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

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

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

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

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

WESBANCO IS SUBJECT TO LENDING CONCENTRATION RISKS.

As of December 31, 2012, approximately 63% of WesBanco s loan portfolio consisted of commercial loans, including commercial real estate loans. Commercial loans are generally viewed as having more inherent risk of default than residential mortgage or consumer loans. The repayment of these loans often depends on the successful operation of a business or the sale or development of the underlying property and as a result, is more likely to be adversely affected by adverse conditions in the real estate market or the economy in general. Also, the commercial loan balance per borrower is typically larger than that for residential mortgage loans and consumer loans, inferring higher potential losses on an individual loan basis. The deterioration of one or a few of these loans could cause a significant increase in non-performing loans and a reduction in interest income. An increase in non-performing loans could result in an increase in the provision for loan losses and an increase in loan charge-offs, both of which could have a material adverse effect on WesBanco s financial condition and results of operations.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

WesBanco s subsidiaries generally own their respective offices, related facilities and any unimproved real property held for future expansion. At December 31, 2012, WesBanco operated 118 banking offices in West Virginia, Ohio and Western Pennsylvania and one loan production office, of which 93 were owned and 26 were leased under long-term operating leases. These leases expire at various dates through February 2031 and generally include options to renew. The Bank also owns several regional headquarters buildings in various markets that may also house certain back office functions.

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

At various building locations, WesBanco rents or looks to provide commercial office space to unrelated businesses. Rental income totaled $0.7 million at 2012 compared to $0.6 million at 2011. For additional disclosures related to WesBanco s properties, other fixed assets and leases, please refer to Note 7, Premises and Equipment in the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

Litigation Related to the Fidelity Merger

On October 18, 2012, Mordechai Nagel, a purported shareholder of Fidelity, filed a purported shareholder class and derivative action in the Court of Common Pleas of Allegheny County, Pennsylvania, Civil Action No. 12-019908 (the Allegheny County Lawsuit). The lawsuit names as Defendants each of the former members of Fidelity s board of directors (the Director Defendants), as well as WesBanco and Fidelity (collectively with the Director Defendants, the Defendants). The complaint alleges, among other things, that the Director Defendants breached their fiduciary duties as a result of the price and certain other terms of the Fidelity Merger. The lawsuit also claims that the Director Defendants breached their fiduciary duties because the registration statement on Form S-4 filed by WesBanco with the SEC on September 14, 2012 allegedly contained misstatements and omitted information material to the Fidelity Merger and to a decision by Fidelity s shareholders regarding whether or not to approve the Fidelity Merger. The lawsuit also alleges that WesBanco aided and abetted the Director Defendants alleged breaches of fiduciary duties. The lawsuit sought, among other things, an injunction against WesBanco s acquisition of Fidelity, as well as the payment of the fees and expenses of the plaintiffs attorneys.

On November 16, 2012, solely to avoid the costs, risks and uncertainties inherent in litigation and to allow Fidelity shareholders to vote on the proposals required in connection with the Fidelity Merger at the scheduled meeting on November 27, 2012, the Defendants entered into a Memorandum of Settlement (MOS) with the Plaintiff that describes a settlement of the Allegheny County Lawsuit. The settlement is expressly subject to approval by the court. Pursuant to the terms of the MOS, Fidelity and WesBanco agreed to file with the SEC and make publicly available supplemental disclosures. In return, the Plaintiff agreed to stay the Allegheny County Lawsuit, withdraw all requests for interim relief, and not take any action to delay or disrupt the November 27, 2012 Fidelity shareholder meeting. The MOS provides for limited discovery to confirm the fairness of the settlement. If the court approves the settlement contemplated in the MOS, the Allegheny County Lawsuit will be dismissed with prejudice, and all claims that were or could have been brought relating to the Fidelity Merger, the Merger Agreement, and any disclosure made in connection therewith will be released and barred, other than claims under the federal securities laws with respect to any period prior to the date of the Merger Agreement that are not based upon the foregoing. Under the terms of the MOS, counsel for the Plaintiff will petition the court for an award of attorneys fees and expenses. The Defendants have reserved the right to contest the fee and expense petition. The amount of the fees and expenses awarded will ultimately be determined and approved by the court. In the MOS, the parties have agreed to negotiate in good faith to prepare a stipulation of settlement to be filed with the court and other documentation as may be required to effectuate the settlement. There can be no assurance that the parties will ultimately enter into a stipulation of settlement or that the court will approve the settlement even if the parties were to enter into such stipulation. The proposed settlement contemplated by the MOS becomes void in the event that the parties do not enter into such stipulation or the court does not approve the settlement.

The Defendants have denied and continue to deny that they have committed, or aided and abetted in the commission of, any violation of law or duty or engaged in any wrongful acts and that any supplemental disclosure of the information is required under any applicable state or federal law, statute, rule or regulation. The Defendants also expressly maintain that they diligently and scrupulously complied with all applicable fiduciary, disclosure and all other legal duties. WesBanco does not expect the settlement to be material in relation to its business, financial condition or results of operations.

Other Litigation

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

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

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PART II

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

WesBanco s common stock is quoted on the NASDAQ Global Stock Market under the symbol WSBC. The approximate number of holders of WesBanco s $2.0833 par value common stock as of February 27, 2013 was 4,895, not including shares held in nominee positions. The number of holders does not include WesBanco employees who have had stock allocated to them through WesBanco s Employee Stock Ownership and 401(k) plan (the KSOP). All WesBanco employees who meet the eligibility requirements of the KSOP are included in the KSOP.

The table below presents for each quarter in 2012 and 2011, the high and low sales price per share as reported by NASDAQ and cash dividends declared per share.

	2012			2011		
	High	**Low**	**Dividend Declared**	**High**	**Low**	**Dividend Declared**
Fourth quarter	**$ 22.40**	**$ 19.75**	**$ 0.180**	$ 21.19	$ 16.06	$ 0.160
Third quarter	**22.64**	**22.06**	**0.180**	20.78	16.34	0.160
Second quarter	**21.54**	**19.08**	**0.170**	21.44	18.45	0.150
First quarter	**21.70**	**18.60**	**0.170**	20.99	17.76	0.150

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

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

For additional disclosure relating to WesBanco Trust Preferred Securities, refer to Note 13, Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts in the Consolidated Financial Statements.

As of December 31, 2012, WesBanco had a stock repurchase plan pursuant to which up to one million shares may be acquired. The plan was originally approved by the Board of Directors on March 21, 2007 and provides for shares to be repurchased for general corporate purposes, which may include a subsequent resource for potential acquisitions, shareholder dividend reinvestment and employee benefit plans. The timing, price and quantity of purchases are at the discretion of WesBanco, and the plan may be discontinued or suspended at any time. There were no general open market repurchases in 2012, other than those for the KSOP and dividend reinvestment plans and repurchases from employees for the payment of withholding taxes to facilitate the vesting of restricted stock. At December 31, 2012, there were 580,737 shares remaining to be purchased under the plan.

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

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The following table shows the activity in WesBanco s stock repurchase plan and other purchases for the quarter ended December 31, 2012:

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 September 30, 2012				580,737
October 1, 2012 to October 31, 2012				
Open market repurchases		$		580,737
Other transactions (1)	20,911	21.21	N/A	N/A
November 1, 2012 to November 30, 2012				
Open market repurchases				580,737
Other transactions (1)	2,757	21.36	N/A	N/A
December 1, 2012 to December 31, 2012				
Open market repurchases				580,737
Other transactions (1)	1,813	21.96	N/A	N/A
Fourth Quarter 2012				
Open market repurchases				580,737
Other transactions (1)	25,481	21.28	N/A	N/A
Total	25,481	$ 21.28		580,737

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

N/A Not applicable

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The following graph shows a comparison of cumulative total shareholder returns for WesBanco, the Russell 2000 Index, and the SNL Small Cap Bank Index. The total shareholder return assumes a $100 investment in the common stock of WesBanco and each index since December 31, 2007 with reinvestment of dividends.

	December 31,					
Index	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
WesBanco, Inc.	100.00	138.59	66.44	105.58	111.92	132.21
Russell 2000	100.00	66.21	84.20	106.82	102.36	119.09
SNL Small Cap Bank Index	100.00	84.06	59.08	72.17	68.94	80.30

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ITEM 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data is derived from WesBanco s audited financial statements as of and for the five years ended December 31, 2012. The following consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the Consolidated Financial Statements and related notes included elsewhere in this report. WesBanco s acquisitions during the five years ended December 31, 2012, which include five former AmTrust branches on March 27, 2009 and Fidelity on November 30, 2012, are included in results of operations since their respective dates of acquisition.

	For the years ended December 31,				
(dollars in thousands, except shares and per share amounts)	**2012**	**2011**	**2010**	**2009**	**2008**
PER COMMON SHARE INFORMATION					
Earnings per common share basic	**$ 1.84**	$ 1.65	$ 1.34	$ 0.70	$ 1.42
Earnings per common share diluted	**1.84**	1.65	1.34	0.70	1.42
Dividends per common share	**0.70**	0.62	0.56	0.84	1.12
Book value at year end	**24.45**	23.80	22.83	22.16	24.82
Tangible book value at year end (1)	**13.34**	13.17	12.09	11.31	14.74
Average common shares outstanding basic	**26,867,227**	26,614,697	26,579,735	26,566,133	26,551,467
Average common shares outstanding diluted	**26,888,847**	26,615,281	26,580,293	26,567,291	26,563,320
SELECTED BALANCE SHEET INFORMATION					
Securities	**$ 1,623,753**	$ 1,609,265	$ 1,426,191	$ 1,263,254	$ 935,588
Loans held for sale	**21,903**	6,084	10,800	9,441	3,874
Net portfolio loans	**3,635,063**	3,184,558	3,227,625	3,409,786	3,554,506
Total assets	**6,078,717**	5,536,030	5,361,458	5,397,352	5,222,041
Deposits	**4,944,284**	4,393,866	4,172,423	3,974,233	3,503,916
Total FHLB and other borrowings	**254,158**	365,073	440,991	684,915	894,695
Junior subordinated debt owed to unconsolidated subsidiary trusts	**113,832**	106,066	106,034	111,176	111,110
Shareholders equity	**714,184**	633,790	606,863	588,716	659,371
SELECTED RATIOS					
Return on average assets	**0.88%**	0.81%	0.66%	0.43%	0.73%
Return on average tangible assets (1)	**0.96**	0.88	0.73	0.49	0.82
Return on average equity	**7.54**	7.01	5.88	3.73	6.42
Return on average tangible equity (1)	**13.68**	13.32	11.72	7.26	12.58
Return on average common equity	**7.54**	7.01	5.88	3.16	6.48
Allowance for loan losses to total loans	**1.43**	1.69	1.86	1.76	1.38
Allowance for loan losses to total non-performing loans	**82.79**	63.07	63.39	76.20	137.21
Non-performing assets to total assets	**1.15**	1.62	1.95	1.65	0.74
Net loan charge-offs to average loans	**0.66**	1.30	1.28	1.10	0.58
Shareholders equity to total assets	**11.75**	11.45	11.32	10.91	12.63
Tangible equity to tangible assets (1)	**6.77**	6.68	6.33	5.88	7.90
Tangible common equity to tangible assets (1)	**6.77**	6.68	6.33	5.88	6.44
Tier 1 leverage ratio	**9.34**	8.71	8.35	7.86	10.27
Tier 1 capital to risk-weighted assets	**12.82**	12.68	11.94	11.12	13.21
Total capital to risk-weighted assets	**14.07**	13.93	13.20	12.37	14.46
Dividend payout ratio	**38.04**	37.58	41.79	120.00	78.87
Trust assets at market value (2)	**$ 3,238,556**	$ 2,973,352	$ 2,943,786	$ 2,668,610	$ 2,400,211

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

(2) Trust assets are held by the Bank, in fiduciary or agency capacities for its customers and therefore are not included as assets on WesBanco s Consolidated Balance Sheets.

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(dollars in thousands, except per share amounts)	For the years ended December 31, 2012	2011	2010	2009	2008
SUMMARY STATEMENTS OF INCOME					
Interest and dividend income	**$ 211,686**	$ 224,167	$ 236,528	$ 257,364	$ 281,766
Interest expense	**43,335**	54,802	70,436	98,992	121,229
Net interest income	**168,351**	169,365	166,092	158,372	160,537
Provision for credit losses	**19,874**	35,311	44,578	50,372	32,649
Net interest income after provision for credit losses	**148,477**	134,054	121,514	108,000	127,888
Non-interest income	**64,775**	59,888	59,599	64,589	57,346
Non-interest expense	**150,120**	140,295	141,152	149,648	142,624
Income before provision for income taxes	**63,132**	53,647	39,961	22,941	42,610
Provision for income taxes	**13,588**	9,838	4,350	(992)	4,493
Net income	**$ 49,544**	$ 43,809	$ 35,611	$ 23,933	$ 38,117
Preferred dividends				5,233	293
Net income available to common shareholders	**$ 49,544**	$ 43,809	$ 35,611	$ 18,700	$ 37,824
Earnings per common share basic	**$ 1.84**	$ 1.65	$ 1.34	$ 0.70	$ 1.42
Earnings per common share diluted	**$ 1.84**	$ 1.65	$ 1.34	$ 0.70	$ 1.42

Non-GAAP Measures

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

(dollars in thousands)	For the year ended December 31, 2012	2011	2010	2009	2008
Tangible equity to tangible assets:					
Total shareholders equity	**$ 714,184**	$ 633,790	$ 606,863	$ 588,716	$ 659,371
Less: goodwill and other intangible assets	**(324,465)**	(283,150)	(285,559)	(288,292)	(267,883)
Tangible equity	**389,719**	350,640	321,304	300,424	391,488
Total assets	**6,078,717**	5,536,030	5,361,458	5,397,352	5,222,041
Less: goodwill and other intangible assets	**(324,465)**	(283,150)	(285,559)	(288,292)	(267,883)
Tangible assets	**5,754,252**	5,252,880	5,075,899	5,109,060	4,954,158
Tangible equity to tangible assets	**6.77%**	6.68%	6.33%	5.88%	7.90%
Tangible common equity to tangible assets:					
Total shareholders equity	**$ 714,184**	$ 633,790	$ 606,863	$ 588,716	$ 659,371
Less: goodwill and other intangible assets	**(324,465)**	(283,150)	(285,559)	(288,292)	(267,883)
Less: preferred shareholders equity					(72,332)
Tangible common equity	**389,719**	350,640	321,304	300,424	319,156
Total assets	**6,078,717**	5,536,030	5,361,458	5,397,352	5,222,041

Less: goodwill and other intangible assets	**(324,465)**	(283,150)	(285,559)	(288,292)	(267,883)
Tangible assets	**5,754,252**	5,252,880	5,075,899	5,109,060	4,954,158
Tangible common equity to tangible assets	**6.77%**	6.68%	6.33%	5.88%	6.44%

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(dollars in thousands)	2012	2011	2010	2009	2008
	For the year ended December 31,				
Tangible book value:					
Total shareholders equity	**$ 714,184**	$ 633,790	$ 606,863	$ 588,716	$ 659,371
Less: goodwill and other intangible assets	**(324,465)**	(283,150)	(285,559)	(288,292)	(267,883)
Tangible equity	**389,719**	350,640	321,304	300,424	391,488
Common shares outstanding	**29,214,660**	26,629,360	26,586,953	26,567,653	26,560,889
Tangible book value at year end	**$ 13.34**	$ 13.17	$ 12.09	$ 11.31	$ 14.74
Return on average tangible equity:					
Net income	**$ 49,544**	$ 43,809	$ 35,611	$ 23,933	$ 38,117
Plus: amortization of intangibles, net of tax	**1,398**	1,566	1,774	2,022	2,477
Net income before amortization of intangibles	**50,942**	45,375	37,385	25,955	40,594
Average total shareholder s equity	**656,684**	625,061	605,742	641,537	594,001
Less: average goodwill and other intangibles	**(284,270)**	(284,304)	(286,875)	(283,963)	(271,396)
Average tangible equity	**372,414**	340,757	318,867	357,574	322,605
Return on average tangible equity	**13.68%**	13.32%	11.72%	7.26%	12.58%
Return on average tangible assets:					
Net income	**$ 49,544**	$ 43,809	$ 35,611	$ 23,933	$ 38,117
Plus: amortization of intangibles, net of tax	**1,398**	1,566	1,774	2,022	2,477
Net income before amortization of intangibles	**50,942**	45,375	37,385	25,955	40,594
Average total assets	**5,606,386**	5,440,243	5,416,470	5,566,183	5,224,442
Less: average goodwill and other intangibles	**(284,270)**	(284,304)	(286,875)	(283,963)	(271,396)
Average tangible assets	**5,322,116**	5,155,939	5,129,595	5,282,220	4,953,046
Return on average tangible assets	**0.96%**	0.88%	0.73%	0.49%	0.82%

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Management s Discussion and Analysis represents an overview of the results of operations and financial condition of WesBanco, Inc. This discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this report relating to WesBanco s plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The information contained in this report should be read in conjunction with WesBanco s Form 10-Qs for the prior quarters ended March 31, 2012, June 30, 2012 and September 30, 2012 respectively, and documents subsequently filed by WesBanco 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, that the businesses of WesBanco and Fidelity may not be integrated successfully or such integration may take longer to accomplish than expected; the expected cost savings and any revenue synergies from the merger of WesBanco and Fidelity may not be fully realized within the expected timeframes; disruption from the merger of WesBanco and Fidelity may make it more difficult to maintain relationships with clients, associates, or suppliers; the effects of changing regional and national economic conditions; changes in interest rates, spreads on earning assets and interest-bearing liabilities, and associated interest rate sensitivity; sources of liquidity available to WesBanco and its related subsidiary operations; potential future credit losses and the credit risk of commercial, real estate, and consumer loan customers and their borrowing activities; actions of the Federal Reserve Board, the FDIC, the SEC, FINRA, the Municipal Securities Rulemaking Board, the Securities Investors Protection Corporation, and other regulatory bodies; potential legislative and federal and state regulatory actions and reform, including, without limitation, the impact of the implementation of the Dodd-Frank Act; adverse decisions of federal and state courts; fraud, scams and schemes of third parties; internet hacking; competitive conditions in the financial services industry; rapidly changing technology affecting financial services; marketability of debt instruments and corresponding impact on fair value adjustments; and/or other external developments materially impacting WesBanco s operational and financial performance. WesBanco does not assume any duty to update forward-looking statements.

APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

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

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

Management has determined that historical loss rates for the most recent twelve month period are generally the most indicative of probable losses in the portfolio. However, management calculates annualized historical loss rates for multiple periods ranging from the most recent three months to the last three years and periodically evaluates the loss rates for each of the periods to assess trends in loss rates over time. In the event that the most recent twelve month loss rate is less than the last three years loss rate, the last three year loss rate is generally used because it is considered by management to be more indicative of probable loss in the portfolio during periods when the most recent twelve month loss rate is not inflated by adverse economic conditions. Loss rates over a period covering more than the last three years are not considered to be as meaningful because of changes in the risk profile and characteristics of the portfolio that can occur over a longer period of time.

Management may also adjust its assumptions to account for differences between estimated and actual incurred losses from period to period. Loss estimation models and techniques used to determine the appropriateness of the allowance for credit losses are continually refined and enhanced; however there have been no material substantive changes to such models and techniques compared to prior periods. The variability of management s estimates and assumptions could alter the level of the allowance for credit losses and may have a material impact on future results of operations and financial condition.

Goodwill and Other Intangible Assets WesBanco accounts for business combinations using the acquisition method of accounting. Accordingly, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest of an acquired business are recorded at their estimated fair values as of the date of acquisition with any excess of the cost of the acquisition over the fair value recorded as goodwill. At December 31, 2012, the carrying value of goodwill and other intangible assets was approximately $312.9 million and $11.6 million, respectively, which represents approximately 43.8% and 1.6% of total shareholders equity, respectively. At December 31, 2012, WesBanco had two reporting units, community banking and insurance services, with goodwill balances of $311.4 million and $1.5 million, respectively.

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

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

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

WesBanco s internal evaluation concluded that goodwill was not impaired as of November 30, 2012 for both reporting units.

As of December 31, 2012, there were no significant changes in market conditions, consolidated operating results, or forecasted future results from November 30, 2012, the date of the most recent goodwill impairment evaluation. Therefore, WesBanco has concluded that goodwill is not impaired as of December 31, 2012.

Intangible assets with finite useful lives (primarily core deposit and customer list intangibles) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of an intangible asset with a finite useful life is not recoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the fair value of the asset. Intangible assets with finite useful lives at December 31, 2012 are comprised of $11.2 million in core deposit intangibles held at the Bank and customer list intangibles of $0.3 million and $0.1 million held at WesBanco Securities and WesBanco Insurance, respectively. At December 31, 2012 there were no indicators of impairment related to intangible assets with finite useful lives.

EXECUTIVE OVERVIEW

On November 30, 2012, WesBanco completed its acquisition of Fidelity Bancorp, Inc. (Fidelity), and its wholly-owned banking subsidiary, Fidelity Bank, PaSB, (Fidelity Bank), a Pennsylvania-chartered stock savings bank headquartered in Pittsburgh, Pennsylvania. On the acquisition date, Fidelity had $654.9 million in assets, which included $322.6 million in loans, and $222.0 million in securities. The acquisition was valued at $70.0 million and added 13 branches in the Pittsburgh area to the Bank s branch network. WesBanco issued 2,543,132 shares of its common stock and $15.4 million in cash in exchange for Fidelity common stock. The

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assets and liabilities of Fidelity were recorded on WesBanco s balance sheet as of the acquisition date, and Fidelity s results of operations have been included in WesBanco s Consolidated Statements of Income since that date. In conjunction with the completion of this acquisition, Fidelity fully repurchased the $7.0 million of Fidelity preferred stock previously issued to the U.S. Department of the Treasury (UST) under the Capital Purchase Program (CPP). A related warrant issued by Fidelity to the UST has been converted into a warrant to purchase up to 100,448 shares of WesBanco s common stock. WesBanco recorded $38.8 million in goodwill, $4.7 million in core deposit intangibles and $3.2 million of merger-related expenses in 2012 as a result of the acquisition. None of the goodwill is deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes.

Financial performance improved in 2012 for the third year as WesBanco continued to strengthen operating effectiveness and efficiency. Net income increased 13.1%, in spite of the continuation of a challenging economic environment of high unemployment, depressed housing prices and low interest rates. Excluding restructuring and merger-related expenses, net income increased by 18.9% in 2012. Return on average tangible assets(1) increased to 0.96% from 0.88% in 2011. Relatively stable net interest income, a lower provision for credit losses and improved non-interest income combined to provide the improved results, while non-interest expense increased 7.0%, largely due to the acquisition and increased health insurance and pension expense. Return on average tangible equity(1) was 13.68% compared to 13.32% in the prior year. Strong earnings and improved capital have enabled WesBanco to increase its dividend four times over the last two years, representing 29% growth to the current $0.18 per share, an approximate 3.2% dividend yield at December 31, 2012.

Total assets at December 31, 2012 increased 9.8% or $542.7 million from the prior year-end due to the acquisition of Fidelity and organic growth. Portfolio loans increased $448.4 million or 13.8% with $313.4 million from the acquisition and the remaining $135.0 million from WesBanco s originations outpacing paydowns. Separate from the Fidelity acquisition, WesBanco grew outstanding loans 4.2% from the previous year as a result of 29.7% growth in loan originations. The organic loan growth and declines in higher cost borrowings of $110.9 million over the last twelve months were funded by organic deposit growth and the use of other liquid assets. Deposits increased $550.4 million or 12.5% in 2012, with $455.0 million from the acquisition and $95.4 million from organic growth.

Net interest income decreased by 0.6% in 2012 due to the low interest rate environment; however, average earning assets increased by 3.2% from loan growth in WesBanco s legacy markets, increased investment balances and additional assets from the Fidelity Merger. Declines in the net interest margin slowed in the second half of 2012 through disciplined pricing of rates for lending and for deposits, and through balance sheet management strategies to minimize risk and reduce higher cost interest bearing liabilities, primarily certain certificates of deposit and borrowings. Although interest rates again remained low throughout the year, which limited the opportunity for originating reasonably priced loans and purchasing investments, new and repriced deposits were also significantly less expensive. Lower cost deposits combined with the maturity of higher cost borrowings significantly reduced interest expense. Liquidity provided by increases in low cost deposits was used to avoid replacement of the maturing higher-cost borrowings. As a result, FHLB and other borrowings decreased by 30.4% in 2012 from December 31, 2011, to 4.2% of total assets.

Credit quality continued to improve this year which resulted in a significant decline in the 2012 provision for credit losses, which decreased 43.7% compared to 2011. Charge-offs decreased 48.0% during the year, and non-performing assets decreased by 22.6%, including a 26.8% decrease in non-performing loans, from December 31, 2011 to the end of 2012. Criticized and classified loans decreased 33.1%. in 2012. These achievements were the result of initiatives to continue to improve lending practices, loan monitoring, workout strategies, loss recovery programs and sales of certain non-performing loans.

Non-interest income increased 8.2% in 2012. Continued increases in trust fees, electronic banking fees, and gains on sale of mortgage loans contributed to non-interest income in 2012. In addition, losses on other real estate owned continued to decline and net securities gains increased during the year. These improvements were

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

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partially offset by decreases in service charges on deposits due to decreases in customer usage of overdraft capabilities. Non-interest expense increased 7.0% in 2012 due to restructuring and merger-related expenses and higher employee expenses resulting from increased FTEs and health insurance and pension expense.

WesBanco has continued to maintain strong regulatory capital ratios even after the completion of the Fidelity acquisition. At December 31, 2012, Tier 1 leverage was 9.34%, Tier 1 risk-based capital was 12.82%, and total risk-based capital was 14.07%, all of which were relatively unchanged from the prior year end. Both consolidated and bank-level regulatory capital ratios are well above the applicable well-capitalized standards promulgated by bank regulators. Total tangible equity to tangible assets[1] was 6.77% at December 31, 2012, a nine basis point increase from a year ago. The Fidelity acquisition temporarily impacted capital ratios compared to pre-acquisition levels.

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

RESULTS OF OPERATIONS

EARNINGS SUMMARY

Net income for 2012 increased 13.1% to $49.5 million from $43.8 million for 2011, while diluted earnings per common share were $1.84, compared to $1.65 per common share for the prior year. The growth in net income was achieved through a 43.7% decrease in the provision for credit losses through significant improvement in credit quality in 2012, and an 8.2% improvement in non-interest income, partially offset by a 7.0% increase in non-interest expense. Non-interest income grew through higher revenues from trust and electronic banking, reduced losses on other real estate owned, higher net gains on sales of mortgage loans and increased security gains. These improvements were somewhat offset by lower service charges on deposits. The increase in non-interest expense is due to restructuring and merger-related expenses in 2012, higher compensation, health insurance and pension expenses, and Fidelity expenses for the month of December.

Net interest income decreased by $1.0 million or 0.6% in 2012 compared to 2011 due to the continued low interest rate environment resulting in decreasing rates earned on interest earning assets. However, average earning assets increased $154.4 million or 3.2% including growth in average portfolio loan balances of $66.2 million or 2.0%, most of which was from loan growth separate from the Fidelity acquisition. In addition to the increase in portfolio loans, the increase in average earning assets was also due to increased average investments in securities funded by deposit increases. Total average deposits increased by $214.1 million or 5.0% in 2012 primarily through increases in demand deposit accounts as a result of marketing campaigns, customer incentives, wealth management and business initiatives. In addition, cost of funds continued to improve due to lower offered rates on maturing certificates of deposit, an increase in balances of lower-cost products and lower balances of certain higher-cost borrowings. The net interest margin declined by 13 basis points in 2012 to 3.53% compared to 2011. The low interest rate environment continues to result in reduced rates earned on the securities and loan portfolios, but with a smaller decrease in lower average rates paid on interest bearing liabilities.

WesBanco has continued to improve credit quality over the last two years. As a result of this improvement in all measures of credit quality, the provision for credit losses was $19.9 million for 2012 compared to $35.3 million for 2011. Total non-performing loans, which include loans acquired with the Fidelity transaction, were $63.7 million or 1.73% of total loans at December 31, 2012, which represents a 26.7% decrease from $86.9 million or 2.68% at December 31 of the prior year. The 2012 ending balance includes accruing and non-accrual troubled debt restructurings (TDRs) totaling $9.4 million related to the implementation during the quarter of a regulatory requirement for primarily mortgage, home equity and consumer loans discharged in bankruptcy, which the borrower has continued to repay after the discharge. Classified and criticized loans decreased $85.4 million or 33.1% from December 31, 2011. Sales of commercial loans during 2012 decreased non-performing loans by $9.4 million and classified and criticized loans by $10.3 million compared to December 31, 2011. Additionally, $11.3 million of non-performing commercial loans acquired in the Fidelity acquisition, with a fair value of $6.9 million, were sold concurrent with the acquisition in the fourth quarter.

Net charge-offs for 2012 were $22.1 million, or 0.67% of average portfolio loans, compared to $42.5 million or 1.30% for 2011. The allowance for loan losses represented 1.43% of total portfolio loans at year end; however, if the credit portion of the fair market value adjustment on Fidelity loans of $7.1 million at December 31, 2012 were to be included, the allowance would approximate 1.62% of loans.

Non-interest income increased $4.9 million or 8.2% for the year ended December 31, 2012, primarily due to a $1.2 million increase in electronic banking fees caused by increased transaction volume, a $0.9 million increase in trust fees through new business and increases in market value of managed securities, a decrease in losses on other real estate owned of $1.0 million and increased net gains on sale of mortgage loans of $1.0 million from increased loan production. Net securities gains increased $1.5 million in 2012. These improvements were partially offset by a decrease in service charges on deposits of $1.5 million due to decreases in customer usage of overdraft capabilities. Non-interest expense increased 7.0% for the year compared to 2011 partially due to restructuring and merger-related expenses of $3.9 million. Merger expenses in 2012 related to the Fidelity acquisition were $3.2 million, while restructuring costs associated with the closure of six branch offices were $0.7 million. Total non-interest expense would have increased 4.2% for the year without these charges. Salaries and wages increased $2.2 million in 2012 due to routine annual adjustments to compensation, increases in incentive compensation expense, and an increase in full-time equivalent employees (FTE) of 139 primarily due to the acquisition of Fidelity. Employee benefits expense increased $4.1 million year-to-date primarily from increased pension and employee health insurance costs. Partially offsetting these increases were reduced marketing expense of $0.9 million and reduced FDIC insurance of $0.9 million.

The provision for income taxes increased $3.8 million due to the significant increase in pre-tax income and an effective tax rate in 2012 increasing to 21.5% compared to 18.3% in 2011. The higher effective rate was due primarily to the increase in pre-tax income.

TABLE 1. NET INTEREST INCOME

	For the years ended December 31,		
(dollars in thousands)	**2012**	**2011**	**2010**
Net interest income	**$ 168,351**	$ 169,365	$ 166,092
Taxable-equivalent adjustments to net interest income	**6,676**	6,520	6,142
Net interest income, fully taxable-equivalent	**$ 175,027**	$ 175,885	$ 172,234
Net interest spread, non-taxable-equivalent	**3.23%**	3.34%	3.27%
Benefit of net non-interest bearing liabilities	**0.17%**	0.18%	0.20%
Net interest margin	**3.40%**	3.52%	3.47%
Taxable-equivalent adjustment	**0.13%**	0.14%	0.13%
Net interest margin, fully taxable-equivalent	**3.53%**	3.66%	3.60%

Net interest income, which is WesBanco s largest source of revenue, is the difference between interest income on earning assets, primarily loans and securities, and interest expense on liabilities (deposits and short and long-term borrowings). Net interest income is affected by the general level and changes in interest rates, the steepness and shape of the yield curve, changes in the amount and composition of interest earning assets and interest bearing liabilities, as well as the frequency of repricing of those assets and liabilities. Net interest income decreased by $1.0 million or 0.6% in 2012 compared to 2011 due to the continued low interest rate environment resulting in decreasing rates earned on interest earning assets. However, average earning assets increased $154.4 million or 3.2% including growth in average portfolio loan balances of $66.2 million or 2.0%, most of which was from loan growth separate from the Fidelity acquisition. In addition to the increase in portfolio loans, the increase in average earning assets was also due to increased average investments in securities funded by deposit increases. Total average deposits increased by $214.1 million or 5.0% in 2012 primarily through increases in demand deposit accounts as a result of marketing campaigns, customer incentives and wealth management and business initiatives. In addition, cost of funds continued to improve due to lower offered rates on maturing certificates of deposit, an increase in balances of lower-cost products and lower balances of FHLB and other borrowings. The net interest margin declined by 13 basis points in 2012 to 3.53% compared to 2011. The low interest rate environment continues to result in reduced rates earned on the securities and loan portfolios, but with a smaller decrease in lower average rates paid on interest bearing liabilities. The average rate on earning assets decreased by 40 basis points while the rate on interest bearing liabilities declined by 28 basis points in 2012.

Interest income decreased $12.5 million or 5.6% in 2012 compared to 2011 due to the lower yields, partially offset by the increase in average earning assets. Rates decreased on all significant earning asset categories from reduced rates on new and repriced assets due to competition and the lower interest rate environment. Repricing of loans and the competitive necessity of offering lower rates on quality credits in an increasingly competitive and lower interest rate environment caused a decline in loan yields of 38 basis points in 2012, although the average loan balance increased by 2.0%. Securities yields decreased due to the reinvestment of funds from investment maturities, calls and sales, and additional investment purchases at current lower available interest rates, along with the acquired Fidelity investment portfolio net of sales. Taxable securities yields decreased 50 basis points in 2012, while tax-exempt securities yields declined 33 basis points due to the longer average life of the tax-exempt portfolio and limited maturities, calls, and repricings within this portfolio. In addition, spread opportunities were available in lower-premium collateralized mortgage securities, offsetting significant calls of other government agencies and prepayments in mortgage-backed securities, which resulted in a larger increase for the year in average taxable securities than in tax-exempts. However, in the fourth quarter, spread opportunities in municipals resulted in increased investment in that portion of the portfolio. The acquisition also provided an additional $90.0 million of securities at year end, net of significant sales of acquired investments in the month of December to conform to WesBanco investment practices and policies.

Portfolio loans increased $448.4 million or 13.8% in 2012 with $313.4 million from the acquisition and the remaining $135.0 million from WesBanco s originations outpacing paydowns. Separate from the Fidelity acquisition, WesBanco grew outstanding loans 4.2% from the previous year as a result of growth in commercial real estate, residential real estate and home equity lending. Overall loan production increased 29.7% in 2012 compared to 2011. In addition, the Bank continued to retain more residential mortgage loans in the portfolio, rather than selling them to the secondary market.

In 2012 interest expense decreased $11.5 million or 20.9% compared to 2011, primarily due to decreases in rates paid and a continued shift in the liability mix towards less expensive sources of funding, while total average interest bearing balances decreased slightly. The average rate paid on interest bearing liabilities decreased to 1.04% in 2012 from 1.32% in 2011. Rates paid on deposits declined by 26 basis points due to declines in rates paid in all deposit categories, caused by management reducing offered interest rates for most products. Improvements in the deposit funding mix also lowered the cost of funds, with average certificates of deposit decreasing to 34.5% of total average deposits from 38.4% in 2011. Average interest bearing deposits in 2012 increased by $102.5 million and non-interest bearing demand deposits increased by $111.5 million from 2011. Deposit increases were used to pay down higher-cost maturing FHLB borrowings and, in the fourth quarter, certain other borrowings, significantly contributing to the reduced cost of funds. Average FHLB borrowings decreased $80.5 million or 38.2% in 2012, and were 3.1% of average interest bearing liabilities in 2012 compared to 5.1% in 2011. Average deposits increased significantly in demand and savings product categories, even as offered rates on interest bearing accounts were reduced. Total average demand deposits, including interest bearing and non-interest bearing, increased $239.4 million or 18.9% in 2012. Average certificates of deposit decreased by $89.4 million or 5.5% in 2012 due to the reductions in rate offerings, a focus on growing customers with multiple banking relationships as opposed to single service certificates of deposit customers, and customer demand for other shorter-term deposit products as well as non-bank investment products such as annuities.

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TABLE 2. AVERAGE BALANCE SHEETS AND NET INTEREST MARGIN ANALYSIS

	For the years ended December 31,								
	2012			2011			2010		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
Due from banks-interest bearing	**$ 26,865**	**$ 68**	**0.25%**	$ 48,723	$ 101	0.21%	$ 82,380	$ 198	0.24%
Loans, net of unearned income (1)	**3,323,078**	**166,656**	**5.02%**	3,256,887	175,818	5.40%	3,385,928	189,380	5.59%
Securities: (2)									
Taxable	**1,270,446**	**32,461**	**2.56%**	1,179,458	36,034	3.06%	1,015,643	35,375	3.48%
Tax-exempt (3)	**323,885**	**19,075**	**5.89%**	299,357	18,629	6.22%	270,759	17,550	6.48%
Total securities	**1,594,331**	**51,536**	**3.23%**	1,478,815	54,663	3.70%	1,286,402	52,925	4.11%
Federal funds sold									
Other earning assets	**19,621**	**102**	**0.52%**	25,030	105	0.42%	29,838	167	0.56%
Total earning assets (3)	**4,963,895**	**218,362**	**4.40%**	4,809,455	230,687	4.80%	4,784,548	242,670	5.07%
Other assets	**642,491**			630,788			631,922		
Total Assets	**$ 5,606,386**			$ 5,440,243			$ 5,416,470		
LIABILITIES AND SHAREHOLDERS EQUITY									
Interest bearing demand deposits	**$ 755,908**	**$ 1,526**	**0.20%**	$ 628,037	$ 2,160	0.34%	$ 563,407	$ 3,196	0.57%
Money market accounts	**781,400**	**2,183**	**0.28%**	792,565	4,802	0.58%	728,844	6,894	0.95%
Savings deposits	**645,310**	**864**	**0.13%**	570,093	1,505	0.26%	512,289	2,242	0.44%
Certificates of deposit	**1,547,379**	**26,371**	**1.70%**	1,636,753	31,054	1.90%	1,754,805	36,817	2.10%
Total interest bearing deposits	**3,729,997**	**30,944**	**0.83%**	3,627,448	39,521	1.09%	3,559,345	49,149	1.38%
Federal Home Loan Bank borrowings	**130,048**	**4,473**	**3.44%**	210,506	7,199	3.42%	359,010	12,721	3.54%
Other borrowings	**191,534**	**4,480**	**2.34%**	194,768	4,823	2.48%	183,542	4,774	2.60%
Junior subordinated debt	**106,727**	**3,438**	**3.22%**	106,050	3,259	3.07%	109,552	3,792	3.46%
Total interest bearing liabilities	**4,158,306**	**43,335**	**1.04%**	4,138,772	54,802	1.32%	4,211,449	70,436	1.67%
Non-interest bearing demand deposits	**751,345**			639,837			562,763		
Other liabilities	**40,051**			36,573			36,516		
Shareholders equity	**656,684**			625,061			605,742		
Total Liabilities and Shareholders Equity	**$ 5,606,386**			$ 5,440,243			$ 5,416,470		
Net interest spread			**3.36%**			3.48%			3.40%
Taxable equivalent net interest margin (3)		**$ 175,027**	**3.53%**		$ 175,885	3.66%		$ 172,234	3.60%

(1) Total loans are gross of the allowance for loan losses, net of unearned income and include loans held for sale. Non-accrual loans were included in the average volume for the entire period. Loan fees included in interest income on loans totaled $4.0 million, $4.3 million and $4.2 million for the years ended December 31, 2012, 2011 and 2010, respectively.

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

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

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

	2012 Compared to 2011			2011 Compared to 2010		
(in thousands)	Volume	Rate	Net Increase (Decrease)	Volume	Rate	Net Increase (Decrease)
Increase (decrease) in interest income:						
Due from banks-interest bearing	**$ (52)**	**$ 19**	**$ (33)**	$ (72)	$ (25)	$ (97)
Loans, net of unearned income	**3,517**	**(12,679)**	**(9,162)**	(7,086)	(6,476)	(13,562)
Taxable securities	**2,634**	**(6,207)**	**(3,573)**	5,308	(4,649)	659
Tax-exempt securities (2)	**1,477**	**(1,031)**	**446**	1,800	(721)	1,079
Federal funds sold						
Other earning assets	**(25)**	**22**	**(3)**	(24)	(38)	(62)
Total interest income change (2)	**7,551**	**(19,876)**	**(12,325)**	(74)	(11,909)	(11,983)
Increase (decrease) in interest expense:						
Interest bearing demand deposits	**380**	**(1,014)**	**(634)**	334	(1,370)	(1,036)
Money market	**(67)**	**(2,552)**	**(2,619)**	560	(2,652)	(2,092)
Savings deposits	**178**	**(819)**	**(641)**	231	(968)	(737)
Certificates of deposit	**(1,635)**	**(3,048)**	**(4,683)**	(2,379)	(3,384)	(5,763)
Federal Home Loan Bank borrowings	**(2,768)**	**42**	**(2,726)**	(5,093)	(429)	(5,522)
Other borrowings	**(79)**	**(264)**	**(343)**	284	(235)	49
Junior subordinated debt	**21**	**158**	**179**	(118)	(415)	(533)
Total interest expense change	**(3,970)**	**(7,497)**	**(11,467)**	(6,181)	(9,453)	(15,634)
Net interest income increase (decrease) (2)	**$ 11,521**	**$ (12,379)**	**$ (858)**	$ 6,107	$ (2,456)	$ 3,651

(1) Changes to rate/volume are allocated to both rate and volume on a proportionate dollar basis.

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

PROVISION FOR CREDIT LOSSES

The provision for credit losses is the amount to be added to the allowance for credit losses after net charge-offs have been deducted to bring the allowance to a level considered appropriate to absorb probable losses in the loan portfolio. The provision for credit losses for the year ended December 31, 2012 decreased $15.4 million or 43.7% to $19.9 million compared to $35.3 million for the year ended December 31, 2011. This decrease is the result of a 48% decrease in net charge-offs, a 27% decrease in non-performing loans, a 33% reduction in classified and criticized loans, relatively low delinquency, and some stabilizing of the local economy. The provision for credit losses was lower than net charge-offs by $2.2 million in 2012 and $7.2 million in 2011 due to recognition of probable losses that were provided for in prior years. The provision exceeded net charge-offs in each of the years 2008 through 2010 by an aggregate of $23.7 million as a result of the downturn in the national and local economy that began to adversely impact credit quality beginning in 2007. (Please see the Allowance for Credit Losses section of this MD&A for additional discussion).

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TABLE 4. NON-INTEREST INCOME

(dollars in thousands)	For the Years Ended December 31, 2012	2011	$ Change	% Change
Trust fees	**$ 18,044**	$ 17,173	$ 871	5.1
Service charges on deposits	**17,138**	18,629	(1,491)	(8.0)
Electronic banking fees	**11,336**	10,088	1,248	12.4
Net securities brokerage revenue	**4,604**	4,413	191	4.3
Bank-owned life insurance	**3,516**	3,566	(50)	(1.4)
Net gains on sales of mortgage loans	**2,876**	1,977	899	45.5
Net securities gains	**2,463**	963	1,500	155.8
Net losses on other real estate owned and other assets	**(305)**	(1,290)	985	76.4
Other income:				
Net insurance services revenue	**2,600**	2,442	158	6.5
Other	**2,503**	1,927	576	29.9
Total non-interest income	**$ 64,775**	$ 59,888	$ 4,887	8.2

Non-interest income is a significant source of revenue and an important part of WesBanco s results of operations. WesBanco offers its customers a wide range of retail, commercial, investment and electronic banking services, which are viewed as a vital component of WesBanco s ability to attract and maintain customers, as well as providing additional fee income beyond normal spread-related income to WesBanco. Non-interest income increased $4.9 million or 8.2% in 2012 compared to 2011. Trust fees increased $0.9 million as assets under management continued to increase from customer initiatives of trust and investment development activities that began in the first half of 2012. Electronic banking fees increased 12.4% in 2012 due to increased transaction volumes. Net gains on sales of mortgage loans increased $0.9 million due to increased volume and higher margins on sold loans. The net loss on other real estate owned improved $1.0 million and net security gains were $2.5 million in 2012. Service charges on deposits decreased $1.5 million primarily from decreases in customer usage of overdraft capabilities.

Trust fees improved $0.9 million or 5.1% compared to 2011, due to new business and higher average trust assets from overall market improvements and the implementation of the organization-wide trust and investment development program and the implementation of a private banking program for high net worth customers. Trust assets at December 31, 2012 increased to $3.2 billion from $3.0 billion at December 31, 2011. At December 31, 2012, trust assets include managed assets of $2.5 billion and non-managed (custodial) assets of $0.7 billion. Assets managed for the WesMark funds, a proprietary group of mutual funds that is advised by WesBanco s trust and investment services group, were $796.0 million as of December 31, 2012 and $748.0 million at December 31, 2011 and are included in trust managed assets.

Service charges on deposits, which are primarily customer overdraft fees, were 8.0% lower for the year compared to 2011 due to changes in customer behavior. Higher average customer deposit balances, usage of mobile and internet banking technologies by our customers, and changes in marketing strategies may have also had an impact.

Electronic banking fees, which include debit card interchange fees, improved by $1.2 million or 12.4% compared to the prior year, due to a higher volume of debit card transactions which have continued to grow as customers move more towards electronic transactions. Regulatory changes, which became effective October 1, 2011 for card issuers with more than $10 billion in assets, place a cap on debit card interchange fees. Although not directly subject to the new regulations, WesBanco anticipates some market-related long-term impact on its electronic banking fees in the future from these changes.

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Gains on the sale of mortgage loans increased $0.9 million or 45.5% compared to 2011 primarily from increased volume and margins on sold loans. Overall mortgage production increased 52% from 2011 to $346.1 million, while mortgages sold into the secondary market during the twelve months ended December 31, 2012 increased 66% to $130.9 million compared to 2011.

Net losses on other real estate owned and other assets decreased $1.0 million compared to 2011 due to improved pricing for liquidated property. Other real estate owned balances have increased $3.0 million since December 31, 2011, due to the acquisition of $3.7 million of other real estate owned from Fidelity. Excluding Fidelity, other real estate owned balances would have been reduced by 24.7% from December 31, 2011.

TABLE 5. NON-INTEREST EXPENSE

	For the Years Ended December 31,			
(dollars in thousands)	**2012**	**2011**	**$ Change**	**% Change**
Salaries and wages	**$ 58,913**	$ 56,673	$ 2,240	4.0
Employee benefits	**21,462**	17,321	4,141	23.9
Net occupancy	**10,905**	11,255	(350)	(3.1)
Equipment	**9,221**	8,745	476	5.4
Marketing	**4,235**	5,142	(907)	(17.6)
FDIC insurance	**3,899**	4,768	(869)	(18.2)
Amortization of intangible assets	**2,150**	2,410	(260)	(10.8)
Restructuring and merger-related expense	**3,888**		3,888	100.0
Other operating expenses:				
Miscellaneous, franchise, and other taxes	**5,629**	5,334	295	5.5
Postage	**3,071**	3,201	(130)	(4.1)
Consulting, regulatory, accounting and advisory fees	**3,971**	3,599	372	10.3
Other real estate owned and foreclosure expenses	**2,082**	3,188	(1,106)	(34.7)
Legal fees	**2,517**	2,888	(371)	(12.8)
Communications	**2,536**	2,600	(64)	(2.5)
ATM and interchange expenses	**3,748**	2,921	827	28.3
Supplies	**2,460**	2,440	20	0.8
Other	**9,433**	7,810	1,623	20.8
Total other operating expenses	**35,447**	33,981	1,466	4.3
Total non-interest expense	**$ 150,120**	$ 140,295	$ 9,825	7.0

Non-interest expense increased $9.8 million or 7.0% for the year compared to 2011 primarily due to restructuring and merger-related expenses of $3.9 million and employee-related expenses of $6.4 million. Merger expenses in 2012 related to the Fidelity acquisition were $3.2 million, while restructuring costs associated with the closure of six branch offices were $0.7 million. Total non-interest expense would have increased 4.2% for the year without these charges. Employee-related expenses were up $6.4 million due to increased FTEs due to the Fidelity acquisition and higher health insurance and pension expense. Partially offsetting these increases were reduced other real estate owned expenses of $1.1 million, reduced marketing expense of $0.9 million and reduced FDIC insurance of $0.9 million.

Salaries and wages increased $2.2 million in 2012 due to routine annual adjustments to compensation, increases in incentive compensation expense, and an increase in FTEs of 139 to 1,507 at December 31, 2012 due to the acquisition of Fidelity. Employee benefits expense increased $4.1 million year-to-date primarily due to higher health insurance expenses and higher pension expense from lower return and discount rate assumptions.

Marketing expenses decreased $0.9 million for the year compared to 2011 primarily due to fewer customer incentives and promotions throughout the year.

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FDIC insurance decreased $0.9 million in 2012 due to the new calculation of FDIC insurance expense, effective April 1, 2011.

Restructuring and merger-related expenses of $3.9 million in 2012 include $3.2 million related to the Fidelity acquisition and $0.7 million associated with the closure of six branch offices in the fourth quarter. The branch restructuring charges are primarily related to asset write-downs and severance. The merger-related expenses included approximately $1.0 million related to executive officer change-in-control agreements, $0.9 million in legal expenses and $0.8 million of investment banking fees. Other merger-related expenses in 2012 include system conversion costs, certain accrued severance costs, and accounting and valuation expenses.

Other real estate owned and foreclosure expenses decreased for the year due to ongoing liquidation efforts including the sale of a hospitality property in the fourth quarter of 2011 which operated at a loss in the first nine months of 2011.

ATM and interchange expenses, which include debit card processing fees, increased $0.8 million or 28% for the year compared to 2011, due to a higher volume of debit card transactions during the period, which have continued to grow as customers continue to move more towards electronic transactions.

Other operating expenses for the year have increased primarily due to accelerated amortization and impairment on low income housing projects and higher electronic bill pay expense.

INCOME TAXES

The provision for federal and state income taxes increased to $13.6 million in 2012 compared to $9.8 million in 2011. The increase in income tax expense was due to a $9.5 million increase in pre-tax income, which caused a higher effective tax rate of 21.5% compared to 18.3% for 2011. The increase in the effective tax rate was due primarily to higher pre-tax income.

FINANCIAL CONDITION

Total assets increased 9.8% in 2012, while total deposits and shareholders equity increased 12.5% and 12.7%, respectively, compared to December 31, 2011 primarily due to the acquisition of Fidelity. Total borrowings decreased 21.9% in 2012. Portfolio loans increased $448.4 million or 13.8% in 2012 with $313.4 million from the acquisition and the remaining $135.0 million from WesBanco s originations outpacing paydowns. Separate from the Fidelity acquisition, WesBanco grew outstanding loans 4.2% from the previous year as a result of a 29.7% growth in loan originations from the previous year. The organic loan growth and declines in higher cost borrowings in 2012 were funded by organic deposit growth and the use of other liquid assets. Deposits increased $550.4 million or 12.5% in 2012, with $455.0 million from the acquisition and $95.4 million from organic growth. The organic growth in deposits resulted from a 22.7% increase in demand deposits and an 11.0% increase in savings deposits, which more than offset a 17.2% decrease in money market deposits and a 6.5% decrease in certificates of deposit. The increase in demand and savings deposits are primarily a result of marketing campaigns, customer incentives, additional wealth management deposits, and treasury management and other business banking initiatives for commercial customers. Additionally, deposits increased from customers receiving bonus and royalty payments from gas companies operating in the Marcellus and Utica shale formations in southwestern Pennsylvania, eastern Ohio and northern West Virginia. Such deposits, tracked at the initial deposit, totaled in excess of $225 million in 2012 as compared to $150 million in 2011. The liquidity provided by the increase in deposits was partially utilized to pay down higher cost FHLB advances by $115.6 million in 2012, which was partially offset by the $58.9 million of FHLB advances acquired in the Fidelity acquisition. Total shareholders equity increased by $80.4 million primarily due to the issuance of 2,543,132 shares of common stock with a fair value of $53.7 million in connection with the Fidelity acquisition. Additionally, net income exceeded dividends paid to common shareholders by $30.4 million for the year; however, accumulated other comprehensive income decreased $5.5 million from unrealized losses in the defined benefit pension plan, which were partially offset by unrealized gains recorded in the available-for-sale securities

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portfolio. The tangible equity to tangible assets ratio (non-GAAP measure) increased to 6.77% at December 31, 2012 from 6.68% at December 31, 2011, primarily as a result of the increase in shareholders equity somewhat offset by an increase in tangible assets mostly due to the Fidelity acquisition. See non-GAAP Measures within Item 6. Selected Financial Data for additional information relating to the calculation of this item.

SECURITIES

TABLE 6. COMPOSITION OF SECURITIES (1)

	December 31,		2012-2011		
(dollars in thousands)	**2012**	**2011**	**$ Change**	**% Change**	**2010**
Available-for-sale (at fair value)					
Other government agencies	**$ 96,612**	$ 198,720	$ (102,108)	(51.4)	$ 363,135
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	**732,210**	588,092	144,118	24.5	353,345
Obligations of states and political subdivisions	**148,635**	180,433	(31,798)	(17.6)	210,808
Corporate debt securities	**32,685**	44,066	(11,381)	(25.8)	25,583
Total debt securities	**1,010,142**	1,011,311	(1,169)	(0.1)	952,871
Equity securities	**11,102**	5,029	6,073	120.8	4,610
Total available-for-sale securities	**$ 1,021,244**	$ 1,016,340	$ 4,904	0.5	$ 957,481
Held-to-maturity (at amortized cost)					
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	**152,872**	247,938	(95,066)	(38.3)	202,062
Other residential collateralized mortgage obligations	**353**	783	(430)	(54.9)	1,224
Obligations of states and political subdivisions	**449,284**	342,752	106,532	31.1	263,973
Corporate debt securities		1,452	(1,452)	(100.0)	1,451
Total held-to-maturity securities	**602,509**	592,925	9,584	1.6	468,710
Total securities	**$ 1,623,753**	$ 1,609,265	$ 14,488	0.9	$ 1,426,191
Available-for-sale securities:					
Weighted average yield at the respective year end (2)	**2.36%**	2.86%			3.46%
As a % of total securities	**62.9%**	63.2%			67.1%
Weighted average life (in years)	**3.2**	2.8			4.0
Held-to-maturity securities:					
Weighted average yield at the respective year end (2)	**4.24%**	4.62%			4.84%
As a % of total securities	**37.1%**	36.8%			32.9%
Weighted average life (in years)	**5.0**	5.3			6.8
Total securities:					
Weighted average yield at the respective year end (2)	**3.06%**	3.51%			3.91%
As a % of total securities	**100.0%**	100.0%			100.0%
Weighted average life (in years)	**3.9**	3.7			4.9

(1) At December 31, 2012, 2011 and 2010, there were no holdings of any one issuer, other than the U.S. government and certain federal or federally-related agencies, in an amount greater than 10% of WesBanco s shareholders equity.

(2) Weighted average yields have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%.

Total investment securities, which represent a source of liquidity for WesBanco as well as a contributor to interest income, increased $14.5 million or 0.9% from December 31, 2011 to December 31, 2012. The overall securities increase for the year was primarily due to increases in the mortgage-backed, collateralized mortgages and municipal categories, partially offset by decreases in government agencies and corporate securities, primarily due to calls and maturities. WesBanco does not have any material investments in private mortgage-backed securities or those that are collateralized by sub-prime mortgages, nor does WesBanco have any exposure to collateralized debt obligations or government-sponsored enterprise preferred stocks.

The investment portfolio s tax-equivalent yield at year end, combining both the held-to-maturity and available-for-sale portfolios, decreased from 3.51% at December 31, 2011, to 3.06% at December 31, 2012. The decrease in the portfolio yield is directly attributable to the prolonged lower interest rate environment which is affecting the repricing of most fixed income securities. Total cash flows from the portfolio increased $384.4 million from 2011 primarily due to cash flows from sales of securities. This significant increase is primarily due to the sale of approximately 58% of Fidelity s acquired investment portfolio in December totaling $128.8 million as part of a portfolio restructuring. Cash flows from the portfolio due to calls, maturities and prepayments decreased in 2012 by 8.8% to $514.9 million, from $564.7 million for 2011. Although prepayment speeds on mortgage-backed securities remained high throughout 2012, reduced calls on other government agencies from 2011 to 2012 due to the lower size of that portion of the portfolio contributed to the overall decrease in cash flows from calls, maturities and prepayments.

Total gross unrealized securities losses decreased by $0.4 million, from $1.9 million at December 31, 2011 to $1.5 million at December 31, 2012. WesBanco had $134.7 million in investment securities in an unrealized loss position for less than twelve months at December 31, 2012, which was a 29.8% decrease from the $192.0 million for the same category at December 31, 2011. This decrease was due to the continued lower interest rate environment in 2012. In addition, at December 31, 2012, WesBanco had $20.8 million in investment securities in an unrealized loss position for more than twelve months which was an increase from the $15.8 million for the same category at December 31, 2011. WesBanco believes that all of the unrealized securities losses at December 31, 2012 were temporary impairment losses. Please refer to Note 4, Securities, of the Consolidated Financial Statements for additional information.

Net unrealized pre-tax gains on available-for-sale securities were $20.7 million at December 31, 2012, compared to $18.0 million at December 31, 2011. These net unrealized pre-tax gains represent temporary fluctuations resulting from changes in market rates in relation to fixed yields in the available-for-sale portfolio, and on an after-tax basis are accounted for as an adjustment to other comprehensive income in shareholders equity. Net unrealized pre-tax gains on the held-to-maturity portfolio, which are not accounted for in other comprehensive income, increased to $36.8 million at December 31, 2012 from $28.5 million at December 31, 2011 for similar reasons as those securities in the available-for-sale category.

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TABLE 7. MATURITY DISTRIBUTION AND YIELD ANALYSIS OF SECURITIES

The following table presents the amortized cost and tax-equivalent yields of available-for-sale and held-to-maturity securities by contractual maturity at December 31, 2012. In some instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

	December 31, 2012											
	One Year or less		One to Five Years		Five to Ten Years		Over Ten Years		Mortgage-backed and equity		Total	
(in thousands)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)	Amount	Yield (1)
Available-for-sale												
Other government agencies	$ 2,500	4.75%	$ 12,809	0.49%	$ 46,489	1.26%	$ 34,459	1.03%			$ 96,257	1.17%
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (2)									721,824	1.86%	721,824	1.86%
Obligations of states and political subdivisions (3)	8,667	4.93%	46,357	6.31%	35,558	5.76%	48,929	5.04%			139,511	5.64%
Corporate debt securities	5,107	1.39%	18,249	1.35%	2,000	2.06%	7,350	3.36%			32,706	1.85%
Equity securities (4)									10,207	6.17%	10,207	6.17%
Total available-for-sale securities	$ 16,274	3.79%	$ 77,415	4.18%	$ 84,047	3.18%	$ 90,738	3.38%	$ 732,031	1.92%	$ 1,000,505	2.36%
Held-to-maturity (2)												
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (2)									$ 152,872	3.17%	$ 152,872	3.17%
Other residential collateralized mortgage obligations (2)									353	4.58%	353	4.58%
Obligations of states and political subdivisions (3)	2,737	2.77%	9,080	4.09%	105,595	4.64%	331,872	5.07%			449,284	4.94%
Total held-to-maturity securities	$ 2,737	2.77%	$ 9,080	4.09%	$ 105,595	4.64%	$ 331,872	5.07%	$ 153,225	3.17%	$ 602,509	4.24%
Total securities	$ 19,011	3.64%	$ 86,495	4.17%	$ 189,642	3.99%	$ 422,610	4.71%	$ 885,256	2.14%	$ 1,603,014	3.06%

(1) Yields are determined based on the lower of the yield-to-call or yield-to-maturity.
(2) Mortgage-backed and collateralized mortgage securities, which have prepayment provisions, are not assigned to maturity categories due to fluctuations in their prepayment speeds. Projected prepayments within one year are expected to be approximately $234.6 million.

(3) Average yields on obligations of states and political subdivisions have been calculated on a taxable-equivalent basis using the federal statutory tax rate of 35%.
(4) Equity securities, which have no stated maturity, are not assigned a maturity category.

Cost-method investments consist primarily of FHLB of Pittsburgh and FHLB of Cincinnati stock totaling $21.3 million and $21.9 million at December 31, 2012 and December 31, 2011, respectively, and are included in other assets in the Consolidated Balance Sheets.

WesBanco did not recognize any dividend income on FHLB of Pittsburgh stock for the year ended December 31, 2011, due to a suspension of dividends. The FHLB of Pittsburgh resumed paying dividends in 2012, and a total of $33,000 of dividend income was recognized, which represented an annualized rate of 0.17%. Additionally, the Bank owned $1.3 million and $1.6 million of FHLB of Cincinnati stock at December 31, 2012 and 2011, respectively, which paid a cash dividend at an annualized rate of 4.44% in 2012 totaling $0.1 million and a cash dividend of $0.1 million in 2011, representing an annualized rate of 4.25%.

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TABLE 8. COMPOSITION OF MUNICIPAL SECURITIES

The following table presents the allocation of the municipal bond portfolio, which comprises 37.8% of the total portfolio at fair value, based on the combined S&P and Moody s ratings of the individual bonds:

	December 31, 2012		December 31, 2011	
(dollars in thousands)	Amount	% of Total	Amount	% of Total
Municipal bonds (at fair value):				
AAA rating	**$ 55,225**	**8.8**	$ 52,791	9.7
AA rating	**470,259**	**74.8**	388,659	71.4
A rating	**77,071**	**12.3**	64,125	11.7
Below an A rating (1)	**14,005**	**2.2**	24,351	4.5
No rating	**11,774**	**1.9**	14,580	2.7
Total municipal bond portfolio	**$ 628,334**	**100.0**	$ 544,506	100.0

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

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

	December 31, 2012		December 31, 2011	
(dollars in thousands)	Amount	% of Total	Amount	% of Total
Municipal bond type:				
General obligation	**$ 456,405**	**72.6**	$ 393,755	72.3
Revenue	**171,929**	**27.4**	150,751	27.7
Total municipal bond portfolio	**$ 628,334**	**100.0**	$ 544,506	100.0
Municipal bond issuer:				
State issued	**$ 43,268**	**6.9**	$ 60,034	11.0
Local issued	**585,066**	**93.1**	484,472	89.0
Total municipal bond portfolio	**$ 628,334**	**100.0**	$ 544,506	100.0

The amortized cost of the municipal bond portfolio at December 31, 2012 and 2011 was $588.8 million and $514.5 million, respectively. The municipal bond portfolio is broadly spread across the U.S. with 62% of the portfolio s fair value in the top five states of Pennsylvania, Ohio, Texas, Illinois, and Michigan, respectively.

WesBanco uses prices from independent pricing services and, to a lesser extent, indicative (non-binding) quotes from independent brokers, to measure the fair value of its securities. WesBanco validates prices received from pricing services or brokers using a variety of methods, including, but not limited to, comparison to secondary pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, review of pricing by personnel familiar with market liquidity and other market-related conditions, review of pricing service methodologies, review of independent auditor reports received from the pricing service regarding its internal controls, and through review of inputs and assumptions used in pricing certain securities thinly traded or with limited observable data points. Additionally, a review of the credit and capacity to repay of certain non-rated municipal securities is performed by an independent third party. 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 17, Fair Value Measurements, in the Consolidated Financial Statements.

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LOANS AND CREDIT RISK

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

Total portfolio loans increased $448 million or 13.8% in 2012. This increase is attributable to $313 million of loans at fair value acquired from Fidelity and $135 million or 4.2% organic growth for the year. The Bank experienced record new loan volume in excess of $1 billion for all loan types in 2012 as certain markets experienced an increase in business growth and economic activity. This record level of loan production was achieved while maintaining or improving credit quality and pricing standards despite fierce competition for new business.

TABLE 9. COMPOSITION OF LOANS (1)

	December 31,									
	2012		2011		2010		2009		2008	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial real estate:										
Land and construction	**$ 193,004**	**5.2**	$ 175,867	5.4	$ 154,841	4.7	$ 254,637	7.3	$ 230,865	6.4
Improved property	**1,665,341**	**44.9**	1,509,698	46.5	1,602,408	48.6	1,525,584	43.8	1,468,158	40.7
Total commercial real estate	**1,858,345**	**50.1**	1,685,565	51.9	1,757,249	53.3	1,780,221	51.2	1,699,023	47.1
Commercial and industrial	**478,025**	**12.9**	426,315	13.1	412,726	12.5	451,688	13.0	510,902	14.2
Residential real estate:										
Land and construction	**11,805**	**0.3**	9,654	0.3	7,714	0.2	8,787	0.3	15,896	0.4
Other	**781,897**	**21.0**	611,729	18.9	600,979	18.2	699,610	20.1	841,103	23.3
Home equity	**277,226**	**7.5**	251,785	7.8	249,423	7.6	239,784	6.9	217,436	6.0
Consumer	**280,464**	**7.6**	254,320	7.8	260,585	7.9	290,856	8.2	319,949	8.9
Total portfolio loans	**3,687,762**	**99.4**	3,239,368	99.8	3,288,676	99.7	3,470,946	99.7	3,604,309	99.9
Loans held for sale	**21,903**	**0.6**	6,084	0.2	10,800	0.3	9,441	0.3	3,874	0.1
Total loans	**$ 3,709,665**	**100.0**	$ 3,245,452	100.0	$ 3,299,476	100.0	$ 3,480,387	100.0	$ 3,608,183	100.0

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

Total CRE loans, which represent just over half of the portfolio, increased $173 million or 10.3%, with $99 million of the increase attributable to Fidelity and $74 million or 4.4% resulting from organic growth. Loans on improved property increased $156 million as a result of $82 million acquired from Fidelity and $74 million of organic growth. However, approximately $78 million of loans categorized as construction loans at December 31, 2011 were reclassified to improved property upon completion of construction during 2012. Excluding the acquired and reclassified loans, organic growth in improved property loans for the purchase or refinance of existing properties was relatively flat as new loans exceeding $200 million were offset by unscheduled payoffs and the sale or other exit of non-performing loans during the year.

Land and construction loans increased $17 million or 9.7% as a result of approximately $86 million advanced on new loans originated in 2012 and multi-year projects originated in prior years, and $17 million of loans acquired from Fidelity, net of approximately $78 million of loans reclassified to improved property during the year, with the remaining $9 million decrease resulting primarily from the sale, exit or repayment of non-performing land and residential development loans. A significant amount of new construction loans are for

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multifamily apartment buildings in the Bank s metropolitan markets of Columbus and Cincinnati, Ohio and hotels in the Upper Ohio Valley and Western Pennsylvania markets that are experiencing increased room demand from the Marcellus Shale gas exploration and production activity.

C&I loans increased $52 million or 12.1% with $57 million of the increase attributed to Fidelity, while organic loans decreased $5 million primarily due to lower average usage of lines of credit. Outstanding balances on commercial lines approximated 42% of the committed amount at December 31, 2012 compared to 47% at December 31, 2011. Lower line usage is reflective of the economic uncertainty that has encouraged businesses to reduce debt as much as possible. Approximately $29 million of C&I loans acquired from Fidelity are mortgage warehousing lines of credit extended to mortgage origination companies operating in the Pittsburgh market.

Residential real estate loans other than land and construction increased $170 million or 27.8%, with $99 million of the increase attributed to Fidelity. The remaining $71 million or 11.6% increase in organic loans is attributable to management s decision to retain new 15 year fixed rate loans in the portfolio starting in the second half of 2011 and continuing throughout most of 2012 as opposed to selling such loans in the secondary market. Continued low interest rates also contributed to a high level of refinancing activity during the year. Residential land and construction loans are not material in relation to total residential real estate loans, but also increased $2 million or 22.2% due to a moderate uptick in new housing starts and the Fidelity acquisition.

Home equity lines of credit increased $25 million or 10.1% primarily from $21 million of lines acquired from Fidelity. Organic growth was more subdued at just over 1% as home values remain well below their peak. Growth in home equity lending has come primarily from markets where the Bank does not already have significant market share due to successful marketing campaigns to attract new customers.

Consumer loans increased $26 million or 10.3%. While the Fidelity acquisition added $36 million, the organic portfolio decreased $10 million or 3.9% due to reduced demand as well as tighter underwriting standards for certain types of consumer loans.

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

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TABLE 10. COMPOSITION OF LOAN COMMITMENTS

	December 31,									
	2012		2011		2010		2009		2008	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial real estate:										
Land and construction	**$ 188,764**	**17.0**	$ 122,946	14.5	$ 61,014	8.8	$ 77,169	10.3	$ 117,569	15.3
Improved property	**113,164**	**10.2**	102,677	12.1	72,907	10.5	109,900	14.7	74,465	9.7
Total commercial real estate	**301,928**	**27.2**	225,623	26.6	133,921	19.3	187,069	25.0	192,034	24.9
Commercial and industrial	**408,322**	**36.8**	297,203	35.1	252,522	36.5	255,469	34.1	281,013	36.5
Residential construction	**16,043**	**1.4**	11,072	1.3	6,740	1.0	3,015	0.4	5,473	0.7
Home equity	**256,324**	**23.1**	209,769	24.8	200,310	28.9	195,943	26.1	193,038	25.1
Consumer	**26,283**	**2.4**	15,358	1.8	14,894	2.2	21,222	2.8	21,416	2.8
Deposit overdraft limits	**93,654**	**8.4**	85,981	10.1	81,142	11.7	81,125	10.8	74,582	9.7
Total portfolio commitments	**1,102,554**	**99.5**	845,006	99.7	689,529	99.6	743,843	99.2	767,556	99.6
Loans held for sale	**5,902**	**0.5**	2,415	0.3	2,945	0.4	5,882	0.8	2,704	0.4
Total loan commitments	**$ 1,108,456**	**100.0**	$ 847,421	100.0	$ 692,474	100.0	$ 749,725	100.0	$ 770,260	100.0
Letters of credit included above	**$ 20,078**	**1.8**	$ 37,719	4.4	$ 35,794	5.2	$ 34,488	4.6	$ 36,793	4.8

Total portfolio loan commitments increased $261 million or 30.8% between December 31, 2012 and December 31, 2011. The Fidelity acquisition added $44 million and $33 million in available balances on C&I and home equity lines of credit, respectively. Approved commitments to extend credit at December 31, 2012 were $65 million for CRE construction, $65 million for CRE improved property, and $73 million for C&I loans compared to $19 million, $64 million and $21 million respectively at December 31, 2011. Approved construction commitments will be advanced in stages throughout 2013 and 2014 while many of the improved property and C&I commitments are expected to be closed and funded early in 2013. The remainder of the increase is primarily due to the previously discussed CRE construction loans originated in 2012 and lower usage of C&I lines of credit. Letters of credit decreased $18 million or 46.8% between December 31, 2012 and December 31, 2011 due primarily to two letters, one of which was no longer required by the borrower and one which was drawn upon and immediately repaid from cash collateral during 2012.

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

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

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

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WesBanco extends credit to borrowers that are primarily located within the market areas where the Bank has branch offices. There are no material loans in relation to the total portfolio to commercial borrowers that do not conduct business within the Bank s market or to finance commercial real estate located outside of the Bank s market areas unless the borrower also has significant other loan, deposit, trust or other business relationships with the Bank. WesBanco makes consumer loans, including residential real estate and home equity lines of credit, to established customers for second residences or vacation homes that are located outside of the Bank s market.

The only significant change in the geographic distribution of the portfolio occurred as a result of the Fidelity acquisition, which increased the percentage of total portfolio loans in the Pittsburgh, PA Metropolitan Statistical Area and southwestern Pennsylvania markets from 7% at December 31, 2011 to 15% at December 31, 2012. The approximate geographic distribution of the loan portfolio excluding deposit overdraft limits is summarized in Table 11.

TABLE 11. GEOGRAPHIC DISTRIBUTION OF LOAN PORTFOLIO

	December 31, 2012						
	Commercial Real Estate Land & Construction	Commercial Real Estate Improved Property	Commercial and Industrial	Residential Real Estate	Home Equity	Consumer	Total Portfolio Loans
Wheeling, WV MSA (1)	9%	9%	18%	15%	20%	17%	13%
Weirton, WV Steubenville, OH MSA	1	3	10	2	5	5	4
Morgantown, WV MSA	5	6	6	6	6	4	6
Fairmont-Clarksburg, WV MSA	2	3	3	9	6	7	5
Parkersburg, WV Marietta, OH MSA	9	7	6	4	7	5	6
Charleston, WV MSA	4	3	4	4	3	2	3
West Virginia Other	3	2	7	4	5	9	4
Columbus, OH MSA	39	19	9	7	5	3	13
Dayton-Springfield, OH CSA (2)	3	4	1	5	6	2	4
Cincinnati-Middletown, OH MSA	5	14	3	10	11	2	10
Southeast, OH Non-MSA	2	9	5	12	10	7	9
Ohio Other	1	5	3	4	5	7	4
Pittsburgh, PA MSA-Southwestern PA	13	14	21	15	10	18	15
Pennsylvania Other	3					7	1
States Adjacent to WV, OH and PA	1	1	3	1		1	1
Outside of Market		1	1	2	1	4	2
Total	100%	100%	100%	100%	100%	100%	100%

(1) Metropolitan Statistical Area (MSA).
(2) Combined Statistical Area (CSA).

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

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

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

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

Many smaller business loans have the same risk characteristics as consumer loans; however, business loans can also be significantly larger in amount and contain terms and conditions that are unique to each transaction. The Bank maintains a loan grading system that categorizes business loans according to their level of credit risk. Risk grades are intended to reflect each borrower s ability to repay their loan obligations and other factors that affect the quality of each loan. All business loans are assigned a grade at their inception and adjusted thereafter at any time to reflect changes in the risk profile throughout the life of each loan. Loans to borrowers with total credit exposure of $1 million or more are generally reviewed at least annually to validate the continued appropriateness of the assigned risk grade. Periodic reviews include evaluating the borrower s continued capacity to repay, the continued adequacy of collateral, if any, the ability of guarantors to provide a secondary source of repayment, and verification of compliance with applicable loan covenants. To facilitate regular reviews of repayment capacity, borrowers are required to furnish periodic financial statements and other information depending on the size and type of loan, such as accounts receivable aging reports for a revolving line of credit, rent rolls for investment CRE, and project status reports for land development and construction loans. (Please refer to Note 5 of the Financial Statements for a summary of loans by risk grade and a description of each grade.)

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

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

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

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

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

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

	December 31, 2012			
(in thousands)	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans	$ 11,241	$ 29,817	$ 348	$ 41,406
Variable rate loans	28,791	26,775	96,032	151,598
Total commercial real estate land and construction loans	$ 40,032	$ 56,592	$ 96,380	$ 193,004
Total commercial real estate land and construction loan commitments	$ 16,932	$ 121,940	$ 49,892	$ 188,764

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

TABLE 13. MATURITIES OF IMPROVED PROPERTY LOANS AND COMMITMENTS

	December 31, 2012			
(in thousands)	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans	$ 26,614	$ 169,266	$ 85,426	$ 281,306
Variable rate loans	68,116	158,503	1,157,416	1,384,035
Total commercial real estate improved property loans	$ 94,730	$ 327,769	$ 1,242,842	$ 1,665,341
Total commercial real estate improved property loan commitments	$ 26,320	$ 69,951	$ 16,893	$ 113,164

The primary factors that are considered in underwriting construction and development loans are the overall viability of each project, the experience and financial capacity of the developer or builder to successfully complete the project, market absorption rates and property values. Construction loans also have the unique risk that the builder or developer may not complete the project, or not complete it on time or within budget. Construction risk is generally mitigated by making construction loans to developers with established reputations who operate in the Bank s markets and have the necessary capital to absorb unanticipated increases in the cost of a project or longer than anticipated absorption, periodically inspecting construction in progress, and disbursing the loan as specified stages of each project are completed. Certification of completed construction by a licensed architect or engineer and performance and payment bonds may also be required for certain types of projects. Construction and development loans that finance speculative building have inherently higher risk. When appropriate, the Bank may require a specified percentage of a residential development to be pre-sold or a commercial investment property to be pre-leased before construction can begin. Requests for advances on construction loans greater than $1 million are generally reviewed by Bank personnel that are not involved in the origination of the loan prior to disbursement of funds.

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

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

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

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

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

Regulatory guidelines also limit the aggregate of loans with loan-to-value ratios in excess of the prescribed loan-to-value ratios to 30% of risk-based capital. The aggregate of all CRE loans, which includes unfunded commitments, that exceeded the regulatory ratios approximated $126 million or 22% of risk-based capital at December 31, 2012 and $108 million or 23% of risk-based capital at December 31, 2011. The increase in the amount of such loans is primarily attributable to three multi-family apartment construction loans originated in 2012 that exceed the regulatory ratios based on the loan-to-cost of the project. All three of these loans, which approximate $31 million, will be within the regulatory ratio for improved property based on their appraised values upon completion and stabilized occupancy. The percentage of risk-based capital that all exceptions to the regulatory guidelines represent was relatively unchanged as a result of the increase in capital associated with the Fidelity acquisition.

The downturn in the real estate market that began in 2007 has resulted in declines in property values for many properties. The degree of decline in value varies by geographic market with the most significant declines in the metropolitan markets of Dayton and Cincinnati and to a lesser extent Columbus, West Virginia and Pennsylvania markets. The exact impact of the decline in collateral values cannot be precisely determined; however, the portfolio is periodically evaluated using ranges of decline in value to determine the impact on the

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continued adequacy of collateral. New appraisals are obtained to more accurately assess current market values when the primary source of repayment may no longer be adequate to repay the loan under its original terms, there is increased dependence on the value of the collateral, or the loan is being extended beyond its original maturity.

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

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

	December 31, 2012						
(dollars in thousands)	Outstanding Balance	Loan Commitments	Total Exposure	% of Total	% of Capital (2)	Average Loan	Largest Exposure
Construction and development:							
Land and land development	$ 55,726	$ 5,092	$ 60,818	2.8	10.9	$ 168	$ 2,915
Residential development	24,133	15,404	39,537	1.8	7.1	460	3,750
Commercial construction	113,145	168,268	281,413	13.1	50.2	4,770	20,800
Total construction and development	193,004	188,764	381,768	17.7	68.1	752	20,800
Residential investment property:							
Multi family apartments	263,204	10,603	273,807	12.7	48.9	601	15,333
1-to-4 family rentals	125,120	5,333	130,453	6.0	23.3	90	1,407
Commercial investment property:							
Shopping centers and retail stores	189,999	10,367	200,366	9.3	35.8	1,077	13,971
Office buildings	131,566	13,625	145,191	6.7	25.9	642	10,490
Industrial buildings and warehouses	33,971	535	34,506	1.6	6.2	605	6,633
Hotels and motels	117,997	982	118,979	5.5	21.2	2,587	14,215
Senior living facilities	20,859		20,859	1.0	3.7	1,605	5,985
Storage buildings	27,463	511	27,974	1.3	5.0	560	2,946
Dormitories	26,396	2	26,398	1.2	4.7	2,640	10,200
Other special use facilities	40,395	332	40,727	1.9	7.3	326	4,598
Mixed or multiple use facilities	83,965	12,341	96,306	4.5	17.2	463	7,352
General use facilities	37,611	1,907	39,518	1.7	7.1	154	3,450
Total residential and commercial investment property	1,098,546	56,538	1,155,084	53.4	206.1	374	15,333
Total construction, development and investment property	1,291,550	245,302	1,536,852	71.1	274.3	427	20,800
Owner-occupied commercial property:							
Retail stores	57,816	12,684	70,500	3.3	12.6	408	10,000
Office buildings	83,392	4,020	87,412	4.0	15.6	299	5,250
Industrial buildings and warehouses	73,080	9,848	82,928	3.8	14.8	471	5,031
Hospitals	17,166	171	17,337	0.8	3.1	826	4,672
Senior living facilities	63,091	3,333	66,424	3.1	11.9	2,142	20,696
Restaurants	35,868	710	36,578	1.7	6.5	310	2,928
Gasoline stations	29,621		29,621	1.4	5.3	559	3,003
Carwashes and autocare	22,203	235	22,438	1.0	4.0	281	1,826
Recreation facilities	17,570	191	17,761	0.8	3.2	467	5,872
Houses of worship	23,970	561	24,531	1.1	4.4	206	1,829
Other special use facilities	65,562	4,030	69,592	3.2	12.4	324	11,066
Mixed or multiple use facilities	42,270	3,426	45,696	2.2	8.2	261	5,207
General use facilities	35,186	17,417	52,603	2.5	9.4	255	4,571
Total owner-occupied commercial property	566,795	56,626	623,421	28.9	111.3	372	20,696
Total commercial real estate	$ 1,858,345	$ 301,928	$ 2,160,273	100.0	385.5	$ 408	$ 20,800

(1) Average loan and largest loan represent the average, or largest, contractual obligation of WesBanco, which may or may not be fully funded.
(2) Total risk-based capital.

Land and land development exposure decreased $10 million or 14.5% and residential development exposure decreased $4 million or 9.9% in 2012 as the Bank continued to reduce exposure in both of these categories from the sale of units, by limiting funding of additional units, and restricting the amount of lending for new development projects. In addition, approximately $4 million of the decrease is attributable to charge-offs of two land development loans.

Conversely, commercial construction exposure increased $98 million or 53.1% from $184 million at December 31, 2011 to $281 million at December 31, 2012. Approximately $72 million or 25.6% of the total exposure consists of seven loans for multi-family apartment buildings in the Columbus, Ohio market. Another $33 million or 11.7% of the total consists of five hotel loans in the Upper Ohio Valley and Western Pennsylvania markets. The remaining commercial construction exposure is not concentrated in any one property type or market and there is no exposure located outside of the Bank s geographic markets.

Improved investment CRE exposure increased $140 million or 13.8%. Approximately $63 million of the increase is attributable to the Fidelity acquisition with the remaining $77 million representing organic growth of 7.6%. Approximately $50 million of the organic increase consists of loans that were reported as commercial construction at December 31, 2011 and transferred to CRE improved property in 2012. The most significant changes, including the impact of Fidelity, occurred in multi-family apartments, which increased $56 million or 25.6%, shopping centers and retail stores, which increased $43 million or 27.7%, office buildings, which increased $27 million or 22.8%, and hotels and motels, which decreased $14 million or 10.6%. However, the relative composition of improved investment property loans did not change materially from 2011. Multi-family apartment and 1-to-4 family rental property loans represented 34% of total improved investment property exposure at December 31, 2012 and 2011. No other property type represented more than 20% of the total. Similarly, total improved investment property loans represented 53% of total CRE loans at December 31, 2012 and 2011. The Columbus, Ohio market and southwestern Ohio markets, which include the Cincinnati and Dayton MSAs, represent 25% and 23% respectively of the multi-family apartment and 1-to-4 family rental property exposure, while the Columbus market also represents 34% of the total of all other improved investment property types.

Improved owner-occupied CRE exposure increased $26 million or 4.4%. The Fidelity acquisition added approximately $25 million to this category while organic loans were relatively unchanged from the previous year. As a result, total improved owner-occupied exposure represented 29% of total CRE exposure at December 31, 2012 compared to 31% at December 31, 2011. Retail stores were the only property type that increased significantly, from $50 million or 8.3% of the total at December 31, 2011 to $71 million or 11.3% of the total at December 31, 2012. Most other property type exposures decreased during the year. Owner-occupied CRE is generally diversified with no property type representing more than 15% of total improved owner-occupied exposure. The upper Ohio Valley market, which includes the Wheeling, West Virginia MSA, represents 25% of the total owner-occupied exposure.

WesBanco also categorizes owner-occupied CRE loans by industry according to standard industry classifications and monitors the portfolio for possible concentrations in one or more industries as well as multiple industries that may be impacted in the same manner by economic events or other external influences. Owner-occupied CRE is not concentrated in any single industry, but reflects a diverse range of businesses from all sectors of the economy with no one sector or industry representing more than 18% of risk-based capital as set forth in Table 15. There was no significant change in the relative composition of owner-occupied CRE loans by industry between December 31, 2011 and 2012.

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

	December 31, 2012						
(dollars in thousands)	Outstanding Balance	Loan Commitments	Total Exposure	% of Total	% of Capital (2)	Average Loan	Largest Exposure
Agriculture & farming	$ 2,233	$ 132	$ 2,365	0.4	0.4	$ 237	$ 1,073
Energy oil and gas	1,462		1,462	0.2	0.3	487	1,120
Energy mining and utilities	3,808		3,808	0.6	0.7	476	2,340
Construction general contracting	6,128	1,883	8,011	1.3	1.4	229	673
Construction specialty trades	15,946	2,017	17,963	2.9	3.2	260	1,689
Manufacturing primary metals	4,844		4,844	0.8	0.9	1,615	3,100
Manufacturing other	26,267	5,602	31,869	5.1	5.7	329	3,613
Wholesale and distribution	27,077	1,602	28,679	4.6	5.1	410	3,449
Retail automobile sales	16,715	10,766	27,481	4.4	4.9	833	2,982
Retail other products	78,731	12,889	91,620	14.7	16.4	422	3,992
Transportation and warehousing	18,138	1,633	19,771	3.2	3.5	471	5,196
Information and communications	2,845	6	2,851	0.5	0.5	238	1,480
Finance and insurance	7,163	902	8,065	1.3	1.4	224	921
Real estate services	24,185	785	24,970	4.0	4.5	151	3,389
Equipment leasing	4,728	6	4,734	0.8	0.8	364	1,726
Services business and professional	22,647	4,005	26,652	4.3	4.8	224	2,007
Services personal and other	64,323	1,983	66,306	10.6	11.8	310	11,066
Schools and educational services	18,328	1,474	19,802	3.2	3.5	900	6,000
Healthcare medical practitioners	36,499	253	36,752	5.9	6.6	343	3,634
Healthcare hospitals and other	93,106	3,658	96,764	15.5	17.3	1,273	20,696
Entertainment and recreation	19,300	192	19,492	3.1	3.5	415	5,872
Restaurants and lodging	37,843	892	38,735	6.2	6.9	296	2,928
Religious organizations	23,869	561	24,430	3.9	4.4	205	1,829
Government organizations	8,449	172	8,621	1.4	1.5	254	1,495
Unclassified and other industries (1)	2,161	5,213	7,374	1.1	1.3	410	609
Total owner occupied real estate	$ 566,795	$ 56,626	$ 623,421	100.0	111.3	$ 367	$ 20,696

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

The five largest CRE customer relationships which may include loans that are identified as the largest loan by property or project type in Table 14 and by industry in Table 15 approximate $221 million at December 31, 2012 compared to $147 million at December 31, 2011. Loans to this group of customers finance multi-family apartments, retail and office investment properties, hotels, and owner-occupied retail stores.

Participations in CRE loans, originated by other financial institutions, including construction loans, approximated $106 million or 4.9% of total CRE credit exposure at December 31, 2012 compared to $59 million or 3.1% at December 31, 2011. Included in this total is approximately $11 million of Shared National Credits at December 31, 2012 compared to $15 million at December 31, 2011. All of the exposure to participations purchased from other institutions is for properties located within the Bank s defined market.

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

TABLE 16. COMMERCIAL REAL ESTATE RELATIONSHIP TO RISK BASED CAPITAL

	December 31, 2012		
(dollars in thousands)	**Total Exposure**	**% of Capital (1)**	**Regulatory Guideline**
Land, land development, residential construction and commercial construction loans	**$ 381,768**	**68.1**	**100%**
Multi-family and other commercial investment property, excluding 1-to-4 family rental property	**1,024,631**	**182.9**	
Total CRE loans for concentration test purposes	**$ 1,406,399**	**251.0**	**300%**

(1) Total risk-based capital.

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

Additionally, hotels and motels are typically categorized by many banks, including WesBanco, as investment property even though they possess many of the characteristics of owner-occupied CRE or a commercial business because the owners of many hotel and motel properties are also the operators. If hotels and motels are excluded from the amounts reflected in Table 16, the resulting percentage of capital for total CRE loans would be 230%.

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

TABLE 17. MATURITIES OF COMMERCIAL AND INDUSTRIAL LOANS AND COMMITMENTS

	December 31, 2012			
(in thousands)	**In One Year or Less**	**After One Year Through Five Years**	**Over Five Years**	**Total**
Fixed rate loans	**$ 17,666**	**$ 68,519**	**$ 19,430**	**$ 105,615**
Variable rate loans	**177,858**	**81,601**	**112,951**	**372,410**
Total commercial and industrial loans	**$ 195,524**	**$ 150,120**	**$ 132,381**	**$ 478,025**
Total commercial and industrial loan commitments	**$ 260,645**	**$ 121,161**	**$ 26,516**	**$ 408,322**

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

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

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

The Bank categorizes C&I loans by industry according to standard industry classifications and monitors the portfolio for possible concentrations in one or more industries as well as multiple industries that may be impacted in the same manner by economic events or other external influences. The C&I portfolio is not concentrated in any single industry, but reflects a diverse range of businesses from all sectors of the economy, with no significant concentration in any single sector or industry as set forth in Table 18. The most significant changes in the composition of C&I loans between December 31, 2012 and December 31, 2011 is a $95 million increase in exposure to the finance sector, $51 million of which represents the addition of mortgage warehousing lines of credit acquired from Fidelity, with the remainder primarily attributable to new lines of credit to other financial institutions. Fidelity s mortgage warehousing lines of credit are to companies that originate residential mortgage loans for sale to third party investors in the secondary market. Advances on these lines are made when the borrowers originate individual mortgage loans and repaid when the loans are sold, with advances being outstanding for a period that generally ranges from 15 to 60 days. Other significant changes in the composition of C&I loans between 2011 and 2012 include a $26 million increase to hospitals and other healthcare businesses, a $21 million increase to general construction contractors servicing the energy industry. No other industry exposures increased or decreased by more than $20 million during the year. Unclassified and other industries in Table 18 include approved loan commitments that had not yet been categorized according to any particular industry at December 31, 2012.

The Western Pennsylvania market, which includes the Pittsburgh MSA increased from 12% to 21% of total C&I exposure as a result of the Fidelity acquisition. Refer to Table 11 for the geographic distribution of C&I loans.

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

	December 31, 2012						
(dollars in thousands)	Outstanding Balance	Loan Commitments	Total Exposure	% of Total	% of Capital (2)	Average Loan	Largest Exposure
Agriculture & farming	$ 2,980	$ 1,072	$ 4,052	0.5	0.7	$ 42	$ 350
Energy oil and gas	17,400	10,004	27,404	3.1	4.9	652	15,270
Energy mining and utilities	4,939	12,847	17,786	2.0	3.2	349	4,133
Construction general contracting	26,794	45,283	72,077	8.1	12.9	325	12,000
Construction specialty trades	24,254	16,572	40,826	4.6	7.3	138	4,310
Manufacturing primary metals	8,252	16,484	24,736	2.8	4.4	1,124	8,840
Manufacturing other	27,294	28,673	55,967	6.3	10.0	251	7,500
Wholesale and distribution	17,039	21,605	38,644	4.4	6.9	199	3,000
Retail automobile sales	15,946	15,974	31,920	3.6	5.7	602	6,000
Retail other products	22,240	27,676	49,916	5.6	8.9	166	4,000
Transportation and warehousing	15,281	6,415	21,696	2.4	3.9	85	1,500
Information and communications	3,364	276	3,640	0.4	0.6	126	992
Finance and insurance	50,782	58,122	108,904	12.3	19.4	999	15,000
Real estate services	26,157	7,535	33,692	3.8	6.0	119	5,289
Equipment leasing	15,004	8,661	23,665	2.7	4.2	269	3,976
Services business and professional	42,189	24,184	66,373	7.5	11.8	156	10,900
Services personal and other	17,310	8,010	25,320	2.9	4.5	113	6,011
Schools and educational services	6,606	20,286	26,892	3.0	4.8	996	9,545
Healthcare medical practitioners	12,530	7,406	19,936	2.2	3.6	93	710
Healthcare hospitals and other	38,361	25,168	63,529	7.2	11.3	588	22,000
Entertainment and recreation	11,714	2,675	14,389	1.6	2.6	277	3,798
Restaurants and lodging	15,828	2,480	18,308	2.1	3.3	109	1,387
Religious organizations	30,869	19,233	50,102	5.7	8.9	795	15,000
Government organizations	15,901	3,051	18,952	2.1	3.4	157	3,000
Unclassified and other industries	8,991	18,630	27,621	3.1	5.0	212	1,498
Total commercial and industrial loans	$ 478,025	$ 408,322	$ 886,347	100.0	158.2	$ 233	$ 22,000

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

(2) Total risk-based capital.

The five largest C&I borrowing relationships, which may include loans identified as the largest loan within an industry in Table 18, approximated $161 million at December 31, 2012 and 2011. This exposure to the largest borrowing relationships is not concentrated in any one industry. Approximately $53 million of this total is fully secured by marketable securities with an appropriate loan-to-value ratio.

Loans secured by bank deposit accounts and marketable securities represent the lowest risk when properly margined and monitored. The total of such loans, including the large relationships discussed above, approximate $143 million at December 31, 2012 compared to $123 million at December 31, 2011. The increase in loans secured by liquid assets is the result of a focus on generating C&I loans to high income, high net-worth customers who also have trust or brokerage account relationships with the Bank.

Conversely, unsecured loans, which represent the highest risk, approximate $63 million or 7.1% of total C&I exposure at December 31, 2012 compared to $80 million or 9.0% and December 31, 2011. The largest unsecured loan is $3 million at December 31, 2012 and 2011 and the average unsecured loan is less than $100,000 at both year-ends.

Participations in C&I loans originated by other financial institutions approximated $40 million or 4.5% of total C&I exposure at December 31, 2012 compared to $50 million or 7.0% at December 31, 2011. Included in this total is approximately $32 million of Shared National Credits at both year-ends. All of this exposure to participations purchased from other institutions is to borrowers that are headquartered in or have significant operations within the Bank s defined market.

When the total exposure of owner-occupied CRE by industry set forth in Table 15 is combined with C&I exposure set forth in Table 18, the largest combined exposures are hospitals and other healthcare facilities at $160 million or 28.6% of total risk-based capital, retail sales other than automobiles at $142 million or 25.3% of total risk-based capital, and finance and insurance at $117 million or 20.8% of total risk-based capital. Approximately $51 million of the finance and insurance sector includes the mortgage warehousing lines discussed above. No other industry sectors represent more than 20% of total risk-based capital, although when business, professional, personal and other services are combined they represent $185 million or 32.9% of total risk-based capital. However, these sectors are diversified among many different types of service businesses.

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

The Bank originated approximately $215 million of residential real estate loans for retention in the portfolio in 2012 compared to $149 million in 2011, and approximately $131 million of residential real estate loans for sale in the secondary market in 2012 compared to $79 million in 2011. The increase in both categories reflects increases in the amount of refinancing activity, which accounted for approximately 60% of new loans, additional mortgage origination staff to capture a greater percentage of activity in certain markets, and management s decision to retain higher quality loans in the portfolio starting in the second half of 2011 and continuing throughout most of 2012.

Residential real estate loans are generally, but not always, underwritten to secondary market lending standards even when the loan will be retained in the portfolio. The Bank uses automated underwriting systems developed for the secondary market that rely on empirical data to evaluate each loan application and assess credit risk. When appropriate, automated underwriting systems are supplemented by a traditional analysis of the borrowers ability to repay their obligations, their credit history, the amount of their down payment, and the market value or other characteristics of the property.

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

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TABLE 19. MATURITIES OF RESIDENTIAL REAL ESTATE LOANS AND COMMITMENTS

	December 31, 2012			
(in thousands)	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans	$ 3,375	$ 14,310	$ 578,001	$ 595,686
Variable rate loans	462	5,653	191,901	198,016
Total residential real estate loans	$ 3,837	$ 19,963	$ 769,902	$ 793,702
Total residential real estate loan commitments	$	$	$ 16,043	$ 16,043

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

Portfolio loans include construction loans for residences that are being built under contract for owner-occupants and loans to finance vacant land upon which the owner intends to construct a residence at a future date. Loans to contractors to finance speculative residential construction and land for development are categorized as CRE loans. Residential construction loans have the added risk that the builder may not complete the residence, or not complete it on time or within budget. Residential construction loans are typically made with the expectation that they will convert to a permanent mortgage loan upon completion of construction. Construction risk is mitigated by evaluating the builder s reputation in the market, periodically inspecting construction in progress, and disbursing the loan as specified stages of each project are completed.

The Bank generally does not obtain new appraisals of residential properties unless the borrower requests a modification or refinance of the loan, the loan is in default, or there is otherwise an increased dependence on the value of the collateral. Residential real estate loans that were originated in the five year period from 2002 to 2006 prior to the downturn in housing approximate $272 million or 34% of the total, including $35 million acquired from Fidelity at December 31, 2012, compared to $306 million or 49% of the total at December 31, 2011. The remaining balance of loans originated during this period as a percentage of the original loan amount ranges from 81% for loans originated in 2006 to 55% for loans originated in 2002, which should provide adequate collateral protection in most instances. At December 31, 2012 approximately $468 million or 59% of the total, including $62 million from Fidelity, were originated after 2006 or subsequent to the beginning of the downturn in housing compared to $258 million or 42% of the total at December 31, 2011. The loan-to-value ratio for loans originated subsequent to the downturn is based on current appraisals that should reflect any declines in property values during the downturn in the market. The average loan-to-value ratio for the residential real estate portfolio is estimated to be in the range of 65% to 70% using assumptions where necessary to adjust original appraised values for estimated declines in value based on the year in which each loan originated.

The aggregate of residential real estate loans with loan-to-value ratios in excess of 90% without some form of credit enhancement such as mortgage insurance approximate $24 million at December 31, 2012 compared to approximately $18 million at December 31, 2011 or less than 4% of total risk-based capital at both dates. The housing crisis placed significant pressure on the mortgage insurance industry s ability to satisfy claims. However, to date WesBanco has not experienced any material losses as a result of an inability to collect on a mortgage insurance policy.

Rental properties underwritten as residential real estate loans by acquired banks approximate $23 million or 2.9% of total residential real estate loans at December 31, 2012 compared to $25 million or 4.0% of the total at December 31, 2011. These loans are in addition to 1-to-4 family rental property loans that are reported as CRE loans. These properties have generally experienced higher delinquency and greater declines in value than owner-occupied dwellings.

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Approximately $13 million or less than 1.6% of residential real estate loans at December 31, 2012 consists of pools of mortgages originated by other institutions compared to $18 million or 3.0% at December 31, 2011. These loans originated primarily in 2004 and have remaining balances that represent less than 15% of their original amounts through scheduled and unscheduled repayments. Approximately 75% of the loans in these pools financed properties in the states of West Virginia, Ohio and Pennsylvania or contiguous states. WesBanco has not experienced any material losses on this group of loans.

Approximately 50% of residential real estate loans are secured by properties in West Virginia where property values have generally been more stable. Residential real estate values have generally declined since 2007 with the western Ohio markets experiencing the most significant decreases. Approximately 20% of residential real estate loans are secured by properties in the western Ohio markets. Residential real estate loans secured by properties located outside the Bank s defined markets are minimal and typically consist of loans to bank customers for second or vacation homes or loans included in purchased pools of mortgage loans originated by other institutions. Refer to Table 11 for the geographic distribution of residential real estate loans.

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

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

	December 31, 2012			
(in thousands)	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans	$ 64	$ 1,033	$ 4,348	$ 5,445
Variable rate loans	206,001	36,943	28,837	271,781
Total home equity	$ 206,065	$ 37,976	$ 33,185	$ 277,226
Total home equity commitments	$ 182,294	$ 37,433	$ 36,597	$ 256,324

The primary factors that are considered in underwriting and managing credit risk of home equity lines of credit are similar to residential real estate and consumer loans. The risk associated with the revolving availability of home equity lines is also mitigated by the borrower s periodic reduction of the principal balance of their first mortgage, if any, through regular monthly payments, which increases the residual value of the collateral in relation to the amount of the home equity line. However, declining property values also adversely impact the collateral position of home equity lines of credit. Similarly, if a borrower s first mortgage requires interest only or is a type of loan that can result in negative amortization the risk associated with that borrower s home equity line of credit increases. Although complete current information about each borrower s first mortgage balance is not readily available to fully measure this risk, analysis of the equity portfolio indicates that WesBanco is in first lien position on over 50% of the total exposure, only 20% of the total exposure has a loan to value in excess of 80% of appraised values regardless of lien priority, and the average loan to value approximates 65%.

Credit risk in the home equity portfolio is managed by monitoring delinquency levels and trends, and economic and other factors that influence real estate collateral values in the Bank s defined markets. Irregular or unusual patterns of usage of available lines of credit may also indicate a change in risk. The average usage of home equity lines of credit has generally ranged between 45% and 65% of the available balance over a period of several years and there were no material changes in usage patterns within the portfolio in 2012.

The Bank generally does not obtain new appraisals of residential properties unless the borrower requests a modification or refinance of the loan, the loan is in default, or there is otherwise an increased dependence on the value of the collateral. Home equity lines of credit that were originated in the five year period from 2002 to 2006 prior to the downturn in housing approximate $107 million or 20% of the total, including $6 million acquired from Fidelity, at December 31, 2012 compared to $125 million or 27% of the total at December 31, 2011. At December 31, 2012 approximately $336 million or 63% of the total, including $22 million from Fidelity, were originated after 2006 or subsequent to the beginning of the downturn in housing compared to $305 million or 66% of the total at December 31, 2011. The loan-to-value ratio for loans originated subsequent to the downturn is based on current appraisals that reflect any declines in property values.

Approximately 47% of home equity lines of credit are secured by properties in West Virginia where property values have generally been more stable. As previously stated, residential real estate values have generally declined since 2007 with the western Ohio markets experiencing the most significant decreases. Approximately 19% of home equity lines of credit are secured by properties in the western Ohio markets. Refer to Table 11 for the geographic distribution of home equity lines of credit.

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

The maximum term for automobile loans and other installment loans is generally 84 months but may be less depending on the age of the automobile and other factors while the maximum term for recreational vehicle loans is generally 180 months. The maximum term for home equity loans is generally 120 months; however, certain home equity loans acquired from Fidelity exceed WesBanco s maximum term. The maximum term for unsecured loans typically does not exceed 60 months. Consumer lines of credit are generally available for an indefinite period of time as long as the borrower s credit characteristics do not materially or adversely change, but may be cancelled by the Bank under certain circumstances. Interest rates on installment obligations are generally fixed for the term of the loan and lines of credit are fully adjustable based on the prime rate.

TABLE 21. MATURITIES OF CONSUMER LOANS AND COMMITMENTS

	December 31, 2012			
(in thousands)	In One Year or Less	After One Year Through Five Years	Over Five Years	Total
Fixed rate loans	**$ 13,665**	**$ 111,733**	**$ 118,878**	**$ 244,276**
Variable rate loans	**12,852**	**10,664**	**12,672**	**36,188**
Total consumer loans	**$ 26,517**	**$ 122,397**	**$ 131,550**	**$ 280,464**
Total consumer loan commitments	**$ 21,663**	**$ 391**	**$ 4,229**	**$ 26,283**

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

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Approximately $115 million or 40.9% of total consumer loans are secured by a motorized vehicle at December 31, 2012 compared to $130 million or 51.0% at December 31, 2011. Another $61 million or 21.6% of the total are secured by a recreational vehicle at December 31, 2012 compared to $67 million or 26.0% at December 31, 2011. Loans secured by bank deposits or readily-marketable collateral, which represent the lowest risk when properly margined and monitored, approximate $30 million or 10.7% of the total at December 31, 2012 compared to $28 million or 11.0% December 31, 2011. Conversely, unsecured consumer loans, which represent the highest risk, approximate $21 million at December 31, 2012 and 2011. All other consumer loans are secured by real estate, mobile homes, farm equipment or consumer goods. Indirect loans originated by automobile and other motor vehicle dealers (including RVs) at December 31, 2012 and 2011 represent approximately 49% and 52%, respectively.

Loans Held For Sale Loans held for sale consists of residential real estate loans originated for sale in the secondary market at December 31, 2012 and 2011.

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

Several acquired banks serviced many of the residential real estate loans that they sold in the secondary market. Although these loans are not carried as an asset on the balance sheet, the Bank continues to service these loans (see Note 6 Loans Serviced for Others and Mortgage Servicing Rights to the Consolidated Financial Statements).

CREDIT QUALITY

This section of MD&A discusses those categories of assets that have adverse risk characteristics and the allowance for credit losses that is established to absorb probable losses in the loan portfolio. Non-performing assets consists of non-accrual and troubled debt restructurings (TDR or TDRs), other real estate and repossessed assets. Also discussed in this section of MD&A are past due, classified and criticized loans.

The Bank seeks to develop individual strategies for all assets that have adverse risk characteristics that are intended to minimize potential loss. However, there is no assurance that such strategies will be successful and loans may ultimately result in foreclosure or other course of liquidation that does not fully satisfy the amount of the loan. Management significantly increased the level of attention given to collection efforts and administration of these assets in prior periods, which included hiring additional staff dedicated to the administration of non-performing and classified loans, and conducting regular monthly meetings devoted to closely monitor the status of such loans. As a result, the Bank was able to significantly reduce non-performing and classified loans, and credit losses in 2012 compared to 2011. Improving economic conditions also contributed to the improvement in credit quality during the year.

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TABLE 22. NON-PERFORMING ASSETS

(dollars in thousands)	2012	2011	December 31, 2010	2009	2008
Non-accrual loans:					
Commercial real estate land and construction	**$ 4,668**	$ 10,135	$ 4,391	$ 5,582	$ 4,946
Commercial real estate improved property	**18,239**	25,122	24,833	32,628	20,069
Commercial and industrial	**3,387**	8,238	7,933	12,749	5,369
Residential real estate	**11,247**	12,377	10,688	13,228	1,252
Home equity	**1,184**	1,331	755	818	72
Consumer	**647**	289	220	268	29
Total non-accrual loans	**39,372**	57,492	48,820	65,273	31,737
TDRs accruing interest:					
Commercial real estate land and construction	**2,537**	7,410	10,764	1,829	
Commercial real estate improved property	**10,198**	17,318	33,122	9,639	4,559
Commercial and industrial	**632**	839	73	552	
Residential real estate	**9,022**	3,844	3,443	2,826	
Home equity	**1,022**				
Consumer	**870**		81	142	
Total TDRs accruing interest (1)	**24,281**	29,411	47,483	14,988	4,559
Total non-performing loans	**63,653**	86,903	96,303	80,261	36,296
Other real estate and repossessed assets	**5,988**	3,029	8,069	8,691	2,554
Total non-performing assets	**$ 69,641**	$ 89,932	$ 104,372	$ 88,952	$ 38,850
Non-performing loans as a percentage of total portfolio loans	**1.73%**	2.68%	2.93%	2.31%	1.01%
Non-performing assets as a percentage of total assets	**1.15**	1.62	1.95	1.65	0.74
Non-performing assets as a percentage of total portfolio loans, other real estate and repossessed assets	**1.89**	2.77	3.17	2.56	1.08

(1) TDRs on non-accrual of $15.0 million and $17.3 million at December 31, 2012 and December 31, 2011, respectively, are included in total non-accrual loans.

TDRs Loans are categorized as TDRs when the Bank, for economic or legal reasons related to a borrower s financial difficulties, grants a concession to the borrower that it would not otherwise consider unless the modification results in only an insignificant delay in the payments to be received. Concessions that may be granted include a reduction of the interest rate or an interest rate that is less than the market rate of interest for loans with comparable risk characteristics, the amount of accrued interest, or the face amount of the loan; as well as an extension of the maturity date or the amortization schedule. Loans reported in this category continue to accrue interest so long as the borrower is able to continue repayment in accordance with the restructured terms. TDRs that are placed on non-accrual are reported in the non-accrual category and not included with accruing TDRs. (Please refer to Note 5 to the Financial Statements for additional details regarding TDRs.)

Accruing TDRs decreased $5 million or 17.4% between December 31, 2012 and December 31, 2011, and 49% from their peak level in 2010. Additions to TDRs in 2012 included $6.0 million of residential real estate, home equity and consumer loans that were categorized as TDRs in the fourth quarter as a result of a recent regulatory interpretation pertaining to loans discharged in Chapter 7 bankruptcy but for which the borrower has continued to make payments. All of these loans have paid as agreed under their original contractual terms for six consecutive months or longer after the discharge and therefore continue to accrue interest. Excluding the addition of the Chapter 7 discharged loans TDRs would have decreased 33% for the year. Additions to TDRs also include

Fidelity loans with a fair value of $2.2 million. Decreases to TDRs in 2012 consisted of the sale of two loans other than those acquired from Fidelity, migration of loans to non-accrual, and principal repayments as set forth in Table 23.

Most accruing TDRs continue to pay in accordance with their modified terms, however, total accruing TDRs with aggregate balances of $2.6 or 10.8% of total TDRs were past due 30 days or more at December 31, 2012 compared to $2.5 million or 8.5% of the total at December 31, 2011. Two commercial borrowers comprise $4.3 million or 32.2% of commercial TDRs and 17.7% of total TDRs at December 31, 2012. The average balance of all other TDRs is less than $0.1 million. Geographically, $12 million or 50% of total accruing TDRs are in the central and southwest Ohio markets.

Non-Accrual Loans Loans are generally placed on non-accrual status when they become past due 90 days or more unless they are both well-secured and in the process of collection. Non-accrual loans include certain loans that are also TDRs as set forth in Note 5 to the Financial Statements.

Non-accrual loans decreased $18 million or 31.5% between December 31, 2012 and December 31, 2011. Additions to non-accrual loans in 2012 included $3.1 million of residential real estate, home equity and consumer loans that were categorized as TDRs and placed on non-accrual in the fourth quarter as a result of a recent regulatory interpretation pertaining to loans discharged in Chapter 7 bankruptcy but for which the borrower has continued to make payments. These loans, which are in addition to those that continue to accrue interest as discussed above, were also placed on non-accrual either because they were only recently discharged or have not paid as agreed for at least six consecutive months after the discharge. Excluding the addition of the Chapter 7 discharged loans, non-accrual loans would have decreased 39% for the year. Additions to non-accrual loans also include Fidelity loans with a fair value of $1.8 million. Decreases to non-accrual loans in 2012 consisted primarily of proceeds from loan sales, charge-offs, and principal repayments as set forth in Table 23.

Three commercial borrowers represent $5 million or 12.4% of total non-accrual loans. Additionally, $2.5 million or 6.3% of the total consists of several smaller loans to multiple borrowers with common ownership that are secured by 1-to-4 family residential properties built for resale and converted to rental units. The average balance of all other non-accrual loans is less than $0.1 million.

At December 31, 2012, approximately $15 million or 38.1% of total non-accrual loans also have restructured terms that would require them to otherwise be reported as a TDR if they were accruing interest compared to $17 million or 30.1% at December 31, 2011. The decrease in non-accrual loans that are also TDRs is primarily the result of principal repayments on those loans. Geographically, $24 million or 62% of total non-accrual loans are in the central and southwest Ohio markets.

Non-accrual loans include commercial and residential real estate in Ohio for which the foreclosure process has been initiated but the properties have not yet gone to public sale because of the protracted timeline of the foreclosure process in that state. However, based on the bank s recent experience not all of these properties will be taken into other real estate owned (OREO) because many will be purchased by other parties at the public sale. It is not possible to estimate what portion of these loans will become OREO as the decision to purchase the property depends on a number of factors including the property s value, condition, and the amount other purchasers are willing to pay at the public sale. The bank makes this determination for each property at the time of the sale.

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

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Other real estate and repossessed collateral increased $2.9 million or 98% between December 31, 2012 and December 31, 2011 primarily due to one commercial property acquired from Fidelity with a fair value of $2.9 million. Other real estate consists primarily of residential properties with only two other commercial properties having a carrying value in excess of $0.5 million at December 31, 2012. Repossessed collateral, which primarily consists of automobiles that secure consumer loans, is not material and the number and amount of repossessions during 2012 decreased 5% compared to 2011 despite continued elevated unemployment rates in some of WesBanco s markets.

Expense associated with owning other real estate and repossessed collateral that is charged to income was $2.1 million for 2012 and $3.2 million for 2011. The decrease is primarily attributable to the sale of a hotel property in December 2011 which eliminated the expenses of operating that facility in 2012. The increase in other real estate between December 31, 2012 and 2011 as a result of properties acquired from Fidelity had minimal impact on expenses because they were only owned by WesBanco for one month in 2012.

Non-Performing Asset Activity Net changes in non-performing assets between December 31, 2012 and 2011 are discussed in the preceding paragraphs. However, the net changes in period-ending balances are impacted by significant activity that increases or decreases each category throughout the year, which is summarized in Table 23. Improving economic conditions and aggressive strategies to reduce non-performing loans, including the sale of certain non-performing loans acquired from Fidelity concurrent with the acquisition contributed to significant reductions in non-performing loans in 2012.

Net gains or losses on the disposition of other real estate and repossessed assets are credited or charged to earnings and approximated $0.3 million of net loss in 2012 compared to $1.3 million of net loss in 2011.

The amount reported as proceeds from loan sales represents the amount received for those loans. During 2012, WesBanco sold non-performing loans with aggregate carrying balances of $9.4 million, at a net loss of $1.6 million that is included in total charge offs in Table 23 and Table 26. During 2012, WesBanco also sold non-performing loans acquired from Fidelity that were recorded at fair value of $7.3 million which approximated the sales price. During 2011, WesBanco sold loans with carrying balances approximating $17 million and recognized net charge offs approximating $10 million.

TABLE 23. NON-PERFORMING AND IMPAIRED ASSET ACTIVITY

	Year Ended December 31, 2012					
	Non-Accrual Loans				Other Real Estate and	Total Non-
(in thousands)	TDRs	Other	Total	Accruing TDRs	Repossessed Assets	Performing Assets
Beginning balance	**$ 17,287**	**$ 40,205**	**$ 57,492**	**$ 29,411**	**$ 3,029**	**$ 89,932**
Activity during the period:						
Additions to non-accrual or TDR	**4,689**	**17,727**	**22,416**	**10,984**		**33,400**
Foreclosed real estate					**3,735**	**3,735**
Repossessed other collateral					**2,690**	**2,690**
Aquired REO					**3,706**	**3,706**
Charge-offs or charge-downs	**(5,775)**	**(14,755)**	**(20,530)**	**(1,066)**	**(1,040)**	**(22,636)**
Loans returned to accrual	**(194)**	**(1,077)**	**(1,271)**			**(1,271)**
Other real estate sold					**(3,278)**	**(3,278)**
Repossessed assets sold					**(2,686)**	**(2,686)**
Transfer between categories	**2,720**		**2,720**	**(2,720)**		
Payments from loan sales	**(2,372)**	**(6,785)**	**(9,157)**	**(3,992)**		**(13,149)**
Principal payments / other changes, net	**(1,354)**	**(10,944)**	**(12,298)**	**(8,336)**	**(168)**	**(20,802)**
Ending balance	**$ 15,001**	**$ 24,371**	**$ 39,372**	**$ 24,281**	**$ 5,988**	**$ 69,641**

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Composition of Adversely Classified Assets Table 24 summarizes the composition of non-performing assets according to CRE property type, C&I industry sector or consumer purpose as of December 31, 2012. The percentage of category column represents the total of each amount to the respective loan totals plus other real estate and repossessed assets. These percentages are not necessarily indicative of the best and worst performing categories of the portfolio, as they can be impacted by a single large loan as well as the relative size of any category in relation to the total portfolio.

TABLE 24. COMPOSITION OF NON-PERFORMING ASSETS

	December 31, 2012				
(dollars in thousands)	Non-Accrual Loans	TDRs	Other Real Estate and Repossessed Assets	Total	% of Category
Commercial real estate:					
Construction and development:					
Land and land development	$ 2,256	$ 2,332	$ 836	$ 5,424	9.7
Residential construction	2,412	204		2,616	10.8
Commercial construction					
Commercial investment property:					
Multi family apartments	867	1,340		2,207	0.8
1-to-4 family rentals	4,226	1,638	232	6,096	4.9
Shopping centers and retail stores	1,315		2,909	4,224	2.2
Office buildings	2,430	1,712		4,142	3.1
Industrial buildings and warehouses	481			481	1.4
Hotels and motels	163			163	0.1
Special use facilities	80	265		345	0.3
Mixed or multiple use facilities	1,704	1,400		3,104	3.7
General use facilities	124	871	313	1,308	3.5
Owner-occupied commercial property:					
Retail stores	538	241		779	1.3
Office buildings	1,113	733		1,846	2.2
Industrial buildings and warehouses	340			340	0.5
Special use facilities	2,270	1,242		3,512	1.4
Mixed or multiple use facilities	1,222	282		1,504	3.6
General use facilities	1,366	475	275	2,116	6.0
Total commercial real estate	22,907	12,735	4,565	40,207	2.2
Commercial and industrial:					
Construction and contracting	772	194		966	1.9
Manufacturing	409			409	1.2
Retail sales	203			203	0.5
Transportation and warehousing	427	22		449	2.9
Finance and insurance	66			66	0.1
Real estate services	151			151	0.6
Business, professional and personal services	384			384	0.6
Physicians and healthcare	244	216		460	0.9
Restaurants and lodging	345			345	2.2
Wholesale and distribution	27	27		54	0.3
Unclassified and other industries	359	173		532	0.5
Total commercial and industrial	3,387	632		4,019	0.8
Owner occupied residential real estate	12,727	10,233	1,176	24,136	2.3
Real estate purchased to facilitate employee relocation					

Consumer loans / repossessed assets	**351**	**681**	**247**	**1,279**	**0.5**
Total	**$ 39,372**	**$ 24,281**	**$ 5,988**	**$ 69,641**	**1.9**

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Past Due Loans Loans that are past due and continuing to accrue interest and are not TDRs are considered under-performing but have not yet progressed to the point where they are considered non-performing. Certain loans that are past due 90 days or more continue to accrue interest because they are deemed to be well-secured and in the process of collection. Earlier stage delinquency consists of loans that are between 30 and 89 days past due and require routine collection efforts to prevent them from becoming more seriously delinquent. Early stage delinquency represents potential future non-performing loans if routine collection efforts are not successful. Table 25 summarizes loans that are contractually past due 30 days or more for all categories of the loan portfolio.

TABLE 25. PAST DUE AND ACCRUING LOANS EXCLUDING TDR

	December 31,									
	2012		2011		2010		2009		2008	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
90 Days or More:										
Commercial real estate:										
Land and construction	$		$		$ 277	0.18	$ 76	0.03	$ 555	0.24
Improved property	**338**	**0.02**	18	0.00	692	0.04	1,427	0.09	2,396	0.16
Commercial and industrial	**98**	**0.02**	939	0.22	95	0.02	17	0.00	2,951	0.58
Residential real estate	**3,199**	**0.40**	2,881	0.46	4,535	0.75	2,655	0.37	10,799	1.26
Home equity	**722**	**0.26**	498	0.20	1,126	0.45	274	0.11	966	0.44
Consumer	**937**	**0.33**	799	0.31	958	0.37	826	0.28	1,143	0.36
Total portfolio loans	**5,294**	**0.14**	5,135	0.16	7,683	0.23	5,275	0.15	18,810	0.52
Loans held for sale										
Total loans	**$ 5,294**	**0.14**	$ 5,135	0.16	$ 7,683	0.23	$ 5,275	0.15	$ 18,810	0.52
30 to 89 Days:										
Commercial real estate:										
Land and construction	**$ 750**	**0.39**	$ 180	0.10	$ 252	0.16	$ 828	0.33	$ 572	0.25
Improved property	**6,328**	**0.38**	4,599	0.30	4,717	0.29	4,224	0.28	14,020	0.95
Commercial and industrial	**500**	**0.10**	1,442	0.34	4,163	0.94	1,982	0.44	3,485	0.68
Residential real estate	**7,972**	**1.00**	5,902	0.95	7,367	1.21	8,865	1.25	8,457	0.99
Home equity	**1,322**	**0.48**	2,266	0.90	2,255	0.90	2,562	1.07	1,903	0.88
Consumer	**5,666**	**2.02**	5,499	2.16	6,020	2.31	6,935	2.38	7,169	0.24
Total portfolio loans	**22,538**	**0.61**	19,888	0.61	24,774	0.75	25,396	0.73	35,606	0.99
Loans held for sale										
Total loans	**$ 22,538**	**0.61**	$ 19,888	0.61	$ 24,774	0.75	$ 25,396	0.73	$ 35,606	0.99

Loans past due 90 days or more increased less than $0.2 million between December 31, 2012 and December 31, 2011 primarily as a result of $1.1 million of loans acquired from Fidelity while organic 90 day delinquency decreased $0.9 million or 18.3%. Loans past due 90 days or more continue to represent a very small percentage of total loans. Loans past due 30 to 89 days increased $2.7 million or 13.3% between December 31, 2012 and December 31, 2011 primarily as a result of $5.2 million of loans acquired from Fidelity while organic 30 to 89 day delinquency decreased $2.5 million or 12.8%. The reduction in organic delinquency resulted from management s continued focus on controlling early stage delinquency as well as improving economic conditions. Management believes that loans past due 30 to 89 days represent an acceptable percentage of total loans.

The amounts presented in Table 25 will vary from the delinquency totals set forth in Note 5 to the Financial Statements because the above table only includes loans that are not reported as non-performing loans. Note 5 reports delinquency regardless of whether the loan is reported as performing or non-performing and therefore includes amounts in each of the past due categories that are not included in Table 25.

Classified and Criticized Loans The Bank uses a system of loan classification by internally assigned risk grades to rank and monitor the credit quality of business purpose loans. (Please refer to Note 5 to the Financial

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Statements for a description of each risk grade and a summary of loans by risk grade.) The Bank s criticized and classified loan grades are equivalent to the classifications used by banking regulators to identify those loans that expose the Bank to the highest levels of risk. All business purpose loans are graded including loans that are also reported as non-performing or past due in the preceding sections of this MD&A. Non-performing loans are generally classified as substandard or doubtful while past due loans may not yet be criticized or classified depending on the severity and frequency of delinquency and other factors that are considered to determine the appropriate grade.

Classified loans decreased $31 million or 26.5% and criticized loans decreased $54 million or 38.5% between December 31, 2012 and December 31, 2011. Sales of loans and charge-offs accounted for $24 million or 28% of the aggregate $85 million net reduction in classified and criticized loans during the year. The remaining reduction was achieved primarily through successful workout and exit strategies that resulted in full or partial principal repayments of $18 million on loans $1 million or greater, and $25 million from improvement in the repayment capacity and financial condition of a number of borrowers with loans $1 million or greater to warrant an upgrade of their loans. The remainder of the decrease consists of reductions in smaller balance loans.

Charge-offs and Recoveries Total charge-offs decreased $20 million or 44.1% while total recoveries decreased $0.1 million or 2.6%, resulting in a 48.0% decrease in net charge-offs for 2012 compared to 2011. Table 26 summarizes charge-offs and recoveries as well as net charge-offs as a percentage of average total loans for each category of the loan portfolio.

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TABLE 26. CHARGE-OFFS AND RECOVERIES

(dollars in thousands)	2012	2011	December 31, 2010	2009	2008
Charge-offs:					
Commercial real estate land and construction	**$ 3,879**	$ 7,494	$ 3,630	$ 3,809	$ 271
Commercial real estate improved property	**7,693**	19,466	22,542	12,836	9,947
Commercial and industrial	**4,625**	9,087	8,588	13,184	4,088
Residential real estate	**3,902**	4,627	4,952	2,874	1,748
Home equity	**1,144**	798	780	1,056	927
Consumer	**3,851**	4,037	4,909	6,206	6,559
Total loan charge-offs	**25,094**	45,509	45,401	39,965	23,540
Deposit account overdrafts	**871**	936	966	1,120	1,491
Total loan and deposit account overdraft charge-offs	**25,965**	46,445	46,367	41,085	25,031
Recoveries:					
Commercial real estate land and construction	**607**	199	57		
Commercial real estate improved property	**1,107**	993	780	242	518
Commercial and industrial	**390**	909	512	206	1,315
Residential real estate	**407**	375	111	102	62
Home equity	**30**	116	57	33	45
Consumer	**1,035**	1,053	1,076	978	1,200
Total loan recoveries	**3,576**	3,645	2,593	1,561	3,140
Deposit account overdrafts	**277**	312	296	336	621
Total loan and deposit account overdraft recoveries	**3,853**	3,957	2,889	1,897	3,761
Net loan and deposit account overdraft charge-offs	**$ 22,112**	$ 42,488	$ 43,478	$ 39,188	$ 21,270
Net charge-offs as a percentage of average loans:					
Commercial real estate land and construction	**1.81%**	4.17%	1.75%	1.59%	0.11%
Commercial real estate improved property	**0.43**	1.19	1.40	0.94	0.58
Commercial and industrial	**1.00**	1.94	1.83	2.68	0.53
Residential real estate	**0.52**	0.70	0.73	0.35	0.19
Home equity	**0.44**	0.28	0.30	0.45	0.43
Consumer	**1.13**	1.18	1.38	1.73	1.57
Total net loan charge-offs	**0.65%**	1.29%	1.28%	1.08%	0.56%

Net charge-offs of CRE land and construction loans decreased $4.0 million or 55% in 2012 compared to 2011, and were aided by a $0.5 million recovery on the sale of one loan that was charged down in prior years. Net charge-offs of CRE improved property loans decreased $11.9 million or 64% and net charge-offs of C&I loans decreased $3.9 million or 48% for the same periods. All three commercial categories combined included $2.2 million of net charge-offs recognized upon the sale of loans with a net recorded investment of $10.3 million in 2012. In 2011, the commercial categories included net charge-offs of $10 million from the sale of loans with a net recorded investment of $17 million. Fidelity loans that were sold were marked-to-market at the acquisition date, which approximated the selling price, and therefore the loss on the sale of those loans is not included in charge-off totals. Office buildings represented 24% of CRE improved property charge-offs while no single industry accounted for more than 20% of C&I charge-offs in 2012. Approximately 60% of commercial charge-offs in 2012 came from loans in the central and western Ohio markets, caused by real estate values that remain well below their peak levels for certain types of property and exacerbated by the protracted foreclosure process in Ohio.

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Net charge-offs of residential real estate loans decreased $0.8 million or 17.8% but remain elevated compared to pre-recession levels. Net charge-offs of home equity lines increased $0.4 million or 63.3% but still represent a relatively insignificant percentage of total net charge-offs. Approximately 72% of residential real estate loan charge-offs in 2012 came from loans in the central and western Ohio markets for the same reasons discussed above for CRE. Net charge-offs of consumer loans decreased $0.2 million or 5.6% despite continued high unemployment in some of the Bank s markets and the challenging economic environment for many consumers. Consumer losses are not attributable to any single market but recreational vehicle loans represented 27.5% of total consumer charge-offs in 2012 compared to 26% in 2011. Losses attributable to unsecured loans represent another 19% of total consumer charge-offs in both years.

Net charge-offs of deposit account overdrafts decreased consistent with an overall reduction in customer overdrafts from 2012 to 2011, some portion of which can be attributed to changes in customer behavior to avoid overdraft fees and to improved collection practices implemented by the Bank.

Allowance for Credit Losses The allowance for credit losses decreased $2.2 million or 4.0% between December 31, 2012 and December 31, 2011 as a result of a lower provision expense than net charge-offs for the year. Table 27 summarizes the allowance for credit losses together with selected relationships of the allowance and provision for credit losses to total loans and other specified categories of loans.

TABLE 27. ALLOWANCE FOR CREDIT LOSSES

			December 31,		
(dollars in thousands)	**2012**	**2011**	**2010**	**2009**	**2008**
Balance at beginning of year:					
Allowance for loan losses	**$ 54,810**	$ 61,051	$ 61,160	$ 49,803	$ 38,543
Allowance for loan commitments	**468**	1,404	195	368	249
Total beginning balance	**55,278**	62,455	61,355	50,171	38,792
Provision for credit losses:					
Provision for loan losses	**20,001**	36,247	43,369	50,545	32,530
Provision for loan commitments	**(127)**	(936)	1,209	(173)	119
Total provision for credit losses	**19,874**	35,311	44,578	50,372	32,649
Net charge-offs:					
Total loan and deposit account overdraft charge-offs	**25,965**	46,445	46,367	41,085	25,031
Total loan and deposit account overdraft recoveries	**3,853**	3,957	2,889	1,897	3,761
Net loan and deposit account overdraft charge-offs	**22,112**	42,488	43,478	39,188	21,270
Balance at end of year:					
Allowance for loan losses	**52,699**	54,810	61,051	61,160	49,803
Allowance for loan commitments	**341**	468	1,404	195	368
Total ending balance	**$ 53,040**	$ 55,278	$ 62,455	$ 61,355	$ 50,171
Allowance for loan losses as a percentage of total loans	**1.43%**	1.69%	1.86%	1.76%	1.38%
Allowance for loan losses to non-accrual loans	**1.34x**	0.95x	1.25x	0.94x	1.57x
Allowance for loan losses to total non-performing loans	**0.83x**	0.63x	0.63x	0.76x	1.37x
Allowance for loan losses to total non-performing loans and loans past due 90 days or more	**0.76x**	0.60x	0.59x	0.72x	0.90x
Provision for credit losses as a percentage of net loan & deposit charge-offs	**89.9%**	83.1%	102.5%	128.5%	153.5%

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The allowance for loan losses represented 1.43% of total portfolio loans at December 31, 2012 compared to 1.69% at December 31, 2011; however, if the credit portion of the fair market value adjustment on Fidelity loans of $7.1 million at December 31, 2012 were to be included, the allowance would approximate 1.62% of loans. While the percentage of the allowance to total loans decreased due to improved credit quality, differences in accounting for acquired loans compared to organic loans also contributed to the decrease. Accounting standards require purchased loans to be recorded at fair value as of the acquisition date, thereby eliminating the acquired bank s allowance for loan losses from the acquirer s financial statements. Management believes that restating the allowance for loan losses as a percentage of total loans and certain categories of loans as set forth in Table 27 to exclude purchased loans provides a more meaningful comparison. Excluding loans acquired in the Fidelity acquisition, the allowance for loan losses to total loans is 1.55% and the coverage ratios are 1.40 times non-accrual loans, 0.88 times total non-performing loans, and 0.83 times total non-performing loans and loans past due 90 days or more at December 31, 2012.

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

TABLE 28. COMPONENTS OF THE ALLOWANCE FOR CREDIT LOSSES

			December 31,		
(in thousands)	**2012**	**2011**	**2010**	**2009**	**2008**
General allowance:					
Based on historical loss experience	**$ 39,761**	$ 42,920	$ 42,133	$ 40,862	$ 28,853
Based on qualitative factors	**11,195**	8,537	11,998	14,482	16,773
Specific reserves	**1,743**	3,353	6,920	5,816	4,177
Total allowance for loan losses	**52,699**	54,810	61,051	61,160	49,803
Allowance for loan commitments	**341**	468	1,404	195	368
Total allowances for credit losses	**$ 53,040**	$ 55,278	$ 62,455	$ 61,355	$ 50,171

The amount of the general allowance attributable to historical loss experience decreased $3.2 million or 7.4% as a result of lower net charge-offs. Specific reserves decreased $1.6 million or 48% as a result of the overall decrease in non-performing loans, which included the sale, charge-off, or payoff of loans during the year that were previously reserved at December 31, 2011. The amount of the allowance attributable to qualitative factors increased $2.7 million or 31% due primarily to continued high unemployment in some of the Bank s markets, the impact on net charge-offs of a recovery on the sale of a non-performing loan that is likely to be non-recurring, and overall economic uncertainty. Management believes these factors outweighed the overall reduction in non-performing, classified and criticized loans in determining the allowance at December 31, 2012. Management will continue to closely evaluate these factors in subsequent quarters to determine if they remain appropriate.

The allowance for loan commitments was relatively unchanged between December 31, 2012 and December 31, 2011 and it is not a material component of the total allowance for credit losses.

Table 29 summarizes the allocation of the allowance for credit losses to each category of the loan portfolio.

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TABLE 29. ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

	December 31,									
	2012		2011		2010		2009		2008	
(dollars in thousands)	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Allowance for loan losses:										
Commercial real estate:										
Land and construction	**$ 3,741**	**7.1**	$ 4,842	8.8	$ 4,701	7.5	$ 4,387	7.2	$ 4,790	9.5
Improved property	**23,614**	**44.5**	24,748	44.8	30,836	49.4	28,267	46.1	19,933	39.7
Commercial and industrial	**9,326**	**17.6**	11,414	20.6	10,793	17.3	13,659	22.3	13,392	26.7
Residential real estate	**7,182**	**13.5**	5,638	10.2	5,950	9.5	4,919	8.0	3,304	6.6
Home equity	**2,458**	**4.6**	1,962	3.5	2,073	3.3	2,309	3.8	1,371	2.7
Consumer	**5,557**	**10.5**	5,410	9.8	5,641	9.0	6,649	10.8	5,863	11.7
Deposit account overdrafts	**821**	**1.6**	796	1.5	1,057	1.8	970	1.5	1,150	2.4
Total allowance for loan losses	**$ 52,699**	**99.4**	$ 54,810	99.2	$ 61,051	97.8	$ 61,160	99.7	$ 49,803	99.3
Allowance for loan commitments:										
Commercial real estate:										
Land and construction	**$ 27**	**0.1**	$ 74	0.1	$ 1,037	1.6	$ 21	0.1	$ 22	0.1
Improved property	**25**	**0.0**	21	0.0	285	0.5	17	0.0	11	0.0
Commercial and industrial	**215**	**0.4**	323	0.6	65	0.1	138	0.2	323	0.6
Residential real estate	**6**	**0.0**	4	0.0	1	0.0				
Home equity	**49**	**0.1**	33	0.1	14	0.0	16	0.0	10	0.0
Consumer	**19**	**0.0**	13	0.0	2	0.0	3	0.0	2	0.0
Total allowance for loan commitments	**341**	**0.6**	468	0.8	1,404	2.2	195	0.3	368	0.7
Total allowance for credit losses	**$ 53,040**	**100.0**	$ 55,278	100.0	$ 62,455	100.0	$ 61,355	100.0	$ 50,171	100.0

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

The allowance for CRE land and construction decreased $1.1 million primarily due to changes in the composition and risk profile of this category of loans, which consisted of a reduction in non-performing and classified land and residential development loans that also reduced specific reserves, offset by new loans to construct primarily multi-family apartments and hotels during the year. The allowance for CRE improved property loans also decreased $1.1 million due primarily to a reduction in non-performing, classified and criticized loans, as well as a reduction in specific reserves, which were offset by the impact of growth in CRE improved property loans and the impact of real estate values that are still well below peak levels in certain markets. The allowance for C&I loans decreased $2.1 million due primarily to lower historical loss experience and a significant reduction in delinquent and non-performing loans. The allowance for residential real estate, home equity lines of credit and consumer loans increased $1.5 million, $0.5 million, and $0.1 million, respectively. The increase in all three of these consumer loan categories was primarily the result of higher delinquency, while the increase for residential real estate loans was also attributable to growth in that category of loans during the year. The impact of the categorization of loans discharged in Chapter 7 bankruptcy as TDRs was not material. The allowance for residential real estate and home equity lines of credit was also impacted by real estate values in certain markets and the allowances for all categories of loans was impacted to varying degrees by continued high unemployment in some markets and overall economic uncertainty.

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

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

	For the Year Ended December 31, 2012							
(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 beginning of year:								
Allowance for loan losses	$ 4,842	$ 24,748	$ 11,414	$ 5,638	$ 1,962	$ 5,410	$ 796	$ 54,810
Allowance for loan commitments	74	21	323	4	33	13		468
Total beginning allowance for credit losses	4,916	24,769	11,737	5,642	1,995	5,423	796	55,278
Provision for credit losses:								
Provision for loan losses	2,171	5,452	2,147	5,039	1,610	2,963	619	20,001
Provision for loan commitments	(47)	4	(108)	2	16	6		(127)
Total provision for credit losses	2,124	5,456	2,039	5,041	1,626	2,969	619	19,874
Charge-offs	(3,879)	(7,693)	(4,625)	(3,902)	(1,144)	(3,851)	(871)	(25,965)
Recoveries	607	1,107	390	407	30	1,035	277	3,853
Net charge-offs	(3,272)	(6,586)	(4,235)	(3,495)	(1,114)	(2,816)	(594)	(22,112)
Balance at end of period:								
Allowance for loan losses	3,741	23,614	9,326	7,182	2,458	5,557	821	52,699
Allowance for loan commitments	27	25	215	6	49	19		341
Total ending allowance for credit losses	$ 3,768	$ 23,639	$ 9,541	$ 7,188	$ 2,507	$ 5,576	$ 821	$ 53,040

Although the allowance for credit losses is allocated as described in Tables 29 and 30, the total allowance is available to absorb actual losses in any category of the loan portfolio. However, differences between management s estimation of probable losses and actual incurred losses in subsequent periods for any category may necessitate future adjustments to the provision for loan losses applicable to the category. Management believes the allowance for credit losses is appropriate to absorb probable losses at December 31, 2012.

DEPOSITS

TABLE 31. DEPOSITS

	December 31,			
(dollars in thousands)	2012	2011	$ Change	% Change
Deposits				
Non-interest bearing demand	**$ 874,923**	$ 705,415	$ 169,508	24.0
Interest bearing demand	**831,368**	698,113	133,255	19.1
Money market	**847,805**	789,037	58,768	7.4
Savings deposits	**740,568**	596,549	144,019	24.1
Certificates of deposit	**1,649,620**	1,604,752	44,868	2.8

Total deposits	**$ 4,944,284**	$ 4,393,866	$ 550,418	12.5

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Deposits, which represent WesBanco s primary source of funds, are offered in various account forms at various rates through WesBanco s 118 branches in West Virginia, Ohio and Western Pennsylvania. The FDIC insures all deposits up to $250,000 and insured all deposits held in non-interest bearing transaction accounts until December 31, 2012.

Total deposits increased by $550.4 million or 12.5% in 2012 primarily due to the Fidelity acquisition which provided $455.0 million of additional deposits. Demand deposits and savings deposits had increases of 21.6% and 24.1%, respectively, due to the acquisition and corresponding marketing campaigns, coupled with incentive compensation and focused retail and business strategies to obtain more account relationships and customers preferences for short-term maturities. Demand deposits and savings deposits acquired through the acquisition were $133.1 million and $78.2 million, respectively.

Money market deposits increased by 7.4% during 2012 due to the effects of an overall corporate strategy designed to increase and remix retail deposit relationships with a focus on overall products that can be offered at a lower cost to the Bank. Certificates of deposit increased by 2.8% during 2012 due to the acquisition. Certificates of deposit accounts acquired through the acquisition totaled $149.5 million, while organic balances declined 6.5% due to lowered offered rates on maturing certificates of deposit 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, which had $263.9 million in total outstanding balances at December 31, 2012 of which $182.9 million represented one-way buys, compared to $276.6 million in total outstanding balances at December 31, 2011. Certificates of deposit greater than $250,000 were approximately $189.9 million at December 31, 2012 compared to $162.5 million at December 31, 2011. Certificates of deposit of $100,000 or more were approximately $827.6 million at December 31, 2012 compared to $797.0 million at December 31, 2011, while certificates of deposit totaling approximately $890.0 million at December 31, 2012 with a cost of 1.54% are scheduled to mature within the next year. WesBanco will continue to focus on its core deposit strategies and improving its overall mix of transaction accounts to total deposits. From time to time the Bank may offer special promotions on certain certificates of deposit maturities and savings products based on competition, sales strategies, liquidity needs and wholesale borrowing costs, although in the current interest rate environment, CD rate offerings are generally lower for all maturities and types compared to rates paid on existing CDs.

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

	December 31,			
(dollars in thousands)	**2012**	**2011**	**$ Change**	**% Change**
Maturity:				
Under three months	**$ 116,498**	$ 119,485	$ (2,987)	(2.5)
Three to six months	**107,304**	88,314	18,990	21.5
Seven to twelve months	**206,407**	84,238	122,169	145.0
Over twelve months	**397,358**	504,989	(107,631)	(21.3)
Total certificates of deposit of $100,000 or more	**$ 827,567**	$ 797,026	$ 30,541	3.8

Interest expense on certificates of deposit of $100,000 or more totaled approximately $14.9 million, $15.9 million and $17.1 million in 2012, 2011 and 2010, respectively.

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BORROWINGS

TABLE 33. BORROWINGS

(dollars in thousands)	December 31, 2012	2011	$ Change	% Change
Federal Home Loan Bank Borrowings	**$ 111,187**	$ 168,186	$ (56,999)	(33.9)
Other short-term borrowings	**142,971**	196,887	(53,916)	(27.4)
Junior subordinated debt owed to unconsolidated subsidiary trusts	**113,832**	106,066	7,766	7.3
Total	**$ 367,990**	$ 471,139	$ (103,149)	(21.9)

Borrowings are a less significant source of funding for WesBanco compared to total deposits. WesBanco has reduced FHLB and other short-term borrowings utilizing funds provided by lower cost deposits or other available cash flows for their payoff. During the 2012 year, FHLB borrowings decreased $57.0 million or 33.9% from December 31, 2011. Other short-term borrowings decreased by $53.9 million or 27.4% from December 31, 2011.

WesBanco is a member of the FHLB system. The FHLB system functions as a borrowing source for regulated financial institutions that are engaged in residential and commercial real estate lending along with securities investing. WesBanco uses term FHLB borrowings as a general funding source and to more appropriately match interest maturities for certain assets. FHLB borrowings are secured by blanket liens on certain residential and other mortgage loans with a market value in excess of the outstanding borrowing balances. The terms of the security agreement with the FHLB include a specific assignment of collateral that requires the maintenance of qualifying mortgage and other types of loans as pledged collateral with unpaid principal amounts in excess of the FHLB advances, when discounted at certain pre-established percentages of the loans unpaid balances. FHLB stock, which is recorded at cost of $21.3 million at December 31, 2012, is also pledged as collateral for these advances. WesBanco s remaining maximum borrowing capacity, subject to the collateral requirements noted, with the FHLB at December 31, 2012 and 2011 was estimated to be approximately $1.3 billion and $1.0 billion, respectively.

At December 31, 2012, WesBanco had $111.2 million in outstanding FHLB borrowings with a weighted-average interest rate of 3.04%, compared to $168.2 million of FHLB borrowings at December 31, 2011 with a weighted-average interest rate of 3.58%. FHLB borrowings have maturities ranging from the years 2013 to 2030. Approximately $70.7 million of such borrowings mature in 2013 at an average cost of 2.58%.

Certain FHLB advances contain call features, which allows the FHLB to convert a fixed rate borrowing to a variable rate advance if the strike rate goes beyond a certain predetermined rate. The probability that these advances and repurchase agreements will be called depends primarily on the level of related interest rates during the call period. Of the $111.2 million outstanding at December 31, 2012, $56.0 million in FHLB convertible fixed rate advances are subject to conversion to a variable rate advance by the respective FHLB issuer, of which $50.0 million mature in 2013. Please refer to Note 11, Federal Home Loan Bank Borrowings, of the Consolidated Financial Statements for additional information.

Other short-term borrowings which consist of securities sold under agreements to repurchase at December 31, 2012, but may also include federal funds purchased and other borrowings, were $143.0 million compared to $196.9 million at December 31, 2011. The decrease in these borrowings has occurred primarily as a result of a $50.8 million decrease in securities sold under agreements to repurchase with brokers and a $3.1 million decrease in treasury tax and loan notes. WesBanco also has a revolving line of credit, which is a senior obligation of the parent company and was renewed with a correspondent bank effective on August 6, 2012. The revolving line of credit, which accrues interest at an adjusted LIBOR rate, provides for aggregated secured borrowings of up to $25.0 million. The revolving line of credit also requires WesBanco to maintain at all times a consolidated non-performing asset to primary capital ratio of not greater than 35%, positive net income over two consecutive fiscal quarters, and to maintain at all times on a consolidated basis and for the Bank a Well Capitalized status as defined by the regulations of the respective primary regulator. WesBanco was in compliance with all terms and conditions at December 31, 2012. There were no outstanding balances as of December 31, 2012 or December 31, 2011.

CONTRACTUAL OBLIGATIONS

TABLE 34. CONTRACTUAL OBLIGATIONS

		December 31, 2012				
(in thousands)	Footnote Reference	Less than One Year	One to Three Years	Three to Five Years	More Than Five Years	Total
Deposits without a stated maturity	N/A	$ 3,294,664	$	$	$	$ 3,294,664
Certificates of deposit	10	889,989	601,326	139,803	18,502	1,649,620
Federal Home Loan Bank borrowings	11	70,731	17,007	15,866	7,583	111,187
Other short term borrowings	12	142,971				142,971
Future benefit payments under pension plans (1)	14	2,892	6,432	7,598	183,554	200,476
Junior subordinated debt owed to unconsolidated subsidiary trusts	13				113,832	113,832
Director and executive officer retirement plans (1)	N/A	776	1,606	1,714	6,309	10,405
Non-compete, consulting and severance agreements (1)	N/A	867	253	50		1,170
Limited partnership funding commitments	9	309	121	49		479
Software licenses and maintenance (1)	N/A	1,043	2,085	2,085	1,215	6,428
Leases (1)	7	2,348	3,765	2,624	8,804	17,541
Total		$ 4,406,590	$ 632,595	$ 169,789	$ 339,799	$ 5,548,773

(1) These payments are recognized as expense in the income statement when incurred and not necessarily at the time of payment.
Significant fixed and determinable contractual obligations as of December 31, 2012 are presented in the table above by due date. The amounts shown do not include future interest payments, accrued interest or other similar carrying value adjustments. Additional information related to each obligation is included in the referenced footnote to the Consolidated Financial Statements.

WesBanco s future benefit payments under pension plans are estimated based on actuarial assumptions and do not necessarily represent the actual contractual cash flows that may be required by WesBanco in the future. Please refer to Note 14, Employee Benefit Plans, of the Consolidated Financial Statements for more information on employee benefit plans.

OFF-BALANCE SHEET ARRANGEMENTS

WesBanco enters into financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, letters of credit, loans approved but not closed, overdraft limits and contingent obligations to purchase loans

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

CAPITAL RESOURCES

Shareholders equity increased to $714.2 million at December 31, 2012 from $633.8 million at December 31, 2011. The increase was due primarily to $53.7 million of common stock issued in the Fidelity acquisition coupled with net income of $49.5 million, which was partially offset by the declaration of dividends to common shareholders of $19.1 million and a $5.5 million other comprehensive loss. The other comprehensive loss was due to unrealized losses on the defined benefit pension plan, partially offset by unrealized gains on the securities portfolio.

For 2012, common dividends increased to $0.70 per share, or 12.9% on an annualized basis, compared to $0.62 per share in 2011. The common dividend per share payout ratio increased to 38.0% in 2012 from 37.6% in 2011, which is primarily attributable to increased earnings year-over-year. A board-approved policy generally targets dividends as a percent of net income in a range of 40% to 60%, subject to capital levels, earnings history and prospects, regulatory concerns, and other factors.

In March 2007 WesBanco s Board of Directors approved a share repurchase plan for up to 1,000,000 shares, after completion of a prior repurchase plan. WesBanco did not purchase any shares during 2012. At December 31, 2012, 580,737 shares of WesBanco common stock remained authorized to be purchased under the current repurchase plan.

WesBanco is subject to risk-based capital guidelines that measure capital relative to risk-weighted assets and off-balance sheet instruments. WesBanco and its banking subsidiary WesBanco Bank maintain Tier 1 risk-based, Total risk-based and Tier 1 leverage capital ratios significantly above minimum regulatory levels. WesBanco Bank paid $36.5 million in dividends to WesBanco, Inc. during 2012. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of December 31, 2012, under FDIC and state of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately $31.0 million from the Bank.

WesBanco currently has $113.8 million in junior subordinated debt in its Consolidated Balance Sheet presented as a separate category of long-term debt. For regulatory purposes, trust preferred securities totaling $110.4 million, issued by unconsolidated trust subsidiaries of WesBanco, Inc. underlying such junior subordinated debt, is included in Tier 1 capital in accordance with current regulatory reporting requirements. A grandfather provision of the Dodd-Frank Act permits bank holding companies with consolidated assets of less than $15 billion, such as WesBanco, to continue counting existing trust preferred securities as Tier 1 capital until they mature, although it is possible that implementing regulations for the Basel III Capital Standards will require bank holding companies, including WesBanco, to exclude or phase-out these securities from regulatory capital calculations, no matter the size of the bank holding company.

In June 2012, the Board of Governors of the Federal Reserve System announced Notices of Proposed Rulemaking (NPRs) that, if adopted, would result in higher risk-based and leverage capital requirements consistent with the Basel Committee on Banking Supervision capital rules, commonly referred to as Basel III. In November 2012, it was announced that the adoption and implementation of the NPRs would be delayed indefinitely. Management, however, continues to evaluate the potential impact of the NPRs on both WesBanco s and the Bank s capital levels, recognizing that the final rules may differ significantly from those in the NPRs. If the rules are adopted as proposed, WesBanco anticipates that it will continue to be well-capitalized based on its current strong capital position as the rules are phased-in for community banks over the next few years.

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Please refer to Note 22, Regulatory Matters, of the Consolidated Financial Statements for more information on capital amounts, ratios and minimum regulatory requirements. Also refer to Item 1. Business within this Annual Report on Form 10-K for more information on the Dodd-Frank Wall Street Reform and Consumer Protection Act and Basel III Capital Standards.

LIQUIDITY RISK

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

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

The following table lists the sources of liquidity at December 31, 2012, expected within the next year:

(dollars in thousands)	
Cash and cash equivalents	**$ 125,605**
Securities with a maturity date within the next year	**17,476**
Projected payments and prepayments on mortgage-backed securities and collateralized mortgage obligations (1)	**234,593**
Callable securities	**100,912**
Loans held for sale	**21,903**
Accruing loans scheduled to mature	**548,300**
Normal loan repayments	**826,396**
Total sources of liquidity expected within the next year	**$ 1,875,185**

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

Deposit flows are another principal factor affecting overall WesBanco liquidity. Deposits totaled $4.9 billion at December 31, 2012. 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 $890.0 million at December 31, 2012 which includes jumbo regular certificates of deposit totaling $307.2 million with a weighted-average cost of 2.24% and jumbo CDARS© deposits of $123.0 million with a cost of 1.98%.

WesBanco maintains a line of credit with the FHLB as an additional funding source. Available lines of credit with the FHLB at December 31, 2012 approximated $1.3 billion, compared to $1.0 billion at December 31, 2011. At December 31, 2012, the Bank had unpledged available-for-sale securities with an amortized cost of $450.0 million, a portion of which is an available liquidity source, or could be pledged to secure additional FHLB borrowings. The FHLB requires securities to be specifically pledged to the FHLB and maintained in a FHLB-approved custodial arrangement if the member wishes to include such securities in the maximum borrowings capacity calculation. WesBanco has elected not to specifically pledge to the FHLB otherwise unpledged securities.

WesBanco participates in the Federal Reserve Bank s Borrower-in-Custody Program (BIC) whereby WesBanco pledges certain consumer loans as collateral for borrowings. At December 31, 2012, WesBanco had a BIC line of credit totaling $148.7 million, none of which was outstanding. Alternative funding sources may include the utilization of existing overnight lines of credit with third party banks totaling $165.0 million, none of which was outstanding at December 31, 2012, 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 $143.0 million at December 31, 2012 consisted of callable repurchase agreements and several overnight sweep checking accounts for large commercial customers. There has not been a significant fluctuation in the average deposit balance of these overnight sweep checking accounts during 2012. The repurchase agreements require securities to be pledged equal to or greater than the instrument s purchase price and may be called within the next year. The overnight sweep checking accounts require securities to be pledged equal to or greater than the deposit balance. During 2011, new regulatory guidelines permitted, for the first time, the payment of interest on certain corporate checking accounts. These regulations did not significantly impact sweep account and related deposit account balances.

The principal sources of parent company liquidity are dividends from the Bank, $20.8 million in cash and investments on hand, and a $25 million revolving line of credit with another bank, which did not have an outstanding balance at December 31, 2012. WesBanco is in compliance with all loan covenants. There are various legal limitations under federal and state laws that limit the payment of dividends from the Bank to the parent company. As of December 31, 2012, under FDIC and State of West Virginia regulations, WesBanco could receive, without prior regulatory approval, dividends of approximately $31.0 million from the Bank.

At December 31, 2012, WesBanco had outstanding commitments to extend credit in the ordinary course of business approximating $1.1 billion, compared to $847.4 million at December 31, 2011. On a historical basis, only a small portion of these commitments will result in an outflow of funds. Please refer to Note 19, Commitments and Contingent Liabilities, of the Consolidated Financial Statements and the Loans and Credit Risk section of this MD&A for additional information.

Federal financial regulatory agencies issued guidance in 2010 to provide sound practices for managing funding and liquidity risk and strengthening liquidity risk management practices. The guidance recommends that financial institutions maintain a comprehensive management process for identifying, measuring, monitoring, and controlling liquidity risk and that liquidity risk management be fully integrated into its risk management process. WesBanco has completed the implementation of these policies, and management believes WesBanco has sufficient current liquidity to meet current obligations to borrowers, depositors and others as of December 31, 2012 and that WesBanco s current liquidity risk management policies and procedures adequately address this guidance. Further changes to the required levels of liquidity for community banks may be specified in revised forthcoming Basel III regulations, although such liquidity requirements are primarily targeted to large national and regional banking institutions.

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COMPARISON OF 2011 VERSUS 2010

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

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

For 2011, the provision for credit losses decreased $9.3 million compared to 2010. Net charge-offs decreased $1.0 million, while classified and criticized loans decreased $62.0 million or 19.4% compared to December 31, 2010, of which $17.2 million was attributable to the sale of non-performing loans in the third quarter 2011, with the remainder of the decrease resulting from improvements in credit quality, principal reductions or other orderly exits of certain loans, and other charge-offs. Loans past due 30 days or more and accruing interest at December 31, 2011 decreased 22.9% compared to December 31, 2010. Total non-performing loans at December 31, 2011 decreased $9.4 million or 9.8% from December 31, 2010, primarily due to the loan sale. The allowance for loan losses decreased by 10.2% compared to December 31, 2010 due primarily to the reduction in classified and criticized loans, lower delinquent loan totals, and the elimination of reserves attributable to loans that were charged-off during in 2011, including loans that were sold in the third quarter of 2011. The allowance for loan losses was 1.69% of total loans at December 31, 2011, compared to 1.86% at December 31, 2010.

Non-interest income increased $0.3 million or 0.5% for the year ended December 31, 2011, primarily due to $1.6 million increase in electronic banking fees due to increased transaction volume, a $1.3 million or 8.5% increase in trust fees through new business and fee increases, and a decrease in losses on other real estate owned of $2.8 million. These improvements were partially offset by a $2.4 million decrease in net securities gains, and a decrease in service charges on deposits of $2.0 million due to regulatory changes effective in the third quarter of 2010. Service charges on deposits stabilized in the second half of 2011 compared to both the second half of 2010 and the first six months of 2011.

Non-interest expense decreased $0.9 million or 0.6% for 2011 compared to 2010. FDIC insurance decreased $1.9 million due to a new calculation by the FDIC effective in 2011, and equipment expense decreased $1.2 million due to lower service agreements and depreciation expense. These decreases were partially offset by a

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$1.6 million or 2.9% increase in salaries and wages due to routine annual adjustments to compensation, and a $1.0 million increase in marketing, primarily from customer incentives that were part of promotions focused on growing demand deposits and home equity loans. WesBanco s efficiency ratio was 59.5% for 2011, down from 60.9% for 2010.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

MARKET RISK

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

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

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

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

Interest rate risk policy limits are determined by measuring the anticipated change in net interest income over a twelve month period assuming an immediate and sustained 100 and 200 basis point increase or decrease in market interest rates compared to a stable rate environment or base model. WesBanco s current policy limits this exposure to a reduction of 5.0% and 12.5% or less, respectively, of net interest income from the base model over a twelve month period. The table below shows WesBanco s interest rate sensitivity at December 31, 2012 and December 31, 2011 assuming both a 100 and 200 basis point interest rate change, compared to a base model. Due to the current low interest rate environment, particularly for short-term rates, the 200 basis point decreasing change is not calculated; however, a 300 basis point rising rate environment is shown. The policy limit for an increasing 300 basis point rising rate environment is a negative 25% of net interest income.

TABLE 1. NET INTEREST INCOME SENSITIVITY

Immediate Change in Interest Rates (basis points)	Percentage Change in Net Interest Income from Base over One Year December 31, 2012	December 31, 2011	ALCO Guidelines
+300	**0.4%**	0.5%	- 25.0%
+200	**0.9%**	1.3%	- 12.5%
+100	**0.9%**	1.7%	- 5.0%
-100	**(4.1%)**	(3.5%)	- 5.0%

As per the table above, the earnings simulation model at December 31, 2012 currently projects that net interest income for the next twelve month period would decrease by 4.1% if interest rates were to fall immediately by 100 basis points, compared to a decrease of 3.5% for the same scenario as of December 31, 2011.

For rising rate scenarios, net interest income would increase by 0.9%, 0.9%, and 0.4% if rates increased by 100, 200 and 300 basis points, respectively, as of December 31, 2012 compared to increases of 1.7%, 1.3% and 0.5% in a 100, 200 and 300 basis point increasing rate environment as of December 31, 2011.

The balance sheet is less asset sensitive as of December 31, 2012 compared to December 31, 2011 due to duration extension as well as higher average balances in the loan portfolio, and continued changes in the deposit mix and the overall level and term of short-term borrowings. The Fidelity acquisition also had a slightly negative impact as Fidelity s combined assets and liabilities were liability sensitive at date of acquisition. Should rates rise more rapidly and by a higher amount, which is not currently anticipated in the short to intermediate term, the asset sensitivity may be somewhat neutralized due to slower anticipated prepayment speeds and extension risk associated with residential mortgages and mortgage-backed securities. In addition, variable rate commercial loans with rate floors approximated $972.5 million at December 31, 2012, which represented approximately 45% of commercial loans, with an average floor of 4.69%. In a 100 basis point rising rate environment, these loans would not significantly reprice from their current floor level. In the current flat to decreasing interest rate environment, WesBanco expects that the net interest margin may be somewhat negatively impacted through 2013, as short term interest rates are not anticipated to increase until 2014 or 2015, and loan runoff and investment security maturities are reinvested at lower rates. Partially offsetting those negative factors are maturities of higher-cost borrowings and certificates of deposit scheduled over the next year, which should assist somewhat in mitigating margin compression from loan yield decreases and investment security reinvestments. The bank continues to experience pricing competition for new loans which may result in reduced loan yields that may be somewhat mitigated by current loan growth. Total FHLB borrowings of $70.7 million mature in 2013 at an average cost of 2.58% and CDs totaling $890.0 million mature in 2013 at an average cost of 1.54%. Approximately $275.0 million of higher costing CDs will mature during the final four months of 2013 at an average cost of 2.74%.

The Bank has significant additional borrowing capacity with the FHLB of Pittsburgh, the Federal Reserve Bank of Cleveland, and various correspondent banks, and may utilize these funding sources as necessary to mitigate the impact on our balance sheet of embedded options in commercial and residential loans and to lengthen liabilities to help offset mismatches in various asset maturities, as well as to manage short term cash needs. CDARS© deposits also continue to be used to lengthen maturities in certificates of deposit, and for some customers, as an alternative to the recently expired Transaction Account Guarantee Program.

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

- increasing total loans; primarily commercial and residential with fixed rate periods of between 3-15 years;
- investing non-essential available short-term liquidity;
- marketing programs to increase the mix of certain types of transaction accounts versus short-term certificates of deposit;
- reinvestment of securities cash flows into a mix of short-to intermediate-term collateralized mortgage obligations and 10-15 year state and municipal securities while minimizing portfolio average life and duration extension;
- paying down maturities of FHLB and other short-term borrowings with available cash, or re-borrowing at lower rates; and
- extending certain CD maturities through the CDARS© program and continuing to decrease offered rates on CDs and other costing deposit types.

As an alternative to the immediate rate shock analysis, the ALCO monitors interest rate risk by ramping or increasing interest rates 200 basis points gradually over a twelve month period. WesBanco s current policy limits this exposure to 5.0% of net interest income from the base model for a twelve month period. Management believes that the ramping analysis reflects a more realistic movement of interest rates, whereas the immediate rate shock reflects a less likely scenario. The simulation model at December 31, 2012, using the 200 basis point increasing rate ramp analysis, projects that net interest income would increase 1.2% over the next twelve months, compared to a 2.0% increase at December 31, 2011. This lower rate of increase has been impacted by similar factors to those noted above.

WesBanco also periodically measures the economic value of equity, which is defined as the market value of tangible equity in various increasing and decreasing rate scenarios. At December 31, 2012, the market value of tangible equity as a percent of base in a 200 basis point rising rate environment indicates an increase of 15.4%, compared to an increase of 12.4% at December 31, 2011. In a 100 basis point falling rate environment, the model indicates an increase of 5.2%, compared to an increase of 5.3% as of December 31, 2011. WesBanco s policy is to limit such change to minus 25% for a 200 basis point change in interest rates, as long as the Tier 1 leverage capital ratio is not forecasted to decrease below 5.0% as a result of the change. Balance sheet strategies in loan and securities portfolios, continued maturities of borrowings and certificates of deposit, and adding certain transaction-type deposits has resulted in the increase in equity market value. In a rising rate environment, non-interest bearing deposits and other low cost transaction accounts are worth more than in the current low interest rate environment. For liabilities, this equates to a below cost fair market value as rates rise, which results in increased equity fair value.

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MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

WesBanco s management assessed the effectiveness of WesBanco s internal control over financial reporting as of December 31, 2012 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. This assessment did not include internal control over financial reporting related to Fidelity, which WesBanco acquired on November 30, 2012. Total assets and net assets from the former Fidelity approximated $564 million and $71 million, respectively, at December 31, 2012. Additionally, net interest income and non-interest income of the acquired operations of Fidelity totaled approximately $2.7 million and net income was approximately $0.9 million from December 1, 2012 through December 31, 2012. Based on the assessment, management determined that, as of December 31, 2012, WesBanco s internal control over financial reporting is effective, based on the COSO criteria. The effectiveness of WesBanco s internal control over financial reporting as of December 31, 2012 has been audited by Ernst & Young LLP, WesBanco s independent registered public accounting firm, as stated in their attestation report appearing below.

/s/ Paul M. Limbert	/s/ Robert H. Young
Paul M. Limbert	Robert H. Young
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

WesBanco, Inc.

We have audited WesBanco, Inc. s (the Company) internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). WesBanco, Inc. s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Management s Report On Internal Control Over Financial Reporting, management s assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Fidelity Bancorp, Inc., which is included in the 2012 consolidated financial statements of WesBanco, Inc. and constituted approximately $564 million and $71 million of total assets and net assets, respectively, as of December 31, 2012 and $2.7 million and $0.9 million of net interest income and non-interest income, respectively, for the year then ended. Our audit of internal control over financial reporting of WesBanco, Inc. also did not include an evaluation of the internal control over financial reporting of Fidelity Bancorp, Inc.

In our opinion, WesBanco, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of WesBanco, Inc. as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2012.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
March 7, 2013

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

WesBanco, Inc.

We have audited the accompanying consolidated balance sheets of WesBanco, Inc. (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WesBanco, Inc. at December 31, 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), WesBanco, Inc. s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 7, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
March 7, 2013

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WESBANCO, INC. CONSOLIDATED BALANCE SHEETS

(in thousands, except shares)	December 31, 2012	2011
ASSETS		
Cash and due from banks, including interest bearing amounts of **$33,889** and $10,929, respectively	**$ 125,605**	$ 140,325
Securities:		
Available-for-sale, at fair value	**1,021,244**	1,016,340
Held-to-maturity (fair values of **$639,273** and $621,472, respectively)	**602,509**	592,925
Total securities	**1,623,753**	1,609,265
Loans held for sale	**21,903**	6,084
Portfolio loans, net of unearned income	**3,687,762**	3,239,368
Allowance for loan losses	**(52,699)**	(54,810)
Net portfolio loans	**3,635,063**	3,184,558
Premises and equipment, net	**88,866**	82,204
Accrued interest receivable	**19,354**	19,268
Goodwill and other intangible assets, net	**324,465**	283,150
Bank-owned life insurance	**119,671**	110,074
Other assets	**120,037**	101,102
Total Assets	**$ 6,078,717**	$ 5,536,030
LIABILITIES		
Deposits:		
Non-interest bearing demand	**$ 874,923**	$ 705,415
Interest bearing demand	**831,368**	698,113
Money market	**847,805**	789,037
Savings deposits	**740,568**	596,549
Certificates of deposit	**1,649,620**	1,604,752
Total deposits	**4,944,284**	4,393,866
Federal Home Loan Bank borrowings	**111,187**	168,186
Other short-term borrowings	**142,971**	196,887
Junior subordinated debt owed to unconsolidated subsidiary trusts	**113,832**	106,066
Total borrowings	**367,990**	471,139
Accrued interest payable	**3,856**	4,975
Other liabilities	**48,403**	32,260
Total Liabilities	**5,364,533**	4,902,240
SHAREHOLDERS EQUITY		
Preferred Stock, no par value; 1,000,000 shares authorized; none outstanding		
Common stock, $2.0833 par value; 50,000,000 shares authorized; issued: 29,214,660 and 26,633,848 in 2012 and 2011; outstanding: 29,214,660 shares and 26,629,360 shares in 2012 and 2011, respectively	**60,863**	55,487
Capital surplus	**241,672**	191,679

Retained earnings	**419,246**	388,818
Treasury stock (0 shares and 4,488 shares in 2012 and 2011, respectively, at cost)		(96)
Accumulated other comprehensive income (loss)	**(6,365)**	(902)
Deferred benefits for directors	**(1,232)**	(1,196)
Total Shareholders Equity	**714,184**	633,790
Total Liabilities and Shareholders Equity	**$ 6,078,717**	$ 5,536,030

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except shares and per share amounts)	For the years ended December 31, 2012	2011	2010
INTEREST AND DIVIDEND INCOME			
Loans, including fees	**$ 166,656**	$ 175,818	$ 189,380
Interest and dividends on securities:			
Taxable	**32,461**	36,034	35,375
Tax-exempt	**12,399**	12,109	11,408
Total interest and dividends on securities	**44,860**	48,143	46,783
Other interest income	**170**	206	365
Total interest and dividend income	**211,686**	224,167	236,528
INTEREST EXPENSE			
Interest bearing demand deposits	**1,526**	2,160	3,196
Money market deposits	**2,183**	4,802	6,894
Savings deposits	**864**	1,505	2,242
Certificates of deposit	**26,371**	31,054	36,817
Total interest expense on deposits	**30,944**	39,521	49,149
Federal Home Loan Bank borrowings	**4,473**	7,199	12,721
Other short-term borrowings	**4,480**	4,823	4,774
Junior subordinated debt owed to unconsolidated subsidiary trusts	**3,438**	3,259	3,792
Total interest expense	**43,335**	54,802	70,436
NET INTEREST INCOME	**168,351**	169,365	166,092
Provision for credit losses	**19,874**	35,311	44,578
Net interest income after provision for credit losses	**148,477**	134,054	121,514
NON-INTEREST INCOME			
Trust fees	**18,044**	17,173	15,835
Service charges on deposits	**17,138**	18,629	20,645
Electronic banking fees	**11,336**	10,088	8,482
Net securities brokerage revenue	**4,604**	4,413	4,563
Bank-owned life insurance	**3,516**	3,566	4,505
Net gains on sales of mortgage loans	**2,876**	1,977	2,885
Net securities gains	**2,463**	963	3,362
Net losses on other real estate owned and other assets	**(305)**	(1,290)	(4,128)
Other income	**5,103**	4,369	3,450
Total non-interest income	**64,775**	59,888	59,599
NON-INTEREST EXPENSE			
Salaries and wages	**58,913**	56,673	54,663
Employee benefits	**21,462**	17,321	18,104
Net occupancy	**10,905**	11,255	10,728
Equipment	**9,221**	8,745	9,914
Marketing	**4,235**	5,142	4,187
FDIC insurance	**3,899**	4,768	6,681
Amortization of intangible assets	**2,150**	2,410	2,729
Restructuring and merger-related expense	**3,888**		175
Other operating expenses	**35,447**	33,981	33,971

Total non-interest expense	**150,120**	140,295	141,152
Income before provision for income taxes	**63,132**	53,647	39,961
Provision for income taxes	**13,588**	9,838	4,350
NET INCOME	**$ 49,544**	$ 43,809	$ 35,611
EARNINGS PER COMMON SHARE			
Basic	**$ 1.84**	$ 1.65	$ 1.34
Diluted	**$ 1.84**	$ 1.65	$ 1.34
AVERAGE COMMON SHARES OUTSTANDING			
Basic	**26,867,227**	26,614,697	26,579,735
Diluted	**26,888,847**	26,615,281	26,580,293
DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.70**	$ 0.62	$ 0.56

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)	For the years ended December 31, 2012	2011	2010
Net income	**$ 49,544**	$ 43,809	$ 35,611
Securities available-for-sale:			
Net change in unrealized gains (losses) on securities available-for-sale	**5,154**	11,226	(801)
Related income tax (expense) benefit	**(1,866)**	(4,209)	433
Unrealized gains on securities transferred from available-for-sale to held-to-maturity			(8,877)
Related income tax expense			3,256
Net securities gains reclassified into earnings	**(2,463)**	(963)	(3,362)
Related income tax expense	**915**	359	1,233
Net effect on other comprehensive income for the period	**1,740**	6,413	(8,118)
Securities held-to-maturity:			
Unrealized gains on securities transferred from available-for-sale to held-to-maturity			8,877
Related income tax expense			(3,256)
Amortization of unrealized gain transferred from available-for-sale	**(1,534)**	(2,060)	(2,106)
Related income tax expense	**577**	733	773
Net effect on other comprehensive income for the period	**(957)**	(1,327)	4,288
Defined benefit pension plan:			
Amortization of net loss and prior service costs	**2,332**	1,335	1,097
Related income tax expense	**(918)**	(426)	(511)
Recognition of unrealized (loss) gain	**(12,143)**	(11,183)	672
Related income tax benefit (expense)	**4,483**	4,155	(246)
Net effect on other comprehensive income for the period	**(6,246)**	(6,119)	1,012
Total other comprehensive income (loss)	**(5,463)**	(1,033)	(2,818)
Comprehensive income	**$ 44,081**	$ 42,776	$ 32,793

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

For the years ended December 31, 2012, 2011 and 2010

(dollars in thousands, except shares and per share amounts)	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Deferred Benefits for Directors	Total
January 1, 2010	26,567,653	$ 55,487	$ 192,268	$ 340,788	$ (1,498)	$ 2,949	$ (1,278)	$ 588,716
Net income				35,611				35,611
Other comprehensive income (loss)						(2,818)		(2,818)
Total comprehensive income								32,793
Common dividends declared ($0.56 per share)				(14,886)				(14,886)
Stock options exercised	2,050		(14)		44			30
Restricted stock granted	17,250		(391)		391			
Stock compensation expense			210					210
Deferred benefits for directors net			(86)				86	
December 31, 2010	26,586,953	$ 55,487	$ 191,987	$ 361,513	$ (1,063)	$ 131	$ (1,192)	$ 606,863
Net income				43,809				43,809
Other comprehensive income (loss)						(1,033)		(1,033)
Total comprehensive income								42,776
Common dividends declared ($0.62 per share)				(16,504)				(16,504)
Stock options exercised	1,775		(13)		39			26
Restricted stock granted	40,632		(928)		928			
Stock compensation expense			629					629
Deferred benefits for directors net			4				(4)	
December 31, 2011	26,629,360	$ 55,487	$ 191,679	$ 388,818	$ (96)	$ (902)	$ (1,196)	$ 633,790
Net income				**49,544**				**49,544**
Other comprehensive income (loss)						**(5,463)**		**(5,463)**
Total comprehensive income								**44,081**
Common dividends declared ($0.70 per share)				**(19,116)**				**(19,116)**
Shares issued for acquisition	**2,543,132**	**5,298**	**48,368**					**53,666**
Issuance of warrant			**865**					**865**
Stock options exercised	**4,125**	**3**	**35**		**46**			**84**
Restricted stock granted	**42,809**	**75**	**(217)**		**142**			
Treasury shares acquired	**(4,766)**		**22**		**(92)**			**(70)**
Stock compensation expense			**884**					**884**
Deferred benefits for directors net			**36**				**(36)**	
December 31, 2012	**29,214,660**	**$ 60,863**	**$ 241,672**	**$ 419,246**	**$**	**$ (6,365)**	**$ (1,232)**	**$ 714,184**

See Notes to Consolidated Financial Statements.

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WESBANCO, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	For the Years Ended December 31, 2012	2011	2010
OPERATING ACTIVITIES			
Net income	**$ 49,544**	$ 43,809	$ 35,611
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of premises and equipment	**6,052**	6,238	6,851
Other net amortization	**7,609**	7,172	6,868
Provision for credit losses	**19,874**	35,311	44,578
Net securities gains	**(2,463)**	(963)	(3,362)
Net gains on sales of mortgage loans	**(2,876)**	(1,977)	(2,885)
Decrease (increase) in deferred income tax assets	**80**	874	(3,219)
Increase in cash surrender value of bank-owned life insurance net	**(3,516)**	(3,572)	(2,865)
Loans originated for sale	**(134,591)**	(80,730)	(155,389)
Proceeds from the sale of loans originated for sale	**124,676**	87,423	156,914
Net change in: other assets and accrued interest receivable	**5,052**	5,300	20,079
Net change in: other liabilities and accrued interest payable	**4,711**	6,986	(4,377)
Other net	**2,663**	2,829	5,264
Net cash provided by operating activities	**76,815**	108,700	104,068
INVESTING ACTIVITIES			
Securities available-for-sale:			
Proceeds from sales	**202,810**	20,050	136,086
Proceeds from maturities, prepayments and calls	**401,589**	468,902	422,734
Purchases of securities	**(420,289)**	(540,840)	(687,926)
Securities held-to-maturity:			
Proceeds from maturities, prepayments and calls	**113,284**	95,781	65,526
Purchases of securities	**(93,051)**	(223,953)	(109,094)
Net cash received from acquisitions	**10,945**		
Net (increase) decrease in loans	**(169,215)**	(2,325)	126,241
Purchases of premises and equipment net	**(5,970)**	(2,514)	(2,695)
Sale of portfolio loans net	**15,332**	6,902	5,199
Net cash provided by (used in) investing activities	**55,435**	(177,997)	(43,929)
FINANCING ACTIVITIES			
Increase in deposits	**95,001**	221,543	198,479
Proceeds from Federal Home Loan Bank borrowings			20,000
Repayment of Federal Home Loan Bank borrowings	**(115,611)**	(85,080)	(261,802)
(Decrease) increase in other short-term borrowings	**(108,255)**	9,962	4,306
Decrease in federal funds			(5,000)
Repayment of junior subordinated debt			(5,000)
Dividends paid to common and preferred shareholders	**(18,119)**	(15,965)	(14,883)
Treasury shares sold net	**14**	26	30
Net cash (used in) provided by financing activities	**(146,970)**	130,486	(63,870)
Net (decrease) increase in cash and cash equivalents	**(14,720)**	61,189	(3,731)
Cash and cash equivalents at beginning of the year	**140,325**	79,136	82,867
Cash and cash equivalents at end of the year	**$ 125,605**	$ 140,325	$ 79,136
SUPPLEMENTAL DISCLOSURES			
Interest paid on deposits and other borrowings	**$ 44,454**	$ 56,386	$ 73,085
Income taxes paid	**11,920**	10,550	4,560
Transfers of loans to other real estate owned	**3,735**	2,765	8,046
Transfers of portfolio loans to loans held for sale	**22,146**	17,192	15,437

Transfers of available for sale securities to held to maturity securities at fair value			426,723
Summary of Business Acquisition			
Fair value of tangible assets acquired (including $26.4 million in cash)	**$ 611,400**	$	$
Fair value of other intangibles acquired	**4,674**		
Fair value of liabilities assumed	**(584,885)**		
Stock issued for the purchase of acquired company s common stock	**(53,667)**		
Warrant issued for the purchase of acquired company s warrant	**(865)**		
Cash paid for the acquisition	**(15,448)**		
Goodwill and other intangibles recognized	**$ (38,791)**	$	$

See Notes to Consolidated Financial Statements.

WESBANCO, INC.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations WesBanco, Inc. (WesBanco) is a bank holding company offering a full range of financial services, including trust and investment services, mortgage banking, insurance and brokerage services. WesBanco s defined business segments are community banking and trust and investment services. WesBanco s banking subsidiary, WesBanco Bank, Inc. (WesBanco Bank or the Bank), headquartered in Wheeling, West Virginia, operates through 118 banking offices, one loan production office and 107 ATM machines in West Virginia, Ohio and Western Pennsylvania. In addition, WesBanco operates an insurance brokerage company, WesBanco Insurance Services, Inc., and a full service broker/dealer, WesBanco Securities, Inc.

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

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

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

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

A controlling financial interest in a VIE is present when an enterprise has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits of the VIE that could potentially be significant to the VIE. A VIE often holds financial assets, including loans or receivables, real estate or other property. The company with a controlling financial interest, known as the primary beneficiary, is required to consolidate the VIE. WesBanco has nine wholly-owned trust subsidiaries (collectively, the Trusts), for which it does not absorb a majority of expected losses or receive a majority of the expected residual returns. Accordingly, the Trusts and their net assets are not included in the Consolidated Financial Statements. However, the junior subordinated deferrable interest debentures issued by WesBanco to the Trusts (refer to Note 13, Junior Subordinated Debt Owed to Unconsolidated Subsidiary Trusts) and the minority interest in the common stock issued by the Trusts is included in the Consolidated Balance Sheets. WesBanco also owns non-controlling variable interests in certain limited partnerships for which it does not absorb a majority of expected losses or receive a majority of expected residual returns which are not included in the Consolidated Financial Statements. Refer to Note 9, Investments in Limited Partnerships for further detail.

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

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

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

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

Cost method investments: Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of Federal Home Loan Bank (FHLB) stock and are included in other assets in the Consolidated Balance Sheets. Cost method investments are evaluated for impairment whenever events or circumstances suggest that their carrying value may not be recoverable.

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

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

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

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

Loans acquired in acquisitions are recorded at fair value with no carryover of related allowance for credit losses. The premium or discount derived from the fair market value adjustment is recognized into interest income using a level yield method over the remaining expected life of the loan.

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

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

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

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

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

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

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

General reserves are established for loans that are not individually tested for impairment based on historical loss rates adjusted for the impact of the qualitative factors discussed above. Historical loss rates for commercial real estate and commercial and industrial loans are determined for each internal risk grade using a migration analysis that categorizes each charged-off loan based on its risk grade twelve months prior to the charge-off.

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Historical loss rates for residential real estate, home equity and consumer loans that are not risk graded are determined for the total of each category of loans. Historical loss rates for deposit account overdrafts are based on actual losses in relation to average overdrafts for the period.

Management has determined that historical loss rates for the most recent twelve month period are generally the most indicative of probable losses in the portfolio. However, management calculates annualized historical loss rates for multiple periods ranging from the most recent three months to the last three years and periodically evaluates the loss rates for each of the periods to assess trends in loss rates over time. In the event that the most recent twelve month loss rate is less than the last three years loss rate, the last three year loss rate is generally used because it is considered by management to be more indicative of probable loss in the portfolio during periods when the most recent twelve month loss rate is not inflated by adverse economic conditions. Loss rates over a period covering more than the last three years are not considered to be as meaningful because of changes in the risk profile and characteristics of the portfolio that can occur over a longer period of time.

Management may also adjust its assumptions to account for differences between estimated and actual incurred losses from period to period. Loss estimation models and techniques used to determine the appropriateness of the allowance for credit losses are continually refined and enhanced; however there have been no material substantive changes to such models and techniques compared to prior periods. The variability of management s estimates and assumptions could alter the level of the allowance for credit losses and may have a material impact on future results of operations and financial condition.

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

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

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

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

Non-accrual loans that are restructured remain on non-accrual, but may move to accrual status after they have performed according to the restructured terms for a period of time. TDRs on accrual status generally remain on accrual status as long as they continue to perform in accordance with their modified terms. TDRs may also be placed on non-accrual if they do not perform in accordance with the restructured terms. Loans may be removed from TDR status after they have performed according to the renegotiated terms for a period of time if the interest rate under the modified terms is at or above market, or if the loan returns to its original terms.

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

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

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

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

Goodwill and indefinite-lived intangible assets are not amortized but are tested for impairment annually, or more often if events or circumstances indicate they may be impaired. WesBanco has elected not to perform the qualitative assessment as permitted by GAAP to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. Finite-lived intangible assets, which consist primarily of core deposit and customer list intangibles (long-term customer-relationship intangible assets) are amortized using straight-line and accelerated methods over their weighted-average estimated useful lives, ranging from 10 to 16 years in total, and are tested for impairment whenever events or circumstances indicate that their carrying amount may not be recoverable.

Goodwill is tested for potential impairment using a two-step approach. In the first step, the estimated fair value of each reporting unit is compared to its carrying value, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, the goodwill of that reporting unit is not considered impaired, and no impairment loss is recognized. However, if the carrying amount of the reporting unit exceeds its fair value, step two, which involves comparing the implied fair value of goodwill to its carrying value, is completed and to the extent that the carrying value of goodwill exceeds its implied fair value, an impairment loss is recognized. An indefinite-lived intangible asset is tested for impairment by comparing its fair value to its carrying value. If the carrying amount of an indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. A finite-lived intangible asset is tested for impairment by comparing its fair value based on undiscounted cash flow projections to its carrying value. An impairment loss is recognized to the extent that its carrying amount exceeds its fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

Recent Accounting Pronouncements In February 2013, the Financial Accounting Standards Board (the FASB) issued an accounting pronouncement to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendment does not change the current requirements for reporting net income or other comprehensive income in the financial statements. However, the amendment requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component and including references to other disclosures. The pronouncement is effective prospectively for interim and annual reporting periods beginning after December 15, 2012. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on WesBanco s consolidated financial statements.

In December 2011, the FASB issued an accounting pronouncement which requires entities to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position, including instruments and transactions subject to master netting arrangements. The scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The objective of this disclosure is to enhance disclosures required by GAAP by requiring improved information about financial instruments and derivative instruments that are either offset in accordance with existing GAAP or subject to an enforceable master netting arrangement or similar agreement. This information will enable users of an entity s financial statements to evaluate the effect or potential effect of netting arrangements on an entity s financial position, including the effect or potential effect of rights of setoff associated with certain financial instruments and derivative instruments. In January 2013, the FASB issued an accounting pronouncement to clarify and limit the scope of the aforementioned pronouncement by more specifically defining transactions eligible for offset. The pronouncements should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after January 1, 2013. The adoption of this pronouncement is not expected to have a material impact on WesBanco s consolidated financial statements.

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

In June 2011, the FASB issued an accounting pronouncement that requires all non-owner changes in shareholders equity to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. In December 2011, an amendment to the June 2011 accounting pronouncement was issued which deferred the requirement that entities present reclassification adjustments for each component of accumulated other comprehensive income in both net income and other comprehensive income on the face of the financial statements. Entities should continue to report reclassifications relating to accumulated other comprehensive income consistent with the presentation requirements in effect before the June 2011 accounting pronouncement. The disclosures in the original June 2011 pronouncement that were not deferred in the December 2011 pronouncement should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. WesBanco has adopted a single continuous statement of comprehensive income for interim periods and two separate but consecutive statements for its 2012 year-end reporting.

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

NOTE 2. MERGERS AND ACQUISITIONS

On November 30, 2012, WesBanco completed its acquisition of Fidelity Bancorp, Inc. (Fidelity), and its wholly-owned banking subsidiary, Fidelity Bank, PaSB, (Fidelity Bank), a Pennsylvania-chartered stock savings bank headquartered in Pittsburgh, Pennsylvania. On the acquisition date, Fidelity had $654.9 million in assets, which included $322.6 million in loans, and $222.0 million in securities. The acquisition was valued at $70.0 million and resulted in WesBanco issuing 2,543,132 shares of its common stock and $15.4 million in cash in exchange for Fidelity common stock. The assets and liabilities of Fidelity were recorded on WesBanco s balance sheet at their preliminary estimated fair values as of November 30, 2012, the acquisition date, and Fidelity s results of operations have been included in WesBanco s Consolidated Statements of Income since that date. Fidelity was merged into WesBanco and Fidelity Bank was merged into WesBanco Bank on November 30, 2012. In conjunction with the completion of this acquisition, Fidelity fully repurchased the $7.0 million of Fidelity preferred stock previously issued to the U.S. Department of the Treasury (UST) under the Capital Purchase Program (CPP). A related warrant issued by Fidelity to the UST has been converted into a warrant to purchase up to 100,448 shares of WesBanco s common stock. The warrant expires November 30, 2022 and has an exercise price of $10.45 per share. Based on a preliminary purchase price allocation, WesBanco recorded $38.8 million in goodwill and $4.7 million in core deposit intangible as a result of the acquisition. The fair values for the assets and liabilities acquired are provisional amounts and are currently under review. None of the goodwill is deductible for income tax purposes as the acquisition is accounted for as a tax-free exchange for tax purposes.

For the twelve months ended December 31, 2012, WesBanco recorded merger-related expenses of $3.2 million associated with the Fidelity acquisition. Prior to the acquisition, Fidelity recorded merger-related expenses of $4.6 million in 2012.

The total of net interest income and non-interest income of the acquired operations of Fidelity was approximately $2.7 million and net income was approximately $0.9 million from December 1, 2012 through December 31, 2012. If the acquisition had occurred on January 1, 2011, unaudited proforma net interest income and non-interest income of the combined entity for the twelve months ended December 31, 2012 would have totaled approximately $252.7 million and unaudited proforma net income would have been approximately $47.4 million as compared to $252.5 million and $48.4 million, respectively, for the twelve months ended December 31, 2011. All merger-related expenses were included in 2012 pro-forma results.

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The following table shows the calculation of the purchase price and the resulting goodwill relating to the Fidelity acquisition:

(in thousands)		November 30, 2012
Purchase price:		
Fair value of WesBanco shares issued, net of equity issuance costs		$ 53,667
Cash consideration for outstanding Fidelity shares, stock options and non-vested restricted stock		15,448
Warrant issued		865
Total purchase price		$ 69,980
Fair value of:		
Tangible assets acquired	$ 585,007	
Core deposit intangible asset acquired	4,674	
Liabilities assumed	(584,885)	
Net cash received in the acquisition	26,393	
Fair value of net assets acquired		31,189
Goodwill recognized		$ 38,791

The following table summarizes the fair value of the net assets that WesBanco acquired from Fidelity:

(in thousands)	November 30, 2012
Assets	
Cash and due from banks	$ 26,393
Securities	221,992
Loans	322,628
Goodwill and other intangible assets	43,465
Accrued income and other assets	40,387
Total assets	$ 654,865
Liabilities	
Deposits	$ 455,257
Borrowings	121,436
Accrued expenses and other liabilities	8,192
Total liabilities	584,885
Purchase price	$ 69,980

NOTE 3. EARNINGS PER COMMON SHARE

Earnings per common share are calculated as follows:

	For the years ended December 31,		
(in thousands, except shares and per share amounts)	2012	2011	2010

Numerator for both basic and diluted earnings per common share:						
Net income	**$**	**49,544**	$	43,809	$	35,611
Denominator:						
Total average basic common shares outstanding		**26,867,227**		26,614,697		26,579,735
Effect of dilutive stock options and warrant		**21,620**		584		558
Total diluted average common shares outstanding		**26,888,847**		26,615,281		26,580,293
Earnings per common share basic	**$**	**1.84**	$	1.65	$	1.34
Earnngs per common share diluted	**$**	**1.84**	$	1.65	$	1.34

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NOTE 4. SECURITIES

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

(in thousands)	**December 31, 2012** Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	**December 31, 2011** Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale								
Other government agencies	**$ 96,257**	**$ 411**	**$ (56)**	**$ 96,612**	$ 197,898	$ 834	$ (12)	$ 198,720
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	**721,824**	**10,690**	**(304)**	**732,210**	579,430	9,244	(582)	588,092
Obligations of states and political subdivisions	**139,511**	**9,133**	**(9)**	**148,635**	171,782	8,664	(13)	180,433
Corporate debt securities	**32,706**	**213**	**(234)**	**32,685**	45,002	107	(1,043)	44,066
Total debt securities	**$ 990,298**	**$ 20,447**	**$ (603)**	**$ 1,010,142**	$ 994,112	$ 18,849	$ (1,650)	$ 1,011,311
Equity securities	**10,207**	**916**	**(21)**	**11,102**	4,179	851	(1)	5,029
Total available-for-sale securities	**$ 1,000,505**	**$ 21,363**	**$ (624)**	**$ 1,021,244**	$ 998,291	$ 19,700	$ (1,651)	$ 1,016,340
Held-to-maturity								
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	**$ 152,872**	**$ 6,421**	**$ (80)**	**$ 159,213**	$ 247,938	$ 7,223	$ (87)	$ 255,074
Other residential collateralized mortgage obligations	**353**	**8**		**361**	783	9	(1)	791
Obligations of states and political subdivisions	**449,284**	**31,244**	**(829)**	**479,699**	342,752	21,459	(138)	364,073
Corporate debt securities					1,452	82		1,534
Total held-to-maturity securities	**$ 602,509**	**$ 37,673**	**$ (909)**	**$ 639,273**	$ 592,925	$ 28,773	$ (226)	$ 621,472
Total securities	**$ 1,603,014**	**$ 59,036**	**$ (1,533)**	**$ 1,660,517**	$ 1,591,216	$ 48,473	$ (1,877)	$ 1,637,812

At December 31, 2012 and 2011, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of WesBanco s shareholders equity.

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The following table presents the fair value of available-for-sale and held-to-maturity securities by contractual maturity at December 31, 2012. In many instances, the issuers may have the right to call or prepay obligations without penalty prior to the contractual maturity date.

	December 31, 2012					
(in thousands)	One Year or less	One to Five Years	Five to Ten Years	After Ten Years	Mortgage-backed and Equity	Total
Available-for-sale						
Other government agencies	$ 2,516	$ 12,838	$ 46,778	$ 34,480	$	$ 96,612
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (1)					732,210	732,210
Obligations of states and political subdivisions	8,788	48,621	37,756	53,470		148,635
Corporate debt securities	5,134	18,360	1,906	7,285		32,685
Equity securities (3)					11,102	11,102
Total available-for-sale securities	$ 16,438	$ 79,819	$ 86,440	$ 95,235	$ 743,312	$ 1,021,244
Held-to-maturity (2)						
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies (1)	$	$	$	$	$ 159,213	$ 159,213
Other residential collateralized mortgage obligations (1)					361	361
Obligations of states and political subdivisions	2,741	9,405	112,278	355,275		479,699
Total held-to-maturity securities	$ 2,741	$ 9,405	$ 112,278	$ 355,275	$ 159,574	$ 639,273
Total securities	$ 19,179	$ 89,224	$ 198,718	$ 450,510	$ 902,886	$ 1,660,517

(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 portfolio is carried at an amortized cost of $602.5 million.
(3) Equity securities, which have no stated maturity, are not assigned a maturity category.

Securities with aggregate par values of $710.5 million and $666.9 million at December 31, 2012 and 2011, respectively, were pledged as security for public and trust funds, and securities sold under agreements to repurchase. Proceeds from the sale of available-for-sale securities were $202.8 million, $20.1 million and $136.1 million for the years ended December 31, 2012, 2011 and 2010, respectively. Net unrealized gains on available-for-sale securities included in accumulated other comprehensive income net of tax, as of December 31, 2012 and 2011 were $13.0 million and $11.3 million, respectively. Gross security gains on available-for-sale securities of $2.7 million, $1.1 million and $3.4 million were realized for the years ended December 31, 2012, 2011 and 2010, respectively. Gross security losses on available-for-sale securities of $0.2 million, $0.1 million, and $41 thousand were realized for the years ended December 31, 2012, 2011 and 2010, respectively.

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The following table provides information on unrealized losses on investment securities that have been in an unrealized loss position for less than twelve months and twelve months or more as of December 31, 2012 and 2011:

	December 31, 2012								
	Less than 12 months			12 months or more			Total		
(dollars in thousands)	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities	Fair Value	Unrealized Losses	# of Securities
Other government agencies	**$ 18,894**	**$ (56)**	**6**	**$**	**$**		**$ 18,894**	**$ (56)**	**6**
Residential mortgage-backed securities and collateralized mortgage obligations of government agencies	**38,913**	**(258)**	**20**	**9,966**	**(126)**	**10**	**48,879**	**(384)**	**30**
Other residential collateralized mortgage obligations									
Obligations of states and political subdivisions	**72,521**	**(838)**	**107**				**72,521**	**(838)**	**107**
Corporate debt securities	**1,526**	**(57)**	**2**	**10,878**	**(177)**	**5**	**12,404**	**(234)**	**7**
Equity securities	**2,838**	**(21)**	**2**				**2,838**	**(21)**	**2**
Total temporarily impaired securities	**$ 134,692**	**$ (1,230)**	**137**	**$ 20,844**	**$ (303)**	**15**	**$ 155,536**	**$ (1,533)**	**152**

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

Unrealized losses on debt securities in the table represent temporary fluctuations resulting from changes in market rates in relation to fixed yields. Unrealized losses in the available-for-sale portfolio are accounted for as an adjustment, 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 of investment grade quality and all are paying principal and interest according to their contractual terms. WesBanco does not intend to sell, nor is it more likely than not that it will be required to sell, loss position securities prior to recovery of their cost, and therefore, management believes the unrealized losses detailed above are temporary and no impairment loss relating to these securities has been recognized.

Securities that do not have readily determinable fair values and for which WesBanco does not exercise significant influence are carried at cost. Cost method investments consist primarily of FHLB of Pittsburgh and FHLB of Cincinnati stock totaling $21.3 million and $21.9 million at December 31, 2012 and 2011, 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.

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NOTE 5. LOANS AND THE ALLOWANCE FOR CREDIT LOSSES

The following table presents the recorded investment in loans by category and includes acquired Fidelity loans of $313.4 million at December 31, 2012. The recorded investment in loans is presented in the Consolidated Balance Sheets net of deferred loan fees and costs of $2.5 million and $3.1 million at December 31, 2012 and 2011, respectively.

(in thousands)	December 31, 2012	December 31, 2011
Commercial real estate:		
Land and construction	**$ 193,004**	$ 175,867
Improved property	**1,665,341**	1,509,698
Total commercial real estate	**1,858,345**	1,685,565
Commercial and industrial	**478,025**	426,315
Residential real estate	**793,702**	621,383
Home equity	**277,226**	251,785
Consumer	**280,464**	254,320
Total portfolio loans	**3,687,762**	3,239,368
Loans held for sale	**21,903**	6,084
Total loans	**$ 3,709,665**	$ 3,245,452

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

	For the Year Ended December 31, 2012							
(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 beginning of year:								
Allowance for loan losses	**$ 4,842**	**$ 24,748**	**$ 11,414**	**$ 5,638**	**$ 1,962**	**$ 5,410**	**$ 796**	**$ 54,810**
Allowance for loan commitments	**74**	**21**	**323**	**4**	**33**	**13**		**468**
Total beginning allowance for credit losses	**4,916**	**24,769**	**11,737**	**5,642**	**1,995**	**5,423**	**796**	**55,278**
Provision for credit losses:								
Provision for loan losses	**2,171**	**5,452**	**2,147**	**5,039**	**1,610**	**2,963**	**619**	**20,001**
Provision for loan commitments	**(47)**	**4**	**(108)**	**2**	**16**	**6**		**(127)**
Total provision for credit losses	**2,124**	**5,456**	**2,039**	**5,041**	**1,626**	**2,969**	**619**	**19,874**
Charge-offs	**(3,879)**	**(7,693)**	**(4,625)**	**(3,902)**	**(1,144)**	**(3,851)**	**(871)**	**(25,965)**
Recoveries	**607**	**1,107**	**390**	**407**	**30**	**1,035**	**277**	**3,853**
Net charge-offs	**(3,272)**	**(6,586)**	**(4,235)**	**(3,495)**	**(1,114)**	**(2,816)**	**(594)**	**(22,112)**

Balance at end of period:								
Allowance for loan losses	**3,741**	**23,614**	**9,326**	**7,182**	**2,458**	**5,557**	**821**	**52,699**
Allowance for loan commitments	**27**	**25**	**215**	**6**	**49**	**19**		**341**
Total ending allowance for credit losses	**$ 3,768**	**$ 23,639**	**$ 9,541**	**$ 7,188**	**$ 2,507**	**$ 5,576**	**$ 821**	**$ 53,040**

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	For the Years Ended December 31,								
	2011								2010
(in thousands)	Commercial Real Estate- Land and Construction	Commercial Real Estate- Improved Property	Commercial & Industrial	Residential Real Estate	Home Equity	Consumer	Deposit Overdraft	Total	Total
Balance at beginning of year:									
Allowance for loan losses	$ 4,701	$ 30,836	$ 10,793	$ 5,950	$ 2,073	$ 5,641	$ 1,057	$ 61,051	$ 61,160
Allowance for loan commitments	1,037	285	65	1	14				