

Northwest Bancshares, Inc.
Form 10-Q
November 08, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2013

or

o 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 001-34582

NORTHWEST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

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Maryland

(State or other jurisdiction of incorporation or organization)

27-0950358

(I.R.S. Employer Identification No.)

100 Liberty Street, Warren, Pennsylvania

(Address of principal executive offices)

16365

(Zip Code)

(814) 726-2140

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock (\$0.01 par value) 94,193,125 shares outstanding as of November 4, 2013

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)

| | (Unaudited) September 30, 2013 | December 31, 2012 |
|--|--------------------------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 93,335 | 88,277 |
| Interest-earning deposits in other financial institutions | 321,344 | 362,794 |
| Federal funds sold and other short-term investments | 634 | 633 |
| Marketable securities available-for-sale (amortized cost of \$1,084,596 and \$1,053,122) | 1,092,799 | 1,079,074 |
| Marketable securities held-to-maturity (fair value of \$129,580 and \$161,969) | 125,937 | 155,081 |
| Total cash and investments | 1,634,049 | 1,685,859 |
| Personal Banking: | | |
| Residential mortgage loans held for sale | | 15,441 |
| Residential mortgage loans | 2,453,109 | 2,400,208 |
| Home equity loans | 1,072,388 | 1,076,637 |
| Other consumer loans | 225,978 | 235,367 |
| Total Personal Banking | 3,751,475 | 3,727,653 |
| Business Banking: | | |
| Commercial real estate loans | 1,586,991 | 1,585,833 |
| Commercial loans | 392,636 | 388,994 |
| Total Business Banking | 1,979,627 | 1,974,827 |
| Total loans receivable | 5,731,102 | 5,702,480 |
| Allowance for loan losses | (75,865) | (73,219) |
| Loans receivable, net | 5,655,237 | 5,629,261 |
| Federal Home Loan Bank stock, at cost | 43,716 | 46,834 |
| Accrued interest receivable | 22,560 | 23,313 |
| Real estate owned, net | 20,173 | 26,165 |
| Premises and equipment, net | 142,487 | 138,824 |
| Bank owned life insurance | 140,389 | 137,044 |
| Goodwill | 174,463 | 174,461 |
| Other intangible assets | 2,541 | 3,529 |
| Other assets | 72,764 | 77,310 |
| Total assets | \$ 7,908,379 | 7,942,600 |
| Liabilities and Shareholders equity | | |
| Liabilities: | | |
| Noninterest-bearing demand deposits | \$ 803,498 | 755,429 |
| Interest-bearing demand deposits | 854,288 | 851,771 |
| Savings deposits | 2,348,805 | 2,271,311 |
| Time deposits | 1,718,774 | 1,886,089 |
| Total deposits | 5,725,365 | 5,764,600 |

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| | | |
|--|--------------|-----------|
| Borrowed funds | 865,096 | 860,047 |
| Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities | 103,094 | 103,094 |
| Advances by borrowers for taxes and insurance | 14,152 | 23,325 |
| Accrued interest payable | 861 | 888 |
| Other liabilities | 61,277 | 62,177 |
| Total liabilities | 6,769,845 | 6,814,131 |
| Shareholders' equity: | | |
| Preferred stock, \$0.01 par value: 50,000,000 authorized, no shares issued | | |
| Common stock, \$0.01 par value: 500,000,000 shares authorized, 94,152,042 and 93,652,960 shares issued and outstanding, respectively | 942 | 937 |
| Paid-in capital | 617,180 | 613,249 |
| Retained earnings | 562,758 | 550,296 |
| Unallocated common stock of employee stock ownership plan | (23,305) | (24,525) |
| Accumulated other comprehensive loss | (19,041) | (11,488) |
| Total shareholders' equity | 1,138,534 | 1,128,469 |
| Total liabilities and shareholders' equity | \$ 7,908,379 | 7,942,600 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF INCOME (Unaudited)****(in thousands, except per share data)**

| | Quarter ended September 30, | | Nine months ended September 30, | |
|---|--------------------------------|---------|------------------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Interest income: | | | | |
| Loans receivable | \$ 71,480 | 76,771 | 216,440 | 231,888 |
| Mortgage-backed securities | 3,113 | 3,941 | 9,862 | 13,041 |
| Taxable investment securities | 1,030 | 577 | 2,969 | 1,585 |
| Tax-free investment securities | 1,912 | 2,223 | 6,069 | 6,987 |
| Interest-earning deposits | 253 | 364 | 844 | 1,217 |
| Total interest income | 77,788 | 83,876 | 236,184 | 254,718 |
| Interest expense: | | | | |
| Deposits | 7,150 | 10,207 | 22,368 | 34,335 |
| Borrowed funds | 8,126 | 8,013 | 23,989 | 23,824 |
| Total interest expense | 15,276 | 18,220 | 46,357 | 58,159 |
| Net interest income | 62,512 | 65,656 | 189,827 | 196,559 |
| Provision for loan losses | 4,992 | 6,915 | 17,555 | 18,165 |
| Net interest income after provision for loan losses | 57,520 | 58,741 | 172,272 | 178,394 |
| Noninterest income: | | | | |
| Impairment losses on securities | | (340) | | (885) |
| Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income) | | 247 | | 554 |
| Net impairment losses | | (93) | | (331) |
| Gain on sale of investments, net | 109 | 260 | 229 | 260 |
| Service charges and fees | 9,282 | 9,110 | 27,010 | 26,701 |
| Trust and other financial services income | 2,380 | 2,122 | 6,847 | 6,256 |
| Insurance commission income | 2,019 | 1,480 | 6,504 | 4,801 |
| Loss on real estate owned, net | (111) | (1,187) | (2,526) | (2,839) |
| Income from bank owned life insurance | 1,178 | 1,148 | 3,351 | 3,372 |
| Mortgage banking income | 203 | 1,484 | 1,395 | 2,804 |
| Other operating income | 1,049 | 949 | 3,090 | 3,190 |
| Total noninterest income | 16,109 | 15,273 | 45,900 | 44,214 |
| Noninterest expense: | | | | |
| Compensation and employee benefits | 27,629 | 28,171 | 83,715 | 83,425 |
| Premises and occupancy costs | 5,633 | 5,498 | 17,530 | 16,729 |
| Office operations | 3,497 | 3,141 | 10,631 | 9,805 |
| Processing expenses | 6,036 | 6,340 | 19,279 | 18,541 |
| Marketing expenses | 1,032 | 1,830 | 5,025 | 7,695 |
| Federal deposit insurance premiums | 1,377 | 1,305 | 4,239 | 4,343 |
| Professional services | 1,331 | 1,939 | 4,223 | 5,136 |
| Amortization of other intangible assets | 291 | 219 | 988 | 793 |
| Real estate owned expense | 681 | 832 | 1,880 | 2,143 |
| Other expenses | 2,770 | 2,528 | 7,044 | 6,435 |
| Total noninterest expense | 50,277 | 51,803 | 154,554 | 155,045 |

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| | | | | |
|--------------------------------|-----------|--------|--------|--------|
| Income before income taxes | 23,352 | 22,211 | 63,618 | 67,563 |
| Federal and state income taxes | 5,752 | 6,518 | 17,242 | 20,328 |
| Net income | \$ 17,600 | 15,693 | 46,376 | 47,235 |
| Basic earnings per share | \$ 0.19 | 0.17 | 0.51 | 0.50 |
| Diluted earnings per share | \$ 0.19 | 0.17 | 0.51 | 0.50 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

(in thousands)

| | Quarter ended September 30, | | Nine months ended September 30, | |
|--|--------------------------------|--------|------------------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Net Income | \$ 17,600 | 15,693 | 46,376 | 47,235 |
| Other comprehensive income net of tax: | | | | |
| Net unrealized holding gains/ (losses) on marketable securities: | | | | |
| Unrealized holding gains/ (losses) net of tax of \$(73), \$(998), \$6,767 and \$(2,471), respectively | 110 | 1,550 | (10,619) | 3,805 |
| Other-than-temporary impairment on securities included in net income, net of tax of \$0, \$(36), \$0 and \$(129), respectively | | 57 | | 202 |
| Reclassification adjustment for gains included in net income, net of tax of \$55, \$16, \$142 and \$138 respectively | (87) | (25) | (221) | (215) |
| Net unrealized holding gains/ (losses) on marketable securities | 23 | 1,582 | (10,840) | 3,792 |
| Change in fair value of interest rate swaps, net of tax of \$(159), \$55, \$(1,400) and \$103, respectively | 294 | (102) | 2,600 | (192) |
| Defined benefit plan: | | | | |
| Reclassification adjustment for prior period service costs included in net income, net of tax of \$(123), \$(232), \$(369) and \$(695), respectively | 229 | 431 | 687 | 1,293 |
| Other comprehensive income/ (loss) | 546 | 1,911 | (7,553) | 4,893 |
| Total comprehensive income | \$ 18,146 | 17,604 | 38,823 | 52,128 |

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(dollars in thousands, except per share data)

| Quarter ended September 30, 2012 | Shares | Common Stock Amount | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income/ (loss) | Unallocated common stock of ESOP | Total Shareholders Equity |
|---|------------|------------------------|--------------------|----------------------|---|--|---------------------------------|
| Beginning balance at June 30, 2012 | 97,880,874 | \$ 979 | 662,183 | 552,278 | (20,244) | (25,192) | 1,170,004 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 15,693 | | | 15,693 |
| Other comprehensive income, net of tax of \$(1,195) | | | | | 1,911 | | 1,911 |
| Total comprehensive income | | | | 15,693 | 1,911 | | 17,604 |
| Exercise of stock options | 147,288 | | 1 | 897 | | | 898 |
| Stock compensation expense | | | | 713 | | 375 | 1,088 |
| Share repurchases | (183,780) | | (2) | (2,204) | | | (2,206) |
| Dividends paid (\$0.12 per share) | | | | (11,469) | | | (11,469) |
| Ending balance at September 30, 2012 | 97,844,382 | \$ 978 | 661,589 | 556,502 | (18,333) | (24,817) | 1,175,919 |

| Quarter ended September 30, 2013 | Shares | Common Stock Amount | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income/ (loss) | Unallocated common stock of ESOP | Total Shareholders Equity |
|---|------------|------------------------|--------------------|----------------------|---|--|---------------------------------|
| Beginning balance at June 30, 2013 | 93,877,847 | \$ 939 | 613,520 | 557,104 | (19,587) | (23,743) | 1,128,233 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 17,600 | | | 17,600 |
| Other comprehensive income, net of tax of \$(300) | | | | | 546 | | 546 |
| Total comprehensive income | | | | 17,600 | 546 | | 18,146 |
| Exercise of stock options | 274,195 | | 3 | 2,657 | | | 2,660 |
| Stock compensation expense | | | | 1,003 | | 438 | 1,441 |
| Share repurchases | | | | | | | |
| Dividends paid (\$0.13 per share) | | | | (11,946) | | | (11,946) |
| Ending balance at September 30, 2013 | 94,152,042 | \$ 942 | 617,180 | 562,758 | (19,041) | (23,305) | 1,138,534 |

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See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(dollars in thousands, except per share data)

| Nine months ended September 30, 2012 | Common Stock | | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income/ (loss) | Unallocated common stock of ESOP | Total Shareholders Equity |
|---|--------------|--------|-----------------|-------------------|--|----------------------------------|---------------------------|
| | Shares | Amount | | | | | |
| Beginning balance at December 31, 2011 | 97,493,046 | \$ 975 | 659,523 | 543,598 | (23,226) | (25,966) | 1,154,904 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 47,235 | | | 47,235 |
| Other comprehensive income, net of tax of \$(3,054) | | | | | 4,893 | | 4,893 |
| Total comprehensive income | | | | 47,235 | 4,893 | | 52,128 |
| Exercise of stock options | 271,739 | 2 | 1,891 | | | | 1,893 |
| Stock-based compensation expense | 263,377 | 3 | 2,379 | | | 1,149 | 3,531 |
| Share repurchases | (183,780) | (2) | (2,204) | | | | (2,206) |
| Dividends paid (\$0.36 per share) | | | | (34,331) | | | (34,331) |
| Ending balance at September 30, 2012 | 97,844,382 | \$ 978 | 661,589 | 556,502 | (18,333) | (24,817) | 1,175,919 |

| Nine months ended September 30, 2013 | Common Stock | | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income/ (loss) | Unallocated common stock of ESOP | Total Shareholders Equity |
|---|--------------|--------|-----------------|-------------------|--|----------------------------------|---------------------------|
| | Shares | Amount | | | | | |
| Beginning balance at December 31, 2012 | 93,652,960 | \$ 937 | 613,249 | 550,296 | (11,488) | (24,525) | 1,128,469 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 46,376 | | | 46,376 |
| Other comprehensive loss, net of tax of \$5,140 | | | | | (7,553) | | (7,553) |
| Total comprehensive income | | | | 46,376 | (7,553) | | 38,823 |
| Exercise of stock options | 598,562 | 6 | 5,555 | | | | 5,561 |
| Stock-based compensation expense | 269,320 | 3 | 2,831 | | | 1,220 | 4,054 |
| Share repurchases | (368,800) | (4) | (4,455) | | | | (4,459) |
| Dividends paid (\$0.37 per share) | | | | (33,914) | | | (33,914) |
| Ending balance at September 30, 2013 | 94,152,042 | \$ 942 | 617,180 | 562,758 | (19,041) | (23,305) | 1,138,534 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)****(in thousands)**

| | Nine months ended September 30, | |
|---|--|-------------|
| | 2013 | 2012 |
| OPERATING ACTIVITIES: | | |
| Net Income | \$ 46,376 | 47,235 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 17,555 | 18,165 |
| Net gain on sale of assets | (813) | (490) |
| Net depreciation, amortization and accretion | 6,638 | 7,166 |
| Decrease in other assets | 5,665 | 16,641 |
| Increase in other liabilities | 4,131 | 9,892 |
| Net amortization/ (accretion) on marketable securities | 204 | (59) |
| Deferred income tax benefit | (52) | (36) |
| Noncash impairment losses on investment securities | | 331 |
| Noncash write-down of real estate owned | 3,580 | 2,129 |
| Origination of loans held for sale | (36,411) | (180,319) |
| Proceeds from sale of loans held for sale | 52,408 | 168,442 |
| Noncash compensation expense related to stock benefit plans | 4,054 | 3,531 |
| Net cash provided by operating activities | 103,335 | 92,628 |
| INVESTING ACTIVITIES: | | |
| Purchase of marketable securities available-for-sale | (233,606) | (299,414) |
| Proceeds from maturities and principal reductions of marketable securities available-for-sale | 202,109 | 262,192 |
| Proceeds from maturities and principal reductions of marketable securities held-to-maturity | 29,193 | 63,583 |
| Loan originations | (1,536,087) | (1,568,290) |
| Proceeds from loan maturities and principal reductions | 1,469,752 | 1,371,874 |
| Redemption of Federal Home Loan Bank stock | 3,118 | 2,101 |
| Proceeds from sale of real estate owned | 14,134 | 11,145 |
| Sale of real estate owned for investment, net | 485 | 343 |
| Purchase of premises and equipment | (12,653) | (11,804) |
| Net cash used in investing activities | (63,555) | (168,270) |

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)****(in thousands)**

| | Nine months ended September 30, | |
|--|--|-------------|
| | 2013 | 2012 |
| FINANCING ACTIVITIES: | | |
| (Decrease)/ increase in deposits, net | \$ (39,235) | 44,431 |
| Proceeds from long-term borrowings | 30,000 | |
| Repayments of long-term borrowings | (51) | (52) |
| Net increase/ (decrease) in short-term borrowings | (24,900) | 27,679 |
| Decrease in advances by borrowers for taxes and insurance | (9,173) | (12,001) |
| Cash dividends paid | (33,914) | (34,331) |
| Purchase of common stock for retirement | (4,459) | (2,206) |
| Proceeds from stock options exercised | 5,561 | 1,893 |
| Net cash provided by financing activities | (76,171) | 25,413 |
| Net decrease in cash and cash equivalents | \$ (36,391) | (50,229) |
| Cash and cash equivalents at beginning of period | \$ 451,704 | 688,297 |
| Net decrease in cash and cash equivalents | (36,391) | (50,229) |
| Cash and cash equivalents at end of period | \$ 415,313 | 638,068 |
| Cash and cash equivalents: | | |
| Cash and due from banks | \$ 93,335 | 91,286 |
| Interest-earning deposits in other financial institutions | 321,344 | 546,149 |
| Federal funds sold and other short-term investments | 634 | 633 |
| Total cash and cash equivalents | \$ 415,313 | 638,068 |
| Cash paid during the period for: | | |
| Interest on deposits and borrowings (including interest credited to deposit accounts of \$20,126 and \$29,606, respectively) | \$ 46,384 | 58,152 |
| Income taxes | \$ 22,177 | 10,389 |
| Non-cash activities: | | |
| Loans foreclosures and repossessions | \$ 11,667 | 17,141 |
| Sale of real estate owned financed by the Company | \$ 888 | 428 |

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) **Basis of Presentation and Informational Disclosures**

Northwest Bancshares, Inc. (the Company) or (NWBI), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The Company was incorporated to be the successor to Northwest Bancorp, Inc. upon the completion of the mutual-to-stock conversion of Northwest Bancorp, MHC in December 2009. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Savings Bank, a Pennsylvania-chartered savings bank (Northwest). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At September 30, 2013, Northwest operated 165 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest's subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Boetger & Associates, Inc., Allegheny Services, Inc., Great Northwest Corporation, Veracity Benefit Designs, Inc. and The Bert Company. The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information or footnotes required for complete annual financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the Company's financial position and results of operations have been included. The consolidated statements have been prepared using the accounting policies described in the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 updated, as required, for any new pronouncements or changes. The following sections of our **Summary of Significant Accounting Principals** have been updated since the filing of our form 10K and are included herein.

Investment Securities

We classify marketable securities at the time of purchase as held-to-maturity, available-for-sale, or trading securities. Securities for which management has the intent and we have the ability to hold until their maturity are classified as held-to-maturity and are carried at cost, adjusted for amortization of premiums and accretion of discounts on a level yield basis (amortized cost). If it is management's intent at the time of purchase to hold securities for an indefinite period of time and/or to use such securities as part of its asset/liability management strategy, the securities are classified as available-for-sale and are carried at fair value, with unrealized gains and losses reported as accumulated other comprehensive income/ (loss), a separate component of shareholders' equity, net of tax. Securities classified as available-for-sale include securities that may be sold in response to changes in interest rates, resultant prepayment risk, or other market factors. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading and are reported at fair value, with changes in fair value included in earnings. The cost of securities sold is determined on a specific identification basis. We held no securities classified as trading at September 30, 2013 or December 31, 2012.

On at least a quarterly basis, we review our investments that are in an unrealized loss position for other-than-temporary impairment (OTTI). An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. If an investment security is determined to be impaired, we evaluate whether the decline in value is other-than-temporary. We also consider whether or not we expect to receive all of the contractual cash flows from the investment security based on factors that include, but are not limited to: the credit worthiness of the issuer and the historical and projected performance of the underlying collateral. Also, we may evaluate the business and financial outlook of the issuer,

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as well as broader economic performance indicators. We consider our intent to sell the investment securities and the

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likelihood that we will not have to sell the investment securities before recovery of their cost basis during our evaluation. Declines in fair value of investment securities that are deemed credit related are recognized in earnings while declines in fair value of investment securities deemed noncredit related are recorded in accumulated other comprehensive income, if we do not intend to sell and it is not likely we will be required to sell. If we intend to sell the security or if it is more likely than not that we will be required to sell the security the entire unrealized loss is recorded in earnings.

Federal law requires a member institution of the Federal Home Loan Bank (FHLB) system to hold stock of its district FHLB according to a predetermined formula. This stock is recorded at cost. Quarterly, we evaluate our investment in the FHLB of Pittsburgh for impairment. We evaluate recent and long-term operating performance, liquidity, funding and capital positions, stock repurchase history, dividend history and impact of legislative and regulatory changes. Based on our most recent evaluation, we have determined that no impairment write-downs are currently required.

Loans Receivable

Our loan portfolio segments consist of Personal Banking loans and Business Banking loans. Personal Banking loans include the following classes: residential mortgage loans, home equity loans and other consumer loans. Business Banking loans include the following classes: commercial real estate loans and commercial loans. All classes of loans are carried at their unpaid principal balance net of any deferred origination fees or costs and the allowance for estimated loan losses. Interest income on loans is credited to income as earned. Interest earned on loans for which no payments were received during the month is accrued at month end. Accrued interest on loans more than 90 days delinquent is reversed, and such loans are placed on nonaccrual.

All classes of loans are placed on nonaccrual when principal or interest is 90 days or more delinquent, or when there is reasonable doubt that interest or principal will not be collected in accordance with the contractual terms. Interest receipts on all classes of nonaccrual and impaired loans are recognized as interest revenue when it has been determined that all principal and interest will be collected or are applied to principal when collectability of principal is in doubt. Nonaccrual loans generally are restored to an accrual basis when principal and interest become current and a period of performance has been established in accordance with the contractual terms, typically six months.

A loan (from any class) is considered to be a trouble-debt restructured loan (TDR) when the restructuring constitutes a concession and the borrower is experiencing financial difficulties. TDRs may include certain modifications of terms of loans, receipts of assets from borrowers in partial or full satisfaction of loans, or a combination thereof. TDRs are impaired loans and are measured for impairment until the loan has performed in accordance with its modified terms for a reasonable period of time, generally six consecutive months. A modified loan is determined to be a TDR based on the contractual terms as specified by the original loan agreements of the most recent modification. Once classified a TDR, a loan is only removed from such classification under three circumstances: (1) the loan is paid off, (2) the loan is charged off, or (3) if, at the beginning of the current fiscal year, the loan has performed in accordance with the modified terms for a minimum of six consecutive months and at the time of modification the loan's interest rate represented a then current market interest rate for a loan of similar risk.

For all classes of loans, delinquency is measured based on the number of days since the payment due date. For all classes of loans, past due status is measured using the loan's contractual maturity date.

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Loan fees and certain direct loan origination costs are deferred, and the net deferred fee or cost is then recognized using the level-yield method over the contractual life of the loan as an adjustment to interest income.

The results of operations for the quarter ended and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013, or any other period.

Stock-Based Compensation

On May 15, 2013, we awarded employees 511,100 stock options and directors 79,200 stock options with an exercise price of \$12.44 and a grant date fair value of \$1.03 per stock option. On May 15, 2013, we also awarded employees 240,700 restricted common shares and directors 29,700 restricted common shares with a grant date fair value of \$12.55. Awarded stock options and common shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of \$1.2 million and \$1.1 million for the quarter ended September 30, 2013 and 2012, respectively, and \$3.8 million and \$3.5 million for the nine months ended September 30, 2013 and 2012, respectively, was recognized in compensation expense relating to our stock benefit plans. At September 30, 2013 there was compensation expense of \$5.4 million to be recognized for awarded but unvested stock options and \$15.8 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. As of September 30, 2013 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. We recognize penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at September 30, 2013. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2012, 2011 and 2010.

(2) **Business Segments**

We operate in two reportable business segments: Community Banking and Consumer Finance. The Community Banking segment provides services traditionally offered by full-service community banks, including business and personal deposit accounts and business and personal loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, which is comprised of Northwest Consumer Discount Company, a subsidiary of Northwest, operates 50 offices in Pennsylvania and offers personal installment loans for a variety of consumer and real estate products. This activity is funded primarily through an intercompany borrowing relationship with Allegheny Services, Inc., a subsidiary of Northwest. Net income is the primary measure used by management to measure segment performance.

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The following tables provide financial information for these reportable segments. The "All Other" column represents the parent company and elimination entries necessary to reconcile to the consolidated amounts presented in the financial statements.

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At or for the quarter ended:

| September 30, 2013 (\$ in 000 s) | Community Banking | Consumer Finance | All other (1) | Consolidated |
|---|------------------------------|-----------------------------|----------------------|---------------------|
| External interest income | \$ 72,451 | 5,077 | 260 | 77,788 |
| Intersegment interest income | 670 | | (670) | |
| Interest expense | 13,975 | 670 | 631 | 15,276 |
| Provision for loan losses | 4,000 | 992 | | 4,992 |
| Noninterest income | 15,651 | 445 | 13 | 16,109 |
| Noninterest expense | 47,102 | 2,998 | 177 | 50,277 |
| Income tax expense (benefit) | 5,842 | 343 | (433) | 5,752 |
| Net income | 17,853 | 519 | (772) | 17,600 |
| Total assets | \$ 7,757,940 | 110,003 | 40,436 | 7,908,379 |

| September 30, 2012 (\$ in 000 s) | Community Banking | Consumer Finance | All other (1) | Consolidated |
|---|------------------------------|-----------------------------|----------------------|---------------------|
| External interest income | \$ 78,048 | 5,513 | 315 | 83,876 |
| Intersegment interest income | 748 | | (748) | |
| Interest expense | 16,881 | 748 | 591 | 18,220 |
| Provision for loan losses | 6,000 | 915 | | 6,915 |
| Noninterest income | 14,750 | 509 | 14 | 15,273 |
| Noninterest expense | 48,484 | 3,120 | 199 | 51,803 |
| Income tax expense (benefit) | 6,442 | 507 | (431) | 6,518 |
| Net income | 15,739 | 732 | (778) | 15,693 |
| Total assets | \$ 7,889,245 | 116,112 | 42,314 | 8,047,671 |

(1) Eliminations consist of intercompany loans, interest income and interest expense.

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At or for the nine months ended:

| September 30, 2013 (\$ in 000 s) | Community Banking | Consumer Finance | All other (1) | Consolidated |
|---|------------------------------|-----------------------------|----------------------|---------------------|
| External interest income | \$ 219,781 | 15,496 | 907 | 236,184 |
| Intersegment interest income | 2,046 | | (2,046) | |
| Interest expense | 42,531 | 2,046 | 1,780 | 46,357 |
| Provision for loan losses | 15,006 | 2,549 | | 17,555 |
| Noninterest income | 44,661 | 1,178 | 61 | 45,900 |
| Noninterest expense | 144,661 | 9,286 | 607 | 154,554 |
| Income tax expense (benefit) | 17,377 | 1,144 | (1,279) | 17,242 |
| Net income | 46,913 | 1,649 | (2,186) | 46,376 |
| Total assets | \$ 7,757,940 | 110,003 | 40,436 | 7,908,379 |

| September 30, 2012 (\$ in 000 s) | Community Banking | Consumer Finance | All other (1) | Consolidated |
|---|------------------------------|-----------------------------|----------------------|---------------------|
| External interest income | \$ 237,279 | 16,556 | 883 | 254,718 |
| Intersegment interest income | 2,234 | | (2,234) | |
| Interest expense | 54,206 | 2,234 | 1,719 | 58,159 |
| Provision for loan losses | 15,750 | 2,415 | | 18,165 |
| Noninterest income | 42,537 | 1,601 | 76 | 44,214 |
| Noninterest expense | 144,949 | 9,496 | 600 | 155,045 |
| Income tax expense (benefit) | 19,967 | 1,658 | (1,297) | 20,328 |
| Net income | 47,178 | 2,354 | (2,297) | 47,235 |
| Total assets | \$ 7,889,245 | 116,112 | 42,314 | 8,047,671 |

(1) Eliminations consist of intercompany loans, interest income and interest expense.

Table of Contents**(3) Investment securities and impairment of investment securities**

The following table shows the portfolio of investment securities available-for-sale at September 30, 2013 (in thousands):

| | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
|--|-------------------|---|--|---------------|
| Debt issued by the U.S. government and agencies: | | | | |
| Due in one year or less | \$ 34 | | | 34 |
| Debt issued by government sponsored enterprises: | | | | |
| Due in one year or less | 2,000 | 1 | | 2,001 |
| Due in one year - five years | 223,122 | 268 | (3,270) | 220,120 |
| Due in five years - ten years | 101,190 | | (2,198) | 98,992 |
| Equity securities | 15,527 | 10,838 | (37) | 26,328 |
| Municipal securities: | | | | |
| Due in one year or less | 435 | 12 | | 447 |
| Due in one year - five years | 9,344 | 156 | | 9,500 |
| Due in five years - ten years | 14,582 | 360 | | 14,942 |
| Due after ten years | 82,994 | 1,581 | (217) | 84,358 |
| Corporate debt issues: | | | | |
| Due after ten years | 21,853 | 718 | (1,839) | 20,732 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 88,960 | 3,539 | (995) | 91,504 |
| Variable rate pass-through | 84,278 | 3,685 | (15) | 87,948 |
| Fixed rate non-agency CMOs | 4,123 | 153 | | 4,276 |
| Fixed rate agency CMOs | 278,308 | 1,555 | (6,509) | 273,354 |
| Variable rate non-agency CMOs | 696 | | (19) | 677 |
| Variable rate agency CMOs | 157,150 | 680 | (244) | 157,586 |
| Total residential mortgage-backed securities | 613,515 | 9,612 | (7,782) | 615,345 |
| Total marketable securities available-for-sale | \$ 1,084,596 | 23,546 | (15,343) | 1,092,799 |

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2012 (in thousands):

| | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
|--|-------------------|---|--|---------------|
| Debt issued by the U.S. government and agencies: | | | | |
| Due in one year or less | \$ 40 | | | 40 |
| Debt issued by government sponsored enterprises: | | | | |
| Due in one year or less | 1,999 | 5 | | 2,004 |
| Due in one year - five years | 140,352 | 183 | (22) | 140,513 |
| Due in five years - ten years | 95,602 | 460 | (265) | 95,797 |
| Equity securities | 13,301 | 6,025 | (22) | 19,304 |
| Municipal securities: | | | | |
| Due in one year - five years | 9,629 | 233 | | 9,862 |
| Due in five years - ten years | 17,355 | 668 | | 18,023 |
| Due after ten years | 100,644 | 5,679 | | 106,323 |
| Corporate debt issues: | | | | |
| Due after ten years | 24,911 | 483 | (2,691) | 22,703 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 85,134 | 6,266 | | 91,400 |
| Variable rate pass-through | 104,591 | 5,314 | (6) | 109,899 |
| Fixed rate non-agency CMOs | 5,700 | 156 | (236) | 5,620 |
| Fixed rate agency CMOs | 227,608 | 3,462 | (744) | 230,326 |
| Variable rate non-agency CMOs | 873 | | (20) | 853 |
| Variable rate agency CMOs | 225,383 | 1,345 | (321) | 226,407 |
| Total residential mortgage-backed securities | 649,289 | 16,543 | (1,327) | 664,505 |
| Total marketable securities available-for-sale | \$ 1,053,122 | 30,279 | (4,327) | 1,079,074 |

The following table shows the portfolio of investment securities held-to-maturity at September 30, 2013 (in thousands):

| | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
|--|-------------------|---|--|---------------|
| Municipal securities: | | | | |
| Due in five years - ten years | \$ 5,713 | 177 | | 5,890 |
| Due after ten years | 63,599 | 1,640 | | 65,239 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 11,507 | 603 | | 12,110 |
| Variable rate pass-through | 5,412 | 80 | | 5,492 |
| Fixed rate agency CMOs | 37,803 | 1,128 | | 38,931 |
| Variable rate agency CMOs | 1,903 | 15 | | 1,918 |
| Total residential mortgage-backed securities | 56,625 | 1,826 | | 58,451 |

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| | | | | |
|--|----|---------|-------|---------|
| Total marketable securities held-to-maturity | \$ | 125,937 | 3,643 | 129,580 |
|--|----|---------|-------|---------|

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2012 (in thousands):

| | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
|--|-------------------|---|--|---------------|
| Municipal securities: | | | | |
| Due in five years - ten years | \$ 3,679 | 160 | | 3,839 |
| Due after ten years | 65,596 | 3,743 | | 69,339 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 16,369 | 912 | | 17,281 |
| Variable rate pass-through | 6,548 | | (14) | 6,534 |
| Fixed rate agency CMOs | 56,713 | 2,006 | | 58,719 |
| Variable rate agency CMOs | 6,176 | 81 | | 6,257 |
| Total residential mortgage-backed securities | 85,806 | 2,999 | (14) | 88,791 |
| Total marketable securities held-to-maturity | \$ 155,081 | 6,902 | (14) | 161,969 |

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which amortized cost has exceeded fair values, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and the intent to hold the investments for a period of time sufficient to allow for a recovery in value. Certain investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows indicates that an adverse change has occurred, other-than-temporary impairment would be recognized for the amount of the unrealized loss that was deemed credit related.

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at September 30, 2013 (in thousands):

| | Less than 12 months | | 12 months or more | | Total | |
|---|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
| | Fair value | Unrealized loss | Fair value | Unrealized loss | Fair value | Unrealized loss |
| U.S. government and agencies | \$ 285,376 | (5,468) | | | 285,376 | (5,468) |
| Municipal securities | 6,842 | (217) | | | 6,842 | (217) |
| Corporate issues | | | 4,470 | (1,839) | 4,470 | (1,839) |
| Equity securities | 585 | (37) | | | 585 | (37) |
| Residential mortgage-backed securities - non-agency | 676 | (19) | | | 676 | (19) |
| Residential mortgage-backed securities - agency | 269,557 | (7,526) | 79,336 | (237) | 348,893 | (7,763) |
| Total temporarily impaired securities | \$ 563,036 | (13,267) | 83,806 | (2,076) | 646,842 | (15,343) |

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The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2012 (in thousands):

| | Less than 12 months | | 12 months or more | | Total | |
|---|---------------------|-----------------|-------------------|-----------------|------------|-----------------|
| | Fair value | Unrealized loss | Fair value | Unrealized loss | Fair value | Unrealized loss |
| U.S. government and agencies | \$ 70,128 | (286) | 6,537 | (1) | 76,665 | (287) |
| Corporate debt issues | 850 | (39) | 12,095 | (2,652) | 12,945 | (2,691) |
| Equity securities | 601 | (21) | 17 | (1) | 618 | (22) |
| Residential mortgage-backed securities - non-agency | | | 4,357 | (256) | 4,357 | (256) |
| Residential mortgage-backed securities - agency | 167,294 | (1,055) | 14,231 | (30) | 181,525 | (1,085) |
| Total temporarily impaired securities | \$ 238,873 | (1,401) | 37,237 | (2,940) | 276,110 | (4,341) |

Corporate issues

At September 30, 2013, we had five investments with a total amortized cost of \$6.3 million and total fair value of \$4.5 million, where the amortized cost exceeded the carrying value for more than 12 months. These investments were three single issuer trust preferred investments and two pooled trust preferred investments. The single issuer trust preferred investments were evaluated for other-than-temporary impairment by determining the strength of the underlying issuer. In all cases, the underlying issuer was well-capitalized for regulatory purposes. None of the issuers have deferred interest payments or announced the intention to defer interest payments. We believe the decline in fair value is related to the spread over three month LIBOR, on which the quarterly interest payments are based, as the spread over LIBOR is significantly lower than current market spreads on similar investments. We concluded the impairment of these three investments was considered noncredit related. In making that determination, we also considered the duration and the severity of the losses and whether we intend to hold these securities until the value is recovered, the securities are redeemed or maturity. The pooled trust preferred investments were evaluated for other-than-temporary impairment by considering the duration and severity of the losses, actual cash flows, projected cash flows, performing collateral, the class of investment owned and the amount of additional defaults the structure could withstand prior to the investment experiencing a disruption in cash flows. Neither of the investments experienced a cash flow disruption or are projecting a cash flow disruption. We concluded, based on all facts evaluated, the impairment of these two investments was noncredit related. Management asserts that we do not have the intent to sell these investments and that it is more likely than not, we will not have to sell the investments before recovery of their cost basis.

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The following table provides class, amortized cost, fair value and ratings information for our portfolio of corporate securities that have an unrealized loss at September 30, 2013 (in thousands):

| Description | Class | Amortized cost | Total Fair value | Unrealized losses | Moody s/ Fitch ratings |
|-------------------------------|-----------|----------------|------------------|-------------------|------------------------|
| Bank Boston Capital Trust (1) | N/A | \$ 989 | 804 | (185) | Ba2/ BB+ |
| Huntington Capital Trust | N/A | 1,429 | 1,179 | (250) | Baa3/ BB+ |
| Commercebank Capital Trust | N/A | 891 | 870 | (21) | Not rated |
| I-PreTSL I | Mezzanine | 1,500 | 593 | (907) | Not rated/ CCC |
| I-PreTSL II | Mezzanine | 1,500 | 1,024 | (476) | Not rated/ B |
| | | \$ 6,309 | 4,470 | (1,839) | |

(1) Bank Boston was acquired by Bank of America.

The following table provides collateral information on the pooled trust preferred securities included in the previous table at September 30, 2013 (in thousands):

| Description | Total collateral | Current deferrals and defaults | Performing collateral | Additional immediate defaults before causing an interest shortfall |
|-------------|------------------|--------------------------------|-----------------------|--|
| I-PreTSL I | \$ 188,500 | 32,500 | 156,000 | 101,603 |
| I-PreTSL II | 305,500 | 24,500 | 281,000 | 173,825 |

Mortgage-backed securities

Mortgage-backed securities include agency (FNMA, FHLMC, GNMA and SBA) mortgage-backed securities and non-agency collateralized mortgage obligations (CMOs). We review our portfolio of mortgage-backed securities quarterly for impairment. As of September 30, 2013, we believe the impairment within our portfolio of agency mortgage-backed securities is noncredit related. As of September 30, 2013, we had seven non-agency CMOs with a total amortized cost of \$4.8 million and a total fair value of \$5.0 million. None of these seven securities have had an amortized cost which has exceeded the fair value for more than 12 months and one security that has had an amortized cost which exceeded the fair value for less than 12 months. During the quarter and nine months ended September 30, 2013, we did not recognize other-than-temporary credit related impairment on this security. We determined the impairment was noncredit related by analyzing cash flow estimates, estimated prepayment speeds, loss severity and conditional default rates. We considered the discounted cash flow analysis as our primary evidence when we determined that the impairment on this security was noncredit related.

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The following table shows issuer specific information, amortized cost, fair value, unrealized gain or loss and other-than-temporary impairment recorded in earnings for the portfolio of non-agency CMOs at September 30, 2013 (in thousands):

| Description | Amortized cost | Fair value | Unrealized gain/ (loss) | Impairment recorded in current period earnings | Total impairment recorded in prior period earnings |
|-------------------|----------------|------------|-------------------------|--|--|
| AMAC 2003-6 2A2 | \$ 129 | 131 | 2 | | |
| AMAC 2003-6 2A8 | 267 | 270 | 3 | | |
| BOAMS 2005-11 1A8 | | 87 | 87 | | (146) |
| CWALT 2005-J14 A3 | 3,236 | 3,293 | 57 | | (1,007) |
| CFSB 2003-17 2A2 | 292 | 293 | 1 | | |
| WAMU 2003-S2 A4 | 199 | 202 | 3 | | |
| WFMBS 2003-B A2 | 696 | 677 | (19) | | |
| | \$ 4,819 | 4,953 | 134 | | (1,153) |

Municipal Securities

We review our portfolio of municipal securities quarterly for impairment. We initially evaluate municipal securities for other-than-temporary impairment by comparing the fair value, provided to us by a third party pricing source using quoted prices for similar assets that are actively traded, to the carrying value. When an investment's fair value is below 80% of the amortized cost we then assess the stated interest rate and compare the stated interest rate to current market interest rates to determine if the decline in fair value is considered to be attributable to interest rates. If the stated interest rate approximates current interest rates for similar securities, we determine if the investment is rated and if so, if the rating has changed in the current period. If the rating has not changed during the current period, we review publicly available information to determine if there has been any negative change in the underlying municipality. As of September 30, 2013, none of the investments in our municipal securities portfolio had an amortized cost that exceeded the fair value for more than twelve months.

Credit related other-than-temporary impairment on all debt securities is recognized in earnings while noncredit related other-than-temporary impairment on available-for-sale debt securities, not expected to be sold, is recognized in other comprehensive income.

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The table below shows a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold for the quarter ended (in thousands):

| | 2013 | 2012 |
|---|----------|-------|
| Beginning balance at July 1, (1) | \$ 9,697 | 9,896 |
| Credit losses on debt securities for which other-than-temporary impairment was not previously recognized | | |
| Reduction for losses realized during the quarter | (43) | (81) |
| Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized | | 93 |
| Ending balance at September 30, | \$ 9,654 | 9,908 |

(1) The beginning balance represents credit losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.

The table below shows a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold for the nine months ended (in thousands):

| | 2013 | 2012 |
|---|----------|---------|
| Beginning balance at January 1, (1) | \$ 9,811 | 11,633 |
| Credit losses on debt securities for which other-than-temporary impairment was not previously recognized | | |
| Reduction for losses realized during the year | (157) | (2,056) |
| Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized | | 331 |
| Ending balance at September 30, | \$ 9,654 | 9,908 |

(1) The beginning balance represents credit losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.

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The following table shows a summary of our loans receivable at September 30, 2013 and December 31, 2012 (in thousands):

| | September 30, 2013 | December 31, 2012 |
|-------------------------------|-----------------------|----------------------|
| Personal Banking: | | |
| Loans held for sale | \$ | 15,441 |
| Residential mortgage loans | 2,465,577 | 2,416,419 |
| Home equity loans | 1,072,388 | 1,076,637 |
| Other consumer loans | 225,978 | 235,367 |
| Total Personal Banking | 3,763,943 | 3,743,864 |
| Business Banking: | | |
| Commercial real estate | 1,663,592 | 1,615,701 |
| Commercial loans | 433,326 | 432,944 |
| Total Business Banking | 2,096,918 | 2,048,645 |
| Total loans receivable, gross | 5,860,861 | 5,792,509 |
| Deferred loan costs/ (fees) | 1,697 | (1,624) |
| Allowance for loan losses | (75,865) | (73,219) |
| Undisbursed loan proceeds: | | |
| Residential mortgage loans | (14,165) | (14,587) |
| Commercial real estate | (76,601) | (29,868) |
| Commercial loans | (40,690) | (43,950) |
| Total loans receivable, net | \$ 5,655,237 | 5,629,261 |

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2013 (in thousands):

| | Balance September 30, 2013 | Current period provision | Charge-offs | Recoveries | Balance June 30, 2013 |
|-------------------------------|----------------------------------|--------------------------------|----------------|--------------|-----------------------------|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 7,821 | 471 | (546) | 37 | 7,859 |
| Home equity loans | 8,065 | (116) | (213) | 44 | 8,350 |
| Other consumer loans | 4,935 | 1,553 | (1,675) | 234 | 4,823 |
| Total Personal Banking | 20,821 | 1,908 | (2,434) | 315 | 21,032 |
| Business Banking: | | | | | |
| Commercial real estate loans | 38,552 | 2,676 | (1,048) | 1,366 | 35,558 |
| Commercial loans | 11,902 | 32 | (463) | 547 | 11,786 |
| Total Business Banking | 50,454 | 2,708 | (1,511) | 1,913 | 47,344 |
| Unallocated | 4,590 | 376 | | | 4,214 |
| Total | \$ 75,865 | 4,992 | (3,945) | 2,228 | 72,590 |

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2012 (in thousands):

| | Balance September 30, 2012 | Current period provision | Charge-offs | Recoveries | Balance June 30, 2012 |
|-------------------------------|----------------------------------|--------------------------------|----------------|--------------|-----------------------------|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 8,361 | 1,440 | (1,197) | 121 | 7,997 |
| Home equity loans | 8,118 | 710 | (1,268) | 42 | 8,634 |
| Other consumer loans | 4,781 | 1,073 | (1,536) | 579 | 4,665 |
| Total Personal Banking | 21,260 | 3,223 | (4,001) | 742 | 21,296 |
| Business Banking: | | | | | |
| Commercial real estate loans | 34,337 | 538 | (1,385) | 403 | 34,781 |
| Commercial loans | 11,225 | 3,401 | (1,641) | 34 | 9,431 |
| Total Business Banking | 45,562 | 3,939 | (3,026) | 437 | 44,212 |
| Unallocated | 4,355 | (247) | | | 4,602 |
| Total | \$ 71,177 | 6,915 | (7,027) | 1,179 | 70,110 |

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2013 (in thousands):

| | Balance September 30, 2013 | Current period provision | Charge-offs | Recoveries | Balance December 31, 2012 |
|-------------------------------|----------------------------------|--------------------------------|-----------------|--------------|---------------------------------|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 7,821 | 1,506 | (2,002) | 315 | 8,002 |
| Home equity loans | 8,065 | 1,022 | (1,388) | 137 | 8,294 |
| Other consumer loans | 4,935 | 3,312 | (4,359) | 826 | 5,156 |
| Total Personal Banking | 20,821 | 5,840 | (7,749) | 1,278 | 21,452 |
| Business Banking: | | | | | |
| Commercial real estate loans | 38,552 | 10,033 | (7,734) | 1,754 | 34,499 |
| Commercial loans | 11,902 | 1,118 | (3,685) | 1,227 | 13,242 |
| Total Business Banking | 50,454 | 11,151 | (11,419) | 2,981 | 47,741 |
| Unallocated | 4,590 | 564 | | | 4,026 |
| Total | \$ 75,865 | 17,555 | (19,168) | 4,259 | 73,219 |

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2012 (in thousands):

| | Balance September 30, 2012 | Current period provision | Charge-offs | Recoveries | Balance December 31, 2011 |
|-------------------------------|----------------------------------|--------------------------------|-----------------|--------------|---------------------------------|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 8,361 | 3,017 | (3,459) | 321 | 8,482 |
| Home equity loans | 8,118 | 2,078 | (2,749) | 102 | 8,687 |
| Other consumer loans | 4,781 | 2,619 | (4,327) | 1,164 | 5,325 |
| Total Personal Banking | 21,260 | 7,714 | (10,535) | 1,587 | 22,494 |
| Business Banking: | | | | | |
| Commercial real estate loans | 34,337 | 6,631 | (5,817) | 1,375 | 32,148 |
| Commercial loans | 11,225 | 3,881 | (5,009) | 273 | 12,080 |
| Total Business Banking | 45,562 | 10,512 | (10,826) | 1,648 | 44,228 |
| Unallocated | 4,355 | (61) | | | 4,416 |
| Total | \$ 71,177 | 18,165 | (21,361) | 3,235 | 71,138 |

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at September 30, 2013 (in thousands):

| | Recorded investment in loans receivable | Allowance for loan losses | Recorded investment in loans on nonaccrual (1) | Recorded investment in loans past due 90 days or more and still accruing | TDRs | Allowance related to TDRs | Additional commitments to customers with loans classified as TDRs |
|-------------------------------|---|---------------------------|--|--|---------------|---------------------------|---|
| Personal Banking: | | | | | | | |
| Residential mortgage loans | \$ 2,453,109 | 7,821 | 27,972 | | 4,261 | 849 | |
| Home equity loans | 1,072,388 | 8,065 | 10,205 | | 1,967 | 407 | |
| Other consumer loans | 225,978 | 4,935 | 2,073 | 786 | | | |
| Total Personal Banking | 3,751,475 | 20,821 | 40,250 | 786 | 6,228 | 1,256 | |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 1,586,991 | 38,552 | 52,519 | | 46,622 | 8,757 | 208 |
| Commercial loans | 392,636 | 11,902 | 30,130 | 23 | 26,540 | 3,577 | 1,500 |
| Total Business Banking | 1,979,627 | 50,454 | 82,649 | 23 | 73,162 | 12,334 | 1,708 |
| Total | \$ 5,731,102 | 71,275 | 122,899 | 809 | 79,390 | 13,590 | 1,708 |

(1) Includes \$37.5 million of nonaccrual TDRs.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2012 (in thousands):

| | Recorded investment in loans receivable | Allowance for loan losses | Recorded investment in loans on nonaccrual (1) | Recorded investment in loans past due 90 days or more and still accruing | TDRs | Allowance related to TDRs | Additional commitments to customers with loans classified as TDRs |
|-------------------------------|---|---------------------------|--|--|---------------|---------------------------|---|
| Personal Banking: | | | | | | | |
| Residential mortgage loans | \$ 2,415,649 | 8,002 | 25,083 | 9 | 5,045 | 1,074 | |
| Home equity loans | 1,076,637 | 8,294 | 9,114 | 2 | 1,891 | 266 | |
| Other consumer loans | 235,367 | 5,156 | 1,980 | 776 | | | |
| Total Personal Banking | 3,727,653 | 21,452 | 36,177 | 787 | 6,936 | 1,340 | |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 1,585,833 | 34,499 | 57,861 | 388 | 49,826 | 7,322 | 391 |
| Commercial loans | 388,994 | 13,242 | 26,174 | 523 | 32,682 | 4,112 | 2,596 |
| Total Business Banking | 1,974,827 | 47,741 | 84,035 | 911 | 82,508 | 11,434 | 2,987 |
| Total | \$ 5,702,480 | 69,193 | 120,212 | 1,698 | 89,444 | 12,774 | 2,987 |

(1) Includes \$41.2 million of nonaccrual TDRS.

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The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at September 30, 2013 (in thousands):

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|--|--------------|----------|--------|----------|---------|-----------|
| Recorded investment in loans receivable: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 2,079,888 | 158,296 | 18,515 | 142,348 | 54,062 | 2,453,109 |
| Home equity loans | 913,672 | 114,571 | 10,469 | 27,514 | 6,162 | 1,072,388 |
| Other consumer loans | 208,515 | 10,268 | 2,994 | 1,229 | 2,972 | 225,978 |
| Total Personal Banking | 3,202,075 | 283,135 | 31,978 | 171,091 | 63,196 | 3,751,475 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 885,260 | 476,843 | 25,871 | 124,804 | 74,213 | 1,586,991 |
| Commercial loans | 284,868 | 62,496 | 17,071 | 16,831 | 11,370 | 392,636 |
| Total Business Banking | 1,170,128 | 539,339 | 42,942 | 141,635 | 85,583 | 1,979,627 |
| Total | \$ 4,372,203 | 822,474 | 74,920 | 312,726 | 148,779 | 5,731,102 |

| | | | | | | |
|--|--|-------|------|------|------|--------|
| Percentage of total loans in geographic area 76.2% | | 14.4% | 1.3% | 5.5% | 2.6% | 100.0% |
|--|--|-------|------|------|------|--------|

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|-----------------------------------|--------------|----------|------|----------|-------|--------|
| Loans 90 or more days delinquent: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 15,157 | 1,319 | 687 | 4,370 | 3,469 | 25,002 |
| Home equity loans | 5,832 | 1,545 | 145 | 1,275 | 162 | 8,959 |
| Other consumer loans | 1,808 | 27 | | | 13 | 1,848 |
| Total Personal Banking | 22,797 | 2,891 | 832 | 5,645 | 3,644 | 35,809 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 14,196 | 674 | | 1,348 | 64 | 16,282 |
| Commercial loans | 2,650 | 2,728 | | 742 | 293 | 6,413 |
| Total Business Banking | 16,846 | 3,402 | | 2,090 | 357 | 22,695 |
| Total | \$ 39,643 | 6,293 | 832 | 7,735 | 4,001 | 58,504 |

| | | | | | | |
|--|------|------|------|------|------|------|
| Percentage of loans 90 or more days delinquent in geographic area. | 0.9% | 0.8% | 1.1% | 2.5% | 2.7% | 1.0% |
|--|------|------|------|------|------|------|

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The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at December 31, 2012 (in thousands):

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|--|--------------|----------|--------|----------|---------|-----------|
| Recorded investment in loans receivable: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 2,024,520 | 158,090 | 19,290 | 152,676 | 61,073 | 2,415,649 |
| Home equity loans | 917,645 | 111,461 | 10,828 | 29,734 | 6,969 | 1,076,637 |
| Other consumer loans | 213,604 | 10,235 | 3,066 | 1,291 | 7,171 | 235,367 |
| Total Personal Banking | 3,155,769 | 279,786 | 33,184 | 183,701 | 75,213 | 3,727,653 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 853,290 | 443,940 | 34,261 | 136,600 | 117,742 | 1,585,833 |
| Commercial loans | 269,415 | 55,517 | 12,878 | 25,497 | 25,687 | 388,994 |
| Total Business Banking | 1,122,705 | 499,457 | 47,139 | 162,097 | 143,429 | 1,974,827 |
| Total | \$ 4,278,474 | 779,243 | 80,323 | 345,798 | 218,642 | 5,702,480 |

| | | | | | | |
|--|-------|-------|------|------|------|--------|
| Percentage of total loans in geographic area | 75.0% | 13.7% | 1.4% | 6.1% | 3.8% | 100.0% |
|--|-------|-------|------|------|------|--------|

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|-----------------------------------|--------------|----------|------|----------|-------|--------|
| Loans 90 or more days delinquent: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 15,694 | 1,430 | 231 | 3,932 | 2,999 | 24,286 |
| Home equity loans | 5,096 | 1,515 | 132 | 1,428 | 308 | 8,479 |
| Other consumer loans | 1,861 | 69 | | 5 | 1 | 1,936 |
| Total Personal Banking | 22,651 | 3,014 | 363 | 5,365 | 3,308 | 34,701 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 17,406 | 706 | | 4,298 | 2,140 | 24,550 |
| Commercial loans | 3,493 | 7 | | 2,678 | 2,918 | 9,096 |
| Total Business Banking | 20,899 | 713 | | 6,976 | 5,058 | 33,646 |
| Total | \$ 43,550 | 3,727 | 363 | 12,341 | 8,366 | 68,347 |

| | | | | | | |
|--|------|------|------|------|------|------|
| Percentage of loans 90 or more days delinquent in geographic area. | 1.0% | 0.5% | 0.5% | 3.6% | 3.8% | 1.2% |
|--|------|------|------|------|------|------|

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The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the nine months ended September 30, 2013 (in thousands):

| | Nonaccrual loans 90 or more days delinquent | Nonaccrual loans less than 90 days delinquent | Loans less than 90 days delinquent reviewed for impairment | TDRs less than 90 days delinquent not included elsewhere | Total impaired loans | Average recorded investment in impaired loans | Interest income recognized on impaired loans |
|-------------------------------|--|---|---|---|----------------------------|---|--|
| Personal Banking: | | | | | | | |
| Residential mortgage loans | \$ 25,002 | 2,970 | | 3,235 | 31,207 | 30,173 | 555 |
| Home equity loans | 8,959 | 1,246 | | 1,513 | 11,718 | 10,558 | 282 |
| Other consumer loans | 1,848 | 225 | | | 2,073 | 1,907 | 33 |
| Total Personal Banking | 35,809 | 4,441 | | 4,748 | 44,998 | 42,638 | 870 |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 16,282 | 36,237 | 33,752 | 14,209 | 100,480 | 88,761 | 2,734 |
| Commercial loans | 6,413 | 23,717 | 4,259 | 3,851 | 38,240 | 43,459 | 869 |
| Total Business Banking | 22,695 | 59,954 | 38,011 | 18,060 | 138,720 | 132,220 | 3,603 |
| Total | \$ 58,504 | 64,395 | 38,011 | 22,808 | 183,718 | 174,858 | 4,473 |

The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2012 (in thousands):

| | Nonaccrual loans 90 or more days delinquent | Nonaccrual loans less than 90 days delinquent | Loans less than 90 days delinquent reviewed for impairment | TDRs less than 90 days delinquent not included elsewhere | Total impaired loans | Average recorded investment in impaired loans | Interest income recognized on impaired loans |
|-------------------------------|--|---|---|---|----------------------------|---|--|
| Personal Banking: | | | | | | | |
| Residential mortgage loans | \$ 24,286 | 797 | | 3,011 | 28,094 | 28,078 | 683 |
| Home equity loans | 8,479 | 635 | | 1,352 | 10,466 | 10,535 | 342 |
| Other consumer loans | 1,936 | 44 | | | 1,980 | 1,841 | 35 |
| Total Personal Banking | 34,701 | 1,476 | | 4,363 | 40,540 | 40,454 | 1,060 |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 24,550 | 33,311 | 33,282 | 16,274 | 107,417 | 98,891 | 3,636 |
| Commercial loans | 9,096 | 17,078 | | 10,180 | 36,354 | 51,131 | 1,828 |
| Total Business Banking | 33,646 | 50,389 | 33,282 | 26,454 | 143,771 | 150,022 | 5,464 |
| Total | \$ 68,347 | 51,865 | 33,282 | 30,817 | 184,311 | 190,476 | 6,524 |

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The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at September 30, 2013 (in thousands):

| | Loans collectively evaluated for impairment | Loans individually evaluated for impairment | Loans individually evaluated for impairment for which there is a related impairment reserve | Related impairment reserve | Loans individually evaluated for impairment for which there is no related reserve |
|-------------------------------|---|---|---|----------------------------|---|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 2,448,848 | 4,261 | 4,261 | 848 | |
| Home equity loans | 1,070,421 | 1,967 | 1,967 | 407 | |
| Other consumer loans | 225,839 | 139 | 139 | 1 | |
| Total Personal Banking | 3,745,108 | 6,367 | 6,367 | 1,256 | |
| Business Banking: | | | | | |
| Commercial real estate loans | 1,510,810 | 76,181 | 58,069 | 10,555 | 18,112 |
| Commercial loans | 359,137 | 33,499 | 28,007 | 4,427 | 5,492 |
| Total Business Banking | 1,869,947 | 109,680 | 86,076 | 14,982 | 23,604 |
| Total | \$ 5,615,055 | 116,047 | 92,443 | 16,238 | 23,604 |

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2012 (in thousands):

| | Loans collectively evaluated for impairment | Loans individually evaluated for impairment | Loans individually evaluated for impairment for which there is a related impairment reserve | Related impairment reserve | Loans individually evaluated for impairment for which there is no related reserve |
|-------------------------------|---|---|---|----------------------------|---|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 2,411,932 | 3,717 | 3,717 | 992 | |
| Home equity loans | 1,076,012 | 625 | 625 | 189 | |
| Other consumer loans | 235,367 | | | | |
| Total Personal Banking | 3,723,311 | 4,342 | 4,342 | 1,181 | |
| Business Banking: | | | | | |
| Commercial real estate loans | 1,501,032 | 84,801 | 61,136 | 9,789 | 23,665 |
| Commercial loans | 352,752 | 36,242 | 35,622 | 5,637 | 620 |
| Total Business Banking | 1,853,784 | 121,043 | 96,758 | 15,426 | 24,285 |
| Total | \$ 5,577,095 | 125,385 | 101,100 | 16,607 | 24,285 |

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Our loan portfolios include loans that have been modified in a troubled debt restructuring (TDR), where concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities and could include: extending the note's maturity date, permitting interest only payments, reducing the interest rate to a rate lower than current market rates for new debt with similar risk, reducing the principal payment, principal forbearance or other actions. These concessions are applicable to all loan segments and classes. Certain TDRs are classified as nonperforming at the time of restructuring and may be returned to performing status after considering the borrower's sustained repayment performance for a reasonable period of at least six months.

When we modify loans in a TDR, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, the loan's observable market price or the current fair value of the collateral, less selling costs, for collateral dependent loans. If we determine that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, we evaluate all TDRs, including those that have payment defaults, for possible impairment, using ASC 310-10. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan.

Loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, we evaluate the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, partial charge-offs may be taken to further write-down the carrying value of the loan, or the loan may be charged-off completely.

During the nine months ended September 30, 2013, four home equity loan TDRs with a combined balance of \$99,000, four residential mortgage loan TDRs with a combined balance of \$357,000, four commercial real estate loan TDRs with a combined balance of \$1.1 million and five commercial loan TDRs with a combined balance of \$250,000 were charged off. Additionally, three home equity loan TDRs with a combined balance of \$9,000, one residential mortgage loan TDR with a balance of \$109,000, seven commercial real estate loan TDRs with a combined balance of \$3.1 million and 22 commercial loan TDRs with a combined balance of \$3.5 million were paid off. For TDRs that subsequently defaulted during the nine months ended September 30, 2013, one residential mortgage loan TDR with a balance of \$79,000 was charged off and two commercial loan TDRs with a combined balance of \$1.9 million were paid off and are included above. Additionally, one commercial loan TDR with a balance of \$2.1 million was transferred to real estate owned.

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The following table provides a roll forward of troubled debt restructurings for the periods indicated (in thousands):

| | | For the nine months ended September 30, | | For the year ended December 31, |
|----------------------------------|----|--|----------|---------------------------------------|
| | | 2013 | 2012 | 2012 |
| Beginning TDR balance: | \$ | 89,444 | 69,429 | 69,429 |
| New TDRs (1) | | 11,310 | 33,999 | 56,845 |
| Net paydowns | | (10,784) | (15,762) | (25,205) |
| Charge-offs | | (1,769) | (554) | (2,704) |
| Paid-off loans | | (6,741) | (787) | (8,921) |
| Transferred to real estate owned | | (2,070) | | |
| Ending TDR balance: | \$ | 79,390 | 86,325 | 89,444 |
| Accruing TDRs | \$ | 41,871 | 57,064 | 48,278 |
| Non-accrual TDRs | | 37,519 | 29,261 | 41,166 |

(1) For December 31, 2012, includes \$3.0 million of loans added in accordance with recent regulatory guidance requiring loans discharged under bankruptcy proceedings and not reaffirmed by the borrower to be charged-off to their collateral value and to be considered TDRs regardless of their payment delinquency status.

The following table provides information related to troubled debt restructurings by portfolio segment and by class of financing receivable during the periods indicated (dollars in thousands):

| | Number of contracts | For the quarter ended September 30, 2013 | | | Number of contracts | For the nine months ended September 30, 2013 | | | |
|---|---------------------------|--|-----------------------------------|----------------------|---------------------------|--|-----------------------------------|----------------------|----|
| | | Recorded investment at the time of modification | Current recorded investment | Current allowance | | Recorded investment at the time of modification | Current recorded investment | Current allowance | |
| Troubled debt restructurings: | | | | | | | | | |
| Personal Banking: | | | | | | | | | |
| Residential mortgage loans | | \$ | | | 2 | \$ | 179 | 172 | 16 |
| Home equity loans | 1 | 6 | 6 | 277 | 5 | 296 | 286 | 134 | |
| Other consumer loans | | | | | | | | | |
| Total Personal Banking | 1 | 6 | 6 | 277 | 7 | 475 | 458 | 150 | |
| Business Banking: | | | | | | | | | |
| Commercial real estate loans | 14 | 1,900 | 1,780 | 277 | 49 | 8,982 | 7,353 | 1,641 | |
| Commercial loans | 4 | 71 | 71 | 277 | 28 | 1,853 | 1,384 | 204 | |
| Total Business Banking | 18 | 1,971 | 1,851 | 280 | 77 | 10,835 | 8,737 | 1,845 | |
| Total | 19 | \$ 1,977 | 1,857 | 280 | 84 | \$ 11,310 | 9,195 | 1,995 | |
| Troubled debt restructurings that subsequently defaulted: | | | | | | | | | |
| Personal Banking: | | | | | | | | | |

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| | | | | | | | | | | |
|-------------------------------|----------|-----------|------------|------------|------------|-----------|-----------|---------------|--------------|------------|
| Residential mortgage loans | 1 | \$ | 214 | 161 | 74 | 2 | \$ | 274 | 231 | 79 |
| Home equity loans | | | | | | 2 | | 237 | 188 | 179 |
| Other consumer loans | | | | | | | | | | |
| Total Personal Banking | 1 | | 214 | 161 | 74 | 4 | | 511 | 419 | 258 |
| Business Banking: | | | | | | | | | | |
| Commercial real estate loans | 4 | | 567 | 540 | 115 | 8 | | 2,352 | 1,964 | 255 |
| Commercial loans | 1 | | 23 | 8 | 2 | 7 | | 9,082 | 1,414 | 182 |
| Total Business Banking | 5 | | 590 | 548 | 117 | 15 | | 11,434 | 3,378 | 437 |
| Total | 6 | \$ | 804 | 709 | 191 | 19 | \$ | 11,945 | 3,797 | 695 |

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The following table provides information related to troubled debt restructurings by portfolio segment and by class of financing receivable during the periods indicated (dollars in thousands):

| | For the quarter ended September 30, 2012 | | | | For the nine months ended September 30, 2012 | | | |
|---|---|--|-----------------------------------|----------------------|---|--|-----------------------------------|----------------------|
| | Number of contracts | Recorded investment at the time of modification | Current recorded investment | Current allowance | Number of contracts | Recorded investment at the time of modification | Current recorded investment | Current allowance |
| Troubled debt restructurings: | | | | | | | | |
| Personal Banking: | | | | | | | | |
| Residential mortgage loans | | | | | | | | |
| | 19 | \$ 3,422 | 2,739 | 729 | 19 | \$ 3,422 | 2,739 | 729 |
| Home equity loans | | | | | | | | |
| | 7 | 724 | 630 | 174 | 7 | 724 | 630 | 174 |
| Other consumer loans | | | | | | | | |
| Total Personal Banking | | | | | | | | |
| | 26 | 4,146 | 3,369 | 903 | 26 | 4,146 | 3,369 | 903 |
| Business Banking: | | | | | | | | |
| Commercial real estate loans | | | | | | | | |
| | 25 | 6,294 | 6,102 | 716 | 35 | 9,267 | 9,014 | 910 |
| Commercial loans | | | | | | | | |
| | 28 | 7,008 | 6,778 | 228 | 41 | 20,586 | 19,159 | 746 |
| Total Business Banking | | | | | | | | |
| | 53 | 13,302 | 12,880 | 944 | 76 | 29,853 | 28,173 | 1,656 |
| Total | | | | | | | | |
| | 79 | \$ 17,448 | 16,249 | 1,847 | 102 | \$ 33,999 | 31,542 | 2,559 |
| Troubled debt restructurings that subsequently defaulted: | | | | | | | | |
| Personal Banking: | | | | | | | | |