

Northwest Bancshares, Inc.
Form 10-Q
May 09, 2014
[Table of Contents](#)

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 March 31, 2014

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) 94,648,394 shares outstanding as of May 1, 2014

Table of Contents

NORTHWEST BANCSHARES, INC.

INDEX

| | PAGE |
|---|-------------|
| PART I FINANCIAL INFORMATION | |
| <u>Item 1. Financial Statements (unaudited)</u> | |
| <u>Consolidated Statements of Financial Condition as of March 31, 2014 and December 31, 2013</u> | 1 |
| <u>Consolidated Statements of Income for the quarter ended March 31, 2014 and 2013</u> | 2 |
| <u>Consolidated Statements of Comprehensive Income for the quarter ended March 31, 2014 and 2013</u> | 3 |
| <u>Consolidated Statements of Changes in Shareholders' Equity for the quarter ended March 31, 2014 and 2013</u> | 4 |
| <u>Consolidated Statements of Cash Flows for the three months ended March 31, 2014 and 2013</u> | 5 |
| <u>Notes to Consolidated Financial Statements - Unaudited</u> | 7 |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 41 |
| <u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u> | 55 |
| <u>Item 4. Controls and Procedures</u> | 56 |
| PART II OTHER INFORMATION | |
| <u>Item 1. Legal Proceedings</u> | 57 |
| <u>Item 1A. Risk Factors</u> | 57 |
| <u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u> | 57 |
| <u>Item 3. Defaults Upon Senior Securities</u> | 58 |
| <u>Item 4. Mine Safety Disclosures</u> | 58 |
| <u>Item 5. Other information</u> | 58 |
| <u>Item 6. Exhibits</u> | 58 |
| <u>Signatures</u> | 59 |
| Certifications | |

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)

| | (Unaudited) March 31, 2014 | December 31, 2013 |
|--|----------------------------------|----------------------|
| Assets | | |
| Cash and due from banks | \$ 81,927 | 98,122 |
| Interest-earning deposits in other financial institutions | 379,765 | 293,149 |
| Federal funds sold and other short-term investments | 634 | 634 |
| Marketable securities available-for-sale (amortized cost of \$1,008,975 and \$1,022,078) | 1,009,717 | 1,016,767 |
| Marketable securities held-to-maturity (fair value of \$120,933 and \$124,061) | 117,724 | 121,366 |
| Total cash and investments | 1,589,767 | 1,530,038 |
| Personal Banking: | | |
| Loans held for sale | | 221 |
| Residential mortgage loans | 2,485,688 | 2,482,783 |
| Home equity loans | 1,065,988 | 1,083,939 |
| Other consumer loans | 223,045 | 228,348 |
| Total Personal Banking | 3,774,721 | 3,795,291 |
| Business Banking: | | |
| Commercial real estate loans | 1,664,255 | 1,608,399 |
| Commercial loans | 412,098 | 402,601 |
| Total Business Banking | 2,076,353 | 2,011,000 |
| Total loans | 5,851,074 | 5,806,291 |
| Allowance for loan losses | (76,234) | (71,348) |
| Total loans, net | 5,774,840 | 5,734,943 |
| Federal Home Loan Bank stock, at cost | 43,714 | 43,715 |
| Accrued interest receivable | 22,188 | 21,821 |
| Real estate owned, net | 16,692 | 18,203 |
| Premises and equipment, net | 146,880 | 146,139 |
| Bank owned life insurance | 141,173 | 140,172 |
| Goodwill | 175,988 | 174,463 |
| Other intangible assets | 4,025 | 2,319 |
| Other assets | 59,693 | 69,663 |
| Total assets | \$ 7,974,960 | 7,881,476 |
| Liabilities and Shareholders' equity | | |
| Liabilities: | | |
| Noninterest-bearing checking deposits | \$ 844,743 | 789,135 |
| Interest-bearing checking deposits | 890,788 | 852,809 |
| Money market deposit accounts | 1,176,462 | 1,167,954 |
| Savings deposits | 1,236,130 | 1,191,584 |
| Time deposits | 1,626,740 | 1,667,397 |
| Total deposits | 5,774,863 | 5,668,879 |

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| | | |
|--|--------------|-----------|
| Borrowed funds | 865,621 | 881,645 |
| 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 | 31,074 | 26,669 |
| Accrued interest payable | 860 | 888 |
| Other liabilities | 41,892 | 43,499 |
| Total liabilities | 6,817,404 | 6,724,674 |
| 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, 94,464,430 and 94,243,713 shares issued, respectively | 945 | 943 |
| Paid-in capital | 622,758 | 619,678 |
| Retained earnings | 564,580 | 571,164 |
| Unallocated common stock of Employee Stock Ownership Plan | (22,632) | (23,083) |
| Accumulated other comprehensive loss | (8,095) | (11,900) |
| Total shareholders' equity | 1,157,556 | 1,156,802 |
| Total liabilities and shareholders' equity | \$ 7,974,960 | 7,881,476 |

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)**

| | Three months ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| Interest income: | | |
| Loans receivable | \$ 69,373 | 72,973 |
| Mortgage-backed securities | 2,793 | 3,441 |
| Taxable investment securities | 1,080 | 905 |
| Tax-free investment securities | 1,655 | 2,063 |
| Interest-earning deposits | 200 | 251 |
| Total interest income | 75,101 | 79,633 |
| Interest expense: | | |
| Deposits | 6,490 | 7,814 |
| Borrowed funds | 7,714 | 7,831 |
| Total interest expense | 14,204 | 15,645 |
| Net interest income | 60,897 | 63,988 |
| Provision for loan losses | 7,485 | 7,158 |
| Net interest income after provision for loan losses | 53,412 | 56,830 |
| Noninterest income: | | |
| Gain on sale of investments, net | 3,348 | 101 |
| Service charges and fees | 8,408 | 8,691 |
| Trust and other financial services income | 3,047 | 2,204 |
| Insurance commission income | 2,564 | 2,295 |
| Loss on real estate owned, net | (135) | (130) |
| Income from bank owned life insurance | 1,001 | 1,085 |
| Mortgage banking income | 249 | 956 |
| Other operating income | 1,175 | 1,176 |
| Total noninterest income | 19,657 | 16,378 |
| Noninterest expense: | | |
| Compensation and employee benefits | 27,972 | 27,930 |
| Premises and occupancy costs | 6,557 | 6,153 |
| Office operations | 3,757 | 3,268 |
| Processing expenses | 6,589 | 5,853 |
| Marketing expenses | 1,637 | 1,900 |
| Federal deposit insurance premiums | 1,297 | 1,438 |
| Professional services | 2,062 | 1,693 |
| Amortization of intangible assets | 331 | 348 |
| Real estate owned expense | 639 | 599 |
| Other expenses | 2,322 | 2,289 |
| Total noninterest expense | 53,163 | 51,471 |
| Income before income taxes | 19,906 | 21,737 |
| Federal and state income taxes | 5,266 | 6,439 |

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| | | | |
|----------------------------|----|--------|--------|
| Net income | \$ | 14,640 | 15,298 |
| Basic earnings per share | \$ | 0.16 | 0.17 |
| Diluted earnings per share | \$ | 0.16 | 0.17 |

See accompanying notes to unaudited consolidated financial statements

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

| | Three months ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| Net Income | \$ 14,640 | 15,298 |
| Other comprehensive income net of tax: | | |
| Net unrealized holding gains on marketable securities: | | |
| Unrealized holding gains net of tax of \$(3,579) and \$(436), respectively | 5,596 | 670 |
| Reclassification adjustment for gains included in net income, net of tax of \$1,218 and \$43, respectively | (1,904) | (66) |
| Net unrealized holding gains on marketable securities | 3,692 | 604 |
| Change in fair value of interest rate swaps, net of tax of \$(135) and \$(367), respectively | 251 | 680 |
| Defined benefit plan: | | |
| Reclassification adjustment for prior period service costs included in net income, net of tax of \$75 and \$(123), respectively | (138) | 229 |
| Other comprehensive income | 3,805 | 1,513 |
| Total comprehensive income | \$ 18,445 | 16,811 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(dollars in thousands, except share data)

Three months ended March 31, 2013

| | Common Stock 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 December 31, 2012 | 93,652,960 | \$ 937 | 613,249 | 550,296 | (11,488) | (24,525) | 1,128,469 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 15,298 | | | 15,298 |
| Other comprehensive income, net of tax of \$(883) | | | | | 1,513 | | 1,513 |
| Total comprehensive income | | | | 15,298 | 1,513 | | 16,811 |
| Exercise of stock options | 149,375 | 1 | 1,217 | | | | 1,218 |
| Stock compensation expense | | | 694 | | | 388 | 1,082 |
| Dividends paid | | | | | | | |
| Ending balance at March 31, 2013 | 93,802,335 | \$ 938 | 615,160 | 565,594 | (9,975) | (24,137) | 1,147,580 |

Three months ended March 31, 2014

| | Common Stock 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 December 31, 2013 | 94,243,713 | \$ 943 | 619,678 | 571,164 | (11,900) | (23,083) | 1,156,802 |
| Comprehensive income: | | | | | | | |
| Net income | | | | 14,640 | | | 14,640 |
| | | | | | 3,805 | | 3,805 |

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| | | | | | | | | |
|---|------------|----|-----|---------|---------|----------|----------|-----------|
| Other comprehensive income, net of tax of \$(2,421) | | | | | | | | |
| Total comprehensive income | | | | 14,640 | | 3,805 | | 18,445 |
| Exercise of stock options | 220,717 | | 2 | 2,292 | | | | 2,294 |
| Stock compensation expense | | | | 788 | | | 451 | 1,239 |
| Dividends paid (\$0.23 per share) | | | | | | (21,224) | | (21,224) |
| Ending balance at March 31, 2014 | 94,464,430 | \$ | 945 | 622,758 | 564,580 | (8,095) | (22,632) | 1,157,556 |

See accompanying notes to unaudited consolidated financial statements

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

| | Three months ended March 31, | |
|---|---|-------------|
| | 2014 | 2013 |
| OPERATING ACTIVITIES: | | |
| Net Income | \$ 14,640 | 15,298 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Provision for loan losses | 7,485 | 7,158 |
| Net (gain)/ loss on sale of assets | (3,602) | (727) |
| Net depreciation, amortization and accretion | 2,845 | 3,056 |
| Decrease in other assets | 10,003 | 8,754 |
| Decrease in other liabilities | (6,534) | (5,022) |
| Net amortization on marketable securities | 105 | 57 |
| Noncash write-down of real estate owned | 648 | 446 |
| Origination of loans held for sale | (660) | (32,883) |
| Proceeds from sale of loans held for sale | 907 | 45,010 |
| Noncash compensation expense related to stock benefit plans | 1,239 | 1,082 |
| Net cash provided by operating activities | 27,076 | 42,229 |
| INVESTING ACTIVITIES: | | |
| Purchase of marketable securities available-for-sale | (22,805) | (108,326) |
| Proceeds from maturities and principal reductions of marketable securities held-to-maturity | 3,643 | 11,856 |
| Proceeds from maturities and principal reductions of marketable securities available-for-sale | 33,414 | 76,309 |
| Proceeds from sale of marketable securities available-for-sale | 5,735 | |
| Loan originations | (447,423) | (407,122) |
| Proceeds from loan maturities and principal reductions | 398,726 | 477,091 |
| (Purchase of)/ proceeds from sale of Federal Home Loan Bank stock | 1 | (498) |
| Proceeds from sale of real estate owned | 2,866 | 4,700 |
| Sale of real estate owned for investment, net | 152 | 114 |
| Purchase of premises and equipment | (3,607) | (3,284) |
| Acquisitions, net of cash received | (2,792) | |
| Net cash provided by/ (used in) investing activities | (32,090) | 50,840 |

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

(in thousands)

| | Three months ended March 31, | |
|--|---------------------------------|----------|
| | 2014 | 2013 |
| FINANCING ACTIVITIES: | | |
| Increase in deposits, net | \$ 105,984 | 35,551 |
| Proceeds from long-term borrowings | | 20,000 |
| Repayments of long-term borrowings | (15) | (17) |
| Net decrease in short-term borrowings | (16,009) | (20,170) |
| Increase in advances by borrowers for taxes and insurance | 4,405 | 3,835 |
| Cash dividends paid | (21,224) | |
| Proceeds from stock options exercised | 2,294 | 1,218 |
| Net cash provided by financing activities | 75,435 | 40,417 |
| | | |
| Net increase in cash and cash equivalents | \$ 70,421 | 133,486 |
| | | |
| Cash and cash equivalents at beginning of period | \$ 391,905 | 451,704 |
| Net increase in cash and cash equivalents | 70,421 | 133,486 |
| Cash and cash equivalents at end of period | \$ 462,326 | 585,190 |
| | | |
| Cash and cash equivalents: | | |
| Cash and due from banks | \$ 81,927 | 71,607 |
| Interest-earning deposits in other financial institutions | 379,765 | 512,949 |
| Federal funds sold and other short-term investments | 634 | 634 |
| Total cash and cash equivalents | \$ 462,326 | 585,190 |
| | | |
| Cash paid during the period for: | | |
| Interest on deposits and borrowings (including interest credited to deposit accounts of \$5,819 and \$7,031, respectively) | \$ 14,232 | 15,353 |
| Income taxes | \$ 5,016 | 3,587 |
| | | |
| Business acquisitions: | | |
| Fair value of assets acquired | \$ 2,798 | |
| Cash paid | (2,792) | |
| Liabilities assumed | \$ 6 | |
| | | |
| Non-cash activities: | | |
| Loan foreclosures and repossessions | \$ 1,839 | 2,985 |
| Sale of real estate owned financed by the Company | \$ 88 | 269 |

See accompanying notes to unaudited consolidated financial statements

Table of Contents

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 March 31, 2014, 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., Northwest Retirement Services, Allegheny Services, Inc., Great Northwest Corporation, Northwest Insurance Services and Evans Capital Management, Inc. 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, 2013 updated, as required, for any new pronouncements or changes.

The results of operations for the quarter ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014, or any other period.

Stock-Based Compensation

Stock-based compensation expense of \$1.2 million and \$1.1 million for the quarters ended March 31, 2014 and 2013, respectively, was recognized in compensation expense relating to our stock benefit plans. At March 31, 2014 there was compensation expense of \$4.9 million to be recognized for awarded but unvested stock options and \$14.6 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

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knowledge of all relevant information. As of March 31, 2014 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 March 31, 2014. 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.

Table of Contents

Recent Accounting Pronouncements

In January 2014, the FASB issued ASU No. 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects*. This guidance permits reporting entities to make an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The proportional amortization method permits the amortization of the initial cost of the investment in proportion to the tax credits and other tax benefits received, and recognizes the net investment performance in the income statement as a component of income tax expense. This guidance is effective retrospectively for fiscal years and interim periods within those years, beginning after December 15, 2014, and early adoption is permitted. We do not expect that this standard will have a material impact on our results of operations or financial position.

In January 2014, the FASB issued ASU No. 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. This guidance clarifies that an in substance repossession or foreclosure has occurred, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure. Interim and annual disclosure is required of both the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This guidance is effective using either the modified retrospective transition method or a prospective transition method for fiscal years and interim periods within those years, beginning after December 15, 2014, and early adoption is permitted. We do not expect that this standard will have a material impact on our results of operations or financial position.

(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. 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.

Table of Contents

At or for the quarter ended:

| March 31, 2014 (\$ in 000 s) | Community Banking | Consumer Finance | All other (1) | Consolidated |
|-------------------------------------|------------------------------|-----------------------------|----------------------|---------------------|
| External interest income | \$ 70,119 | 4,659 | 323 | 75,101 |
| Intersegment interest income | 606 | | (606) | |
| Interest expense | 13,169 | 606 | 429 | 14,204 |
| Provision for loan losses | 6,850 | 635 | | 7,485 |
| Noninterest income | 17,033 | 288 | 2,336 | 19,657 |
| Noninterest expense | 49,862 | 2,921 | 380 | 53,163 |
| Income tax expense (benefit) | 4,535 | 326 | 405 | 5,266 |
| Net income | 13,342 | 459 | 839 | 14,640 |
| Total assets | \$ 7,851,453 | 103,677 | 19,830 | 7,974,960 |

| March 31, 2013 (\$ in 000 s) | Community Banking | Consumer Finance | All other (1) | Consolidated |
|-------------------------------------|------------------------------|-----------------------------|----------------------|---------------------|
| External interest income | \$ 74,094 | 5,201 | 338 | 79,633 |
| Intersegment interest income | 700 | | (700) | |
| Interest expense | 14,394 | 700 | 551 | 15,645 |
| Provision for loan losses | 6,306 | 852 | | 7,158 |
| Noninterest income | 16,024 | 319 | 35 | 16,378 |
| Noninterest expense | 48,112 | 3,144 | 215 | 51,471 |
| Income tax expense (benefit) | 6,511 | 342 | (414) | 6,439 |
| Net income | 15,495 | 482 | (679) | 15,298 |
| Total assets | \$ 7,841,301 | 110,775 | 42,414 | 7,994,490 |

(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 March 31, 2014 (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 | \$ 30 | | | 30 |
| Debt issued by government sponsored enterprises: | | | | |
| Due in one year - five years | 236,971 | 210 | (3,088) | 234,093 |
| Due in five years - ten years | 94,222 | 1 | (2,035) | 92,188 |
| Equity securities | 2,897 | 1,788 | | 4,685 |
| Municipal securities: | | | | |
| Due in one year or less | 710 | 6 | | 716 |
| Due in one year - five years | 8,702 | 134 | | 8,836 |
| Due in five years - ten years | 11,214 | 271 | | 11,485 |
| Due after ten years | 67,354 | 1,977 | (34) | 69,297 |
| Corporate debt issues: | | | | |
| Due after ten years | 20,684 | 1,454 | (495) | 21,643 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 83,660 | 3,051 | (683) | 86,028 |
| Variable rate pass-through | 75,706 | 3,449 | (19) | 79,136 |
| Fixed rate non-agency CMOs | 3,717 | 187 | | 3,904 |
| Fixed rate agency CMOs | 264,939 | 1,145 | (7,294) | 258,790 |
| Variable rate agency CMOs | 138,169 | 778 | (61) | 138,886 |
| Total residential mortgage-backed securities | 566,191 | 8,610 | (8,057) | 566,744 |
| Total marketable securities available-for-sale | \$ 1,008,975 | 14,451 | (13,709) | 1,009,717 |

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Table of Contents

The following table shows the portfolio of investment securities available-for-sale at December 31, 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 | \$ 32 | | | 32 |
| Debt issued by government sponsored enterprises: | | | | |
| Due in one year - five years | 227,945 | 166 | (4,041) | 224,070 |
| Due in five years - ten years | 94,777 | 72 | (2,862) | 91,987 |
| Equity securities | 5,298 | 4,622 | (70) | 9,850 |
| Municipal securities: | | | | |
| Due in one year or less | 710 | 10 | | 720 |
| Due in one year - five years | 8,443 | 119 | | 8,562 |
| Due in five years - ten years | 11,228 | 275 | | 11,503 |
| Due after ten years | 71,068 | 1,111 | (386) | 71,793 |
| Corporate debt issues: | | | | |
| Due after ten years | 21,150 | 475 | (449) | 21,176 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 85,306 | 3,041 | (1,075) | 87,272 |
| Variable rate pass-through | 78,890 | 3,525 | (16) | 82,399 |
| Fixed rate non-agency CMOs | 3,894 | 107 | (3) | 3,998 |
| Fixed rate agency CMOs | 265,769 | 1,060 | (11,436) | 255,393 |
| Variable rate non-agency CMOs | 660 | | (9) | 651 |
| Variable rate agency CMOs | 146,908 | 674 | (221) | 147,361 |
| Total residential mortgage-backed securities | 581,427 | 8,407 | (12,760) | 577,074 |
| Total marketable securities available-for-sale | \$ 1,022,078 | 15,257 | (20,568) | 1,016,767 |

The following table shows the portfolio of investment securities held-to-maturity at March 31, 2014 (in thousands):

| | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
|--|-------------------|---|--|---------------|
| Municipal securities: | | | | |
| Due in five years - ten years | \$ 8,004 | 185 | | 8,189 |
| Due after ten years | 61,318 | 1,488 | | 62,806 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 10,448 | 538 | | 10,986 |
| Variable rate pass-through | 4,903 | 63 | | 4,966 |
| Fixed rate agency CMOs | 31,771 | 916 | | 32,687 |
| Variable rate agency CMOs | 1,280 | 19 | | 1,299 |
| Total residential mortgage-backed securities | 48,402 | 1,536 | | 49,938 |

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| | | | | |
|--|----|---------|-------|---------|
| Total marketable securities held-to-maturity | \$ | 117,724 | 3,209 | 120,933 |
|--|----|---------|-------|---------|

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Table of Contents

The following table shows the portfolio of investment securities held-to-maturity at December 31, 2013 (in thousands):

| | Amortized cost | Gross unrealized holding gains | Gross unrealized holding losses | Fair value |
|--|-------------------|---|--|---------------|
| Municipal securities: | | | | |
| Due in five years - ten years | \$ 8,002 | 172 | | 8,174 |
| Due after ten years | 61,314 | 1,178 | (27) | 62,465 |
| Residential mortgage-backed securities: | | | | |
| Fixed rate pass-through | 11,101 | 544 | | 11,645 |
| Variable rate pass-through | 5,172 | 71 | | 5,243 |
| Fixed rate agency CMOs | 34,425 | 780 | (33) | 35,172 |
| Variable rate agency CMOs | 1,352 | 10 | | 1,362 |
| Total residential mortgage-backed securities | 52,050 | 1,405 | (33) | 53,422 |
| Total marketable securities held-to-maturity | \$ 121,366 | 2,755 | (60) | 124,061 |

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 costs have 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 is 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 March 31, 2014 (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 | \$ 159,906 | (2,818) | 115,252 | (2,305) | 275,158 | (5,123) |
| Municipal securities | 747 | (34) | | | 747 | (34) |
| Corporate issues | 54 | (50) | 1,975 | (445) | 2,029 | (495) |
| Residential mortgage-backed securities - agency | 212,945 | (6,139) | 55,297 | (1,918) | 268,242 | (8,057) |
| Total temporarily impaired securities | \$ 373,652 | (9,041) | 172,524 | (4,668) | 546,176 | (13,709) |

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Table of Contents

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, 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 | \$ 213,915 | (4,797) | 64,635 | (2,106) | 278,550 | (6,903) |
| Municipal securities | 12,666 | (413) | | | 12,666 | (413) |
| Corporate debt issues | | | 1,970 | (449) | 1,970 | (449) |
| Equity securities | 552 | (70) | | | 552 | (70) |
| Residential mortgage-backed securities - non-agency | 1,210 | (12) | | | 1,210 | (12) |
| Residential mortgage-backed securities - agency | 224,125 | (10,398) | 109,301 | (2,383) | 333,426 | (12,781) |
| Total temporarily impaired securities | \$ 452,468 | (15,690) | 175,906 | (4,938) | 628,374 | (20,628) |

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 primarily 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 during 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 March 31, 2014, 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.

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):

| | 2014 | 2013 |
|--|-----------|-------|
| Beginning balance at January 1, (1) | \$ 10,342 | 9,811 |
| Credit losses on debt securities for which other-than-temporary impairment was not previously recognized | | |

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| | | |
|---|-----------|-------|
| Reduction for losses realized during the quarter | (8) | (67) |
| Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized | | |
| Ending balance at March 31, | \$ 10,334 | 9,744 |

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

Table of Contents**(4) Loans receivable**

The following table shows a summary of our loans receivable at March 31, 2014 and December 31, 2013 (in thousands):

| | March 31, 2014 | December 31, 2013 |
|--------------------------------------|---------------------------|------------------------------|
| Personal Banking: | | |
| Loans held for sale | \$ | 221 |
| Residential mortgage loans | 2,493,684 | 2,491,917 |
| Home equity loans | 1,065,988 | 1,083,939 |
| Other consumer loans | 223,045 | 228,348 |
| Total Personal Banking | 3,782,717 | 3,804,425 |
| Business Banking: | | |
| Commercial real estate | 1,740,973 | 1,665,274 |
| Commercial loans | 446,175 | 437,559 |
| Total Business Banking | 2,187,148 | 2,102,833 |
| Total loans receivable, gross | 5,969,865 | 5,907,258 |
| Deferred loan costs | 2,846 | 2,461 |
| Allowance for loan losses | (76,234) | (71,348) |
| Undisbursed loan proceeds: | | |
| Residential mortgage loans | (10,842) | (11,595) |
| Commercial real estate | (76,718) | (56,875) |
| Commercial loans | (34,077) | (34,958) |
| Total loans receivable, net | \$ 5,774,840 | 5,734,943 |

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Table of Contents

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 March 31, 2014 (in thousands):

| | Balance March 31, 2014 | Current period provision | Charge-offs | Recoveries | Balance December 31, 2013 |
|------------------------------|------------------------------|--------------------------------|-------------|------------|---------------------------------|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 7,467 | 35 | (459) | 16 | 7,875 |
| Home equity loans | 6,958 | 37 | (372) | 48 | 7,245 |
| Other consumer loans | 5,280 | 1,184 | (1,716) | 325 | 5,487 |
| Total Personal Banking | 19,705 | 1,256 | (2,547) | 389 | 20,607 |
| Business Banking: | | | | | |
| Commercial real estate loans | 36,209 | 1,551 | (932) | 621 | 34,969 |
| Commercial loans | 16,169 | 5,189 | (770) | 640 | 11,110 |
| Total Business Banking | 52,378 | 6,740 | (1,702) | 1,261 | 46,079 |
| Unallocated | 4,151 | (511) | | | 4,662 |
| Total | \$ 76,234 | 7,485 | (4,249) | 1,650 | 71,348 |

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 March 31, 2013 (in thousands):

| | Balance March 31, 2013 | Current period provision | Charge-offs | Recoveries | Balance December 31, 2012 |
|------------------------------|------------------------------|--------------------------------|-------------|------------|---------------------------------|
| Personal Banking: | | | | | |
| Residential mortgage loans | \$ 7,878 | 452 | (679) | 103 | 8,002 |
| Home equity loans | 8,211 | 224 | (370) | 63 | 8,294 |
| Other consumer loans | 4,860 | 796 | (1,404) | 312 | 5,156 |
| Total Personal Banking | 20,949 | 1,472 | (2,453) | 478 | 21,452 |
| Business Banking: | | | | | |
| Commercial real estate loans | 35,560 | 4,857 | (3,990) | 194 | 34,499 |
| Commercial loans | 11,473 | 828 | (2,680) | 83 | 13,242 |
| Total Business Banking | 47,033 | 5,685 | (6,670) | 277 | 47,741 |
| Unallocated | 4,027 | 1 | | | 4,026 |
| Total | \$ 72,009 | 7,158 | (9,123) | 755 | 73,219 |

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Table of Contents

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at March 31, 2014 (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 | \$ 2,485,688 | 7,467 | 24,283 | 1 | 5,210 | 972 | |
| Home equity loans | 1,065,988 | 6,958 | 10,831 | | 2,214 | 392 | |
| Other consumer loans | 223,045 | 5,280 | 2,089 | 686 | | | |
| Total Personal Banking | 3,774,721 | 19,705 | 37,203 | 687 | 7,424 | 1,364 | |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 1,664,255 | 36,209 | 47,682 | | 45,932 | 7,412 | 615 |
| Commercial loans | 412,098 | 16,169 | 24,197 | 22 | 21,155 | 5,333 | 455 |
| Total Business Banking | 2,076,353 | 52,378 | 71,879 | 22 | 67,087 | 12,745 | 1,070 |
| Total | \$ 5,851,074 | 72,083 | 109,082 | 709 | 74,511 | 14,109 | 1,070 |

(1) Includes \$34.3 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, 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 | \$ 2,483,004 | 7,875 | 27,277 | | 4,004 | 863 | |
| Home equity loans | 1,083,939 | 7,245 | 9,863 | 1 | 2,240 | 371 | |
| Other consumer loans | 228,348 | 5,487 | 2,257 | 666 | | | |
| Total Personal Banking | 3,795,291 | 20,607 | 39,397 | 667 | 6,244 | 1,234 | |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 1,608,399 | 34,969 | 41,803 | | 48,829 | 4,503 | 301 |
| Commercial loans | 402,601 | 11,110 | 26,021 | 23 | 24,093 | 2,778 | 454 |
| Total Business Banking | 2,011,000 | 46,079 | 67,824 | 23 | 72,922 | 7,281 | 755 |
| Total | \$ 5,806,291 | 66,686 | 107,221 | 690 | 79,166 | 8,515 | 755 |

(1) Includes \$28.9 million of nonaccrual TDRS.

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Table of Contents

The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at March 31, 2014 (in thousands):

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|--|--------------|----------|--------|----------|---------|-----------|
| Recorded investment in loans receivable: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 2,114,607 | 160,813 | 18,636 | 137,119 | 54,513 | 2,485,688 |
| Home equity loans | 908,780 | 114,567 | 9,872 | 26,832 | 5,937 | 1,065,988 |
| Other consumer loans | 205,977 | 9,977 | 2,995 | 1,209 | 2,887 | 223,045 |
| Total Personal Banking | 3,229,364 | 285,357 | 31,503 | 165,160 | 63,337 | 3,774,721 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 913,257 | 525,951 | 25,180 | 137,987 | 61,880 | 1,664,255 |
| Commercial loans | 277,043 | 79,542 | 16,386 | 27,904 | 11,223 | 412,098 |
| Total Business Banking | 1,190,300 | 605,493 | 41,566 | 165,891 | 73,103 | 2,076,353 |
| Total | \$ 4,419,664 | 890,850 | 73,069 | 331,051 | 136,440 | 5,851,074 |
| Percentage of total loans receivable | 75.6% | 15.2% | 1.2% | 5.7% | 2.3% | 100.0% |

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|--|--------------|----------|------|----------|-------|--------|
| Loans 90 or more days delinquent: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 13,863 | 1,280 | 294 | 2,640 | 2,487 | 20,564 |
| Home equity loans | 5,784 | 1,194 | 139 | 1,144 | 159 | 8,420 |
| Other consumer loans | 1,726 | 67 | 1 | 11 | 13 | 1,818 |
| Total Personal Banking | 21,373 | 2,541 | 434 | 3,795 | 2,659 | 30,802 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 13,699 | 1,827 | 41 | 417 | 114 | 16,098 |
| Commercial loans | 2,973 | 1,071 | | 157 | 293 | 4,494 |
| Total Business Banking | 16,672 | 2,898 | 41 | 574 | 407 | 20,592 |
| Total | \$ 38,045 | 5,439 | 475 | 4,369 | 3,066 | 51,394 |
| Percentage of total loans 90 or more days delinquent | 74.0% | 10.6% | 0.9% | 8.5% | 6.0% | 100.0% |

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Table of Contents

The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at December 31, 2013 (in thousands):

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|---|---------------------|----------------|---------------|----------------|----------------|------------------|
| Recorded investment in loans receivable: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 2,108,018 | 160,931 | 19,468 | 140,087 | 54,500 | 2,483,004 |
| Home equity loans | 923,365 | 117,081 | 10,152 | 27,400 | 5,941 | 1,083,939 |
| Other consumer loans | 207,243 | 9,890 | 3,007 | 1,256 | 6,952 | 228,348 |
| Total Personal Banking | 3,238,626 | 287,902 | 32,627 | 168,743 | 67,393 | 3,795,291 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 876,359 | 484,071 | 27,136 | 123,279 | 97,554 | 1,608,399 |
| Commercial loans | 276,469 | 63,689 | 14,645 | 27,496 | 20,302 | 402,601 |
| Total Business Banking | 1,152,828 | 547,760 | 41,781 | 150,775 | 117,856 | 2,011,000 |
| Total | \$ 4,391,454 | 835,662 | 74,408 | 319,518 | 185,249 | 5,806,291 |
| Percentage of total loans receivable | 75.6% | 14.4% | 1.3% | 5.5% | 3.2% | 100.0% |

| | Pennsylvania | New York | Ohio | Maryland | Other | Total |
|---|------------------|--------------|--------------|--------------|--------------|---------------|
| Loans 90 or more days delinquent: | | | | | | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 15,995 | 1,184 | 229 | 3,891 | 3,326 | 24,625 |
| Home equity loans | 5,279 | 1,783 | 116 | 1,095 | 71 | 8,344 |
| Other consumer loans | 2,006 | 35 | 3 | | 13 | 2,057 |
| Total Personal Banking | 23,280 | 3,002 | 348 | 4,986 | 3,410 | 35,026 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 15,581 | 1,669 | 962 | 108 | 113 | 18,433 |
| Commercial loans | 3,045 | 645 | | 314 | 294 | 4,298 |
| Total Business Banking | 18,626 | 2,314 | 962 | 422 | 407 | 22,731 |
| Total | \$ 41,906 | 5,316 | 1,310 | 5,408 | 3,817 | 57,757 |
| Percentage of total loans 90 or more days delinquent | 72.5% | 9.2% | 2.3% | 9.4% | 6.6% | 100.0% |

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Table of Contents

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 quarter ended March 31, 2014 (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 | \$ 20,564 | 3,719 | | 4,369 | 28,652 | 28,422 | 187 |
| Home equity loans | 8,420 | 2,411 | | 1,787 | 12,618 | 12,047 | 143 |
| Other consumer loans | 1,818 | 271 | | | 2,089 | 2,355 | 17 |
| Total Personal Banking | 30,802 | 6,401 | | 6,156 | 43,359 | 42,824 | 347 |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 16,098 | 31,584 | 25,336 | 14,230 | 87,248 | 83,858 | 860 |
| Commercial loans | 4,494 | 19,703 | 4,239 | 3,364 | 31,800 | 34,897 | 226 |
| Total Business Banking | 20,592 | 51,287 | 29,575 | 17,594 | 119,048 | 118,755 | 1,086 |
| Total | \$ 51,394 | 57,688 | 29,575 | 23,750 | 162,407 | 161,579 | 1,433 |

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, 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 | \$ 24,625 | 2,652 | | 3,372 | 30,649 | 29,994 | 723 |
| Home equity loans | 8,344 | 1,519 | | 1,810 | 11,673 | 10,828 | 383 |
| Other consumer loans | 2,057 | 200 | | | 2,257 | 1,976 | 44 |
| Total Personal Banking | 35,026 | 4,371 | | 5,182 | 44,579 | 42,798 | 1,150 |
| Business Banking: | | | | | | | |
| Commercial real estate loans | 18,433 | 23,370 | 39,199 | 13,060 | 94,062 | 90,912 | 3,678 |
| Commercial loans | 4,298 | 21,723 | 5,219 | 3,963 | 35,203 | 41,303 | 1,127 |
| Total Business Banking | 22,731 | 45,093 | 44,418 | 17,023 | 129,265 | 132,215 | 4,805 |
| Total | \$ 57,757 | 49,464 | 44,418 | 22,205 | 173,844 | 175,013 | 5,955 |

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Table of Contents

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at March 31, 2014 (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 | \$ 2,479,167 | 6,521 | 6,521 | 1,240 | |
| Home equity loans | 1,063,743 | 2,245 | 2,245 | 347 | |
| Other consumer loans | 222,955 | 90 | 90 | 17 | |
| Total Personal Banking | 3,765,865 | 8,856 | 8,856 | 1,604 | |
| Business Banking: | | | | | |
| Commercial real estate loans | 1,577,687 | 86,568 | 50,176 | 8,520 | 36,392 |
| Commercial loans | 384,954 | 27,144 | 18,966 | 7,242 | 8,178 |
| Total Business Banking | 1,962,641 | 113,712 | 69,142 | 15,762 | 44,570 |
| Total | \$ 5,728,506 | 122,568 | 77,998 | 17,366 | 44,570 |

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 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 | \$ 2,477,888 | 5,116 | 5,116 | 1,136 | |
| Home equity loans | 1,081,699 | 2,240 | 2,240 | 333 | |
| Other consumer loans | 228,227 | 121 | 121 | 1 | |
| Total Personal Banking | 3,787,814 | 7,477 | 7,477 | 1,470 | |
| Business Banking: | | | | | |
| Commercial real estate loans | 1,532,117 | 76,282 | 45,761 | 6,300 | 30,521 |
| Commercial loans | 371,287 | 31,314 | 21,395 | 4,133 | 9,919 |
| Total Business Banking | 1,903,404 | 107,596 | 67,156 | 10,433 | 40,440 |
| Total | \$ 5,691,218 | 115,073 | 74,633 | 11,903 | 40,440 |

Table of Contents

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.

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

| | 2014 | | For the quarters ended March 31, | | 2013 | |
|------------------------------|---------------------|-----------|----------------------------------|-----------|------|--|
| | Number of contracts | | Number of contracts | | | |
| Beginning TDR balance: | 276 | \$ 79,166 | 225 | \$ 89,444 | | |
| New TDRs | 11 | 1,468 | 58 | 5,611 | | |
| Net paydowns | | (4,494) | | (2,337) | | |
| Charge-offs: | | | | | | |
| Home equity loans | | | 1 | (23) | | |
| Commercial real estate loans | 2 | (31) | 2 | (650) | | |
| Commercial loans | 1 | (7) | 2 | (17) | | |
| Paid-off loans: | | | | | | |
| Commercial real estate loans | 2 | (277) | 1 | (310) | | |
| Commercial loans | 6 | (1,314) | 8 | (353) | | |
| Ending TDR balance: | 276 | \$ 74,511 | 269 | \$ 91,365 | | |
| Accruing TDRs | | \$ 40,243 | | \$ 45,256 | | |
| Non-accrual TDRs | | 34,268 | | 46,109 | | |

Table of Contents

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

| | | For the quarter ended March 31, 2014 | | |
|--|---------------------------|--|-----------------------------------|----------------------|
| | Number of contracts | Recorded investment at the time of modification | Current recorded investment | Current allowance |
| Troubled debt restructurings: | | | | |
| Personal Banking: | | | | |
| Residential mortgage loans | 6 | \$ 1,290 | 1,289 | 119 |
| Home equity loans | | | | |
| Other consumer loans | | | | |
| Total Personal Banking | 6 | 1,290 | 1,289 | 119 |
| Business Banking: | | | | |
| Commercial real estate loans | 3 | 89 | 87 | 32 |
| Commercial loans | 2 | 89 | 107 | 10 |
| Total Business Banking | 5 | 178 | 194 | 42 |
| Total | 11 | \$ 1,468 | 1,483 | 161 |
| Troubled debt restructurings that subsequently defaulted: | | | | |
| Personal Banking: | | | | |
| Residential mortgage loans | 2 | \$ 259 | 227 | 58 |
| Home equity loans | | | | |
| Other consumer loans | | | | |
| Total Personal Banking | 2 | 259 | 227 | 58 |
| Business Banking: | | | | |
| Commercial real estate loans | 2 | 505 | 484 | 67 |
| Commercial loans | 2 | 327 | 331 | 98 |
| Total Business Banking | 4 | 832 | 815 | 165 |
| Total | 6 | \$ 1,091 | 1,042 | 223 |

Table of Contents

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

| | | For the quarter ended March 31, 2013 | | |
|--|---------------------------|--|-----------------------------------|----------------------|
| | Number of contracts | Recorded investment at the time of modification | Current recorded investment | Current allowance |
| Troubled debt restructurings: | | | | |
| Personal Banking: | | | | |
| Residential mortgage loans | 2 | \$ 179 | 162 | 26 |
| Home equity loans | 3 | 287 | 285 | 133 |
| Other consumer loans | | | | |
| Total Personal Banking | 5 | 466 | 447 | 159 |
| Business Banking: | | | | |
| Commercial real estate loans | 32 | 3,417 | 2,878 | 270 |
| Commercial loans | 21 | 1,728 | 1,513 | 171 |
| Total Business Banking | 53 | 5,145 | 4,391 | 441 |
| Total | 58 | \$ 5,611 | 4,838 | 600 |
| Troubled debt restructurings that subsequently defaulted: | | | | |
| Personal Banking: | | | | |
| Residential mortgage loans | 1 | \$ 244 | 237 | 30 |
| Home equity loans | 1 | 183 | 130 | 106 |
| Other consumer loans | | | | |
| Total Personal Banking | 2 | 427 | 367 | 136 |
| Business Banking: | | | | |
| Commercial real estate loans | 3 | 778 | 713 | 38 |
| Commercial loans | 6 | 16,267 | 11,708 | 2,174 |
| Total Business Banking | 9 | 17,045 | 12,421 | 2,212 |
| Total | 11 | \$ 17,472 | 12,788 | 2,348 |

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Table of Contents

The following table provides information for troubled debt restructurings (including re-modified TDRs) by type of modification by portfolio segment and by class of financing receivable for the quarter ended March 31, 2014 (dollars in thousands):

| | Number of contracts | Rate | Type of modification | | | Total |
|-------------------------------|---------------------|-----------|----------------------|---------------|-----------|--------------|
| | | | Payment | Maturity date | Other | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | 6 | \$ | | 1,289 | | 1,289 |
| Home equity loans | | | | | | |
| Other consumer loans | | | | | | |
| Total Personal Banking | 6 | | | 1,289 | | 1,289 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 3 | | | 59 | 28 | 87 |
| Commercial loans | 2 | | 102 | | 5 | 107 |
| Total Business Banking | 5 | | 102 | 59 | 33 | 194 |
| Total | 11 | \$ | 102 | 1,348 | 33 | 1,483 |

The following table provides information for troubled debt restructurings (including re-modified TDRs) by type of modification by portfolio segment and by class of financing receivable for the quarter ended March 31, 2013 (dollars in thousands):

| | Number of contracts | Rate | Type of modification | | | Total |
|-------------------------------|---------------------|--------------|----------------------|---------------|--------------|--------------|
| | | | Payment | Maturity date | Other | |
| Personal Banking: | | | | | | |
| Residential mortgage loans | 2 | \$ | | 162 | | 162 |
| Home equity loans | 3 | | | 285 | | 285 |
| Other consumer loans | | | | | | |
| Total Personal Banking | 5 | | | 447 | | 447 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 32 | 990 | 458 | 474 | 956 | 2,878 |
| Commercial loans | 21 | 139 | 452 | 806 | 116 | 1,513 |
| Total Business Banking | 53 | 1,129 | 910 | 1,280 | 1,072 | 4,391 |
| Total | 58 | \$ | 1,129 | 1,727 | 1,072 | 4,838 |

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Table of Contents

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended March 31, 2014 (dollars in thousands):

| | Number of re-modified TDRs | Rate | Type of re-modification Payment | Maturity date | Other | Total |
|------------------------------|----------------------------|------|------------------------------------|---------------|-------|-------|
| Personal Banking: | | | | | | |
| Residential mortgage loans | 1 | \$ | | 77 | | 77 |
| Home equity loans | | | | | | |
| Other consumer loans | | | | | | |
| Total Personal Banking | 1 | | | 77 | | 77 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 2 | | | 59 | 18 | 77 |
| Commercial loans | 1 | | | | 5 | 5 |
| Total Business Banking | 3 | | | 59 | 23 | 82 |
| Total | 4 | \$ | | 136 | 23 | 159 |

No troubled debt restructurings were re-modified during the quarter ended March 31, 2013.

The following table provides information related to loan payment delinquencies at March 31, 2014 (in thousands):

| | 30-59 Days delinquent | 60-89 Days delinquent | 90 Days or greater delinquent | Total delinquency | Current | Recorded investment in loans receivable |
|------------------------------|-----------------------|-----------------------|-------------------------------|-------------------|-----------|---|
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 26,874 | 3,674 | 20,564 | 51,112 | 2,434,576 | 2,485,688 |
| Home equity loans | 5,449 | 1,437 | 8,420 | 15,306 | 1,050,682 | 1,065,988 |
| Other consumer loans | 3,412 | 1,289 | 1,818 | 6,519 | 216,526 | 223,045 |
| Total Personal Banking | 35,735 | 6,400 | 30,802 | 72,937 | 3,701,784 | 3,774,721 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 26,518 | 2,570 | 16,098 | 45,186 | 1,619,069 | 1,664,255 |
| Commercial loans | 1,375 | 473 | 4,494 | 6,342 | 405,756 | 412,098 |
| Total Business Banking | 27,893 | 3,043 | 20,592 | 51,528 | 2,024,825 | 2,076,353 |
| Total | \$ 63,628 | 9,443 | 51,394 | 124,465 | 5,726,609 | 5,851,074 |

Table of Contents

The following table provides information related to loan payment delinquencies at December 31, 2013 (in thousands):

| | 30-59 Days delinquent | 60-89 Days delinquent | 90 Days or greater delinquent | Total delinquency | Current | Recorded investment in loans receivable |
|-------------------------------|--------------------------|--------------------------|-------------------------------------|----------------------|------------------|--|
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 27,486 | 7,568 | 24,625 | 59,679 | 2,423,325 | 2,483,004 |
| Home equity loans | 6,946 | 2,243 | 8,344 | 17,533 | 1,066,406 | 1,083,939 |
| Other consumer loans | 4,515 | 1,866 | 2,057 | 8,438 | 219,910 | 228,348 |
| Total Personal Banking | 38,947 | 11,677 | 35,026 | 85,650 | 3,709,641 | 3,795,291 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 8,449 | 3,968 | 18,433 | 30,850 | 1,577,549 | 1,608,399 |
| Commercial loans | 9,243 | 1,555 | 4,298 | 15,096 | 387,505 | 402,601 |
| Total Business Banking | 17,692 | 5,523 | 22,731 | 45,946 | 1,965,054 | 2,011,000 |
| Total | \$ 56,639 | 17,200 | 57,757 | 131,596 | 5,674,695 | 5,806,291 |

Credit quality indicators: We categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. We analyze loans individually by classifying the loans by credit risk. Credit relationships greater than or equal to \$1.0 million classified as special mention or substandard are reviewed quarterly for deterioration or improvement to determine if the loan is appropriately classified. We use the following definitions for risk ratings other than pass:

Special mention Loans designated as special mention have specific, well-defined risk issues, which create a high level of uncertainty regarding the long-term viability of the business. Loans in this class are considered to have high-risk characteristics. A special mention loan exhibits material negative financial trends due to company-specific or systemic conditions. If these potential weaknesses are not mitigated, they threaten the borrower's capacity to meet its debt obligations. Special mention loans still demonstrate sufficient financial flexibility to react to and positively address the root cause of the adverse financial trends without significant deviations from their current business strategy. Their potential weaknesses deserve our close attention and warrant enhanced monitoring.

Substandard Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

Doubtful Loans classified as doubtful have all the weaknesses inherent in those classified as substandard. In addition, those weaknesses make collection or liquidation in full highly questionable and improbable. A loan classified as doubtful exhibits discernible loss potential, but a complete loss seems very unlikely. The possibility of a loss on a doubtful loan is high, but because of certain important and reasonably specific pending factors that may strengthen the loan, its classification as an estimated loss is deferred until a more exact status can be determined.

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Table of Contents

Loss Loans classified as loss are considered uncollectible and of such value that the continuance as a loan is not warranted. A loss classification does not mean that the loan has no recovery or salvage value; instead, it means that it is not practical or desirable to defer writing off all or a portion of a basically worthless loan even though partial recovery may be possible in the future.

The following table sets forth information about credit quality indicators, which were updated during the quarter ended March 31, 2014 (in thousands):

| | Pass | Special mention | Substandard | Doubtful | Loss | Recorded investment in loans receivable |
|-------------------------------|---------------------|-----------------|----------------|---------------|--------------|---|
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 2,469,561 | | 14,649 | | 1,478 | 2,485,688 |
| Home equity loans | 1,057,568 | | 8,420 | | | 1,065,988 |
| Other consumer loans | 221,776 | | 1,269 | | | 223,045 |
| Total Personal Banking | 3,748,905 | | 24,338 | | 1,478 | 3,774,721 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 1,456,037 | 54,004 | 151,248 | 2,966 | | 1,664,255 |
| Commercial loans | 357,778 | 11,987 | 33,515 | 8,818 | | 412,098 |
| Total Business Banking | 1,813,815 | 65,991 | 184,763 | 11,784 | | 2,076,353 |
| Total | \$ 5,562,720 | 65,991 | 209,101 | 11,784 | 1,478 | 5,851,074 |

The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2013 (in thousands):

| | Pass | Special mention | Substandard | Doubtful | Loss | Recorded investment in loans receivable |
|-------------------------------|---------------------|-----------------|----------------|--------------|--------------|---|
| Personal Banking: | | | | | | |
| Residential mortgage loans | \$ 2,464,057 | | 17,626 | | 1,321 | 2,483,004 |
| Home equity loans | 1,075,595 | | 8,344 | | | 1,083,939 |
| Other consumer loans | 226,922 | | 1,426 | | | 228,348 |
| Total Personal Banking | 3,766,574 | | 27,396 | | 1,321 | 3,795,291 |
| Business Banking: | | | | | | |
| Commercial real estate loans | 1,398,652 | 46,557 | 161,906 | 1,284 | | 1,608,399 |
| Commercial loans | 345,612 | 12,045 | 43,040 | 1,904 | | 402,601 |
| Total Business Banking | 1,744,264 | 58,602 | 204,946 | 3,188 | | 2,011,000 |
| Total | \$ 5,510,838 | 58,602 | 232,342 | 3,188 | 1,321 | 5,806,291 |

Table of Contents

(5) **Goodwill and Other Intangible Assets**

The following table provides information for intangible assets subject to amortization at the dates indicated (in thousands):

| | March 31, 2014 | December 31, 2013 |
|---|---------------------------|------------------------------|
| Amortizable intangible assets: | | |
| Core deposit intangibles gross | \$ 30,578 | 30,578 |
| Acquisitions | | |
| Less: accumulated amortization | (30,513) | (30,491) |
| Core deposit intangibles net | 65 | 87 |
| Customer and Contract intangible assets gross | 6,197 | 6,197 |
| Acquisitions | 2,037 | |
| Less: accumulated amortization | (4,274) | (3,965) |
| Customer and Contract intangible assets net | \$ 3,960 | 2,232 |

The following table shows the actual aggregate amortization expense for the quarters ended March 31, 2014 and 2013, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

| | |
|---------------------------------------|--------|
| For the quarter ended March 31, 2014 | \$ 331 |
| For the quarter ended March 31, 2013 | 348 |
| For the year ending December 31, 2014 | 1,323 |
| For the year ending December 31, 2015 | 1,008 |
| For the year ending December 31, 2016 | 779 |
| For the year ending December 31, 2017 | 550 |
| For the year ending December 31, 2018 | 391 |
| For the year ending December 31, 2019 | 232 |

The following table provides information for the changes in the carrying amount of goodwill (in thousands):

| | Community Banks | Consumer Finance | Total |
|------------------------------|----------------------------|-----------------------------|--------------|
| Balance at December 31, 2012 | \$ 172,848 | 1,613 | 174,461 |
| Goodwill acquired | 2 | | 2 |
| Impairment losses | | | |
| Balance at December 31, 2013 | 172,850 | 1,613 | 174,463 |
| Goodwill acquired | 1,525 | | 1,525 |
| Impairment losses | | | |
| Balance at March 31, 2014 | \$ 174,375 | 1,613 | 175,988 |

Table of Contents

We performed our annual goodwill impairment test as of June 30, 2013 and concluded that goodwill was not impaired. At March 31, 2014, there were no changes in our operations or other factors that would cause us to update that test. See the Overview of Critical Accounting Policies Involving Estimates section for a description of our testing procedures.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management's credit assessment of the customer. At March 31, 2014, the maximum potential amount of future payments we could be required to make under these standby letters of credit was \$26.3 million, of which \$25.2 million is fully collateralized. At March 31, 2014, we had a liability, which represents deferred income, of \$931,000 related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

(7) Earnings Per Share

Basic earnings per common share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without considering any dilutive items. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. All stock options outstanding during the quarter ended March 31, 2014 were included in the computation of diluted earnings per share because the stock options' exercise price was less than the average market price of the common shares of \$14.47 during the quarter. Stock options to purchase 4,500 shares of common stock with a weighted average exercise price of \$12.48 per share were outstanding during the quarter ended March 31, 2013 but were not included in the computation of diluted earnings per share for this period because the options' exercise price was greater than the average market price of the common shares of \$12.45 during the quarter.

The computation of basic and diluted earnings per share follows (in thousands, except share data and per share amounts):

| | Quarter ended March 31, | |
|--|----------------------------|------------|
| | 2014 | 2013 |
| Reported net income | \$ 14,640 | 15,298 |
| Weighted average common shares outstanding | 91,154,998 | 90,403,909 |
| Dilutive potential shares due to effect of stock options | 1,198,314 | 474,994 |
| Total weighted average common shares and dilutive potential shares | 92,353,312 | 90,878,903 |
| Basic earnings per share: | \$ 0.16 | 0.17 |
| Diluted earnings per share: | \$ 0.16 | 0.17 |

Table of Contents**(8) Pension and Other Post-retirement Benefits**

The defined benefit pension plan was amended to lock-in all benefits earned through March 31, 2013 based on the plan formula using years of service and average monthly compensation as of March 31, 2013. The amendments also provide that, for service commencing January 1, 2013, additional benefits will be earned equal to 1% of career average pay for each year that a participant completes at least 1,000 hours of service. Also, effective April 1, 2013, participants who are eligible to receive required minimum distributions due to attaining age 70 ½ will be required to begin payment of benefits even though they may remain employed by us.

The following table sets forth the net periodic costs for the defined benefit pension plans and post retirement healthcare plans for the periods indicated (in thousands):

Components of net periodic benefit cost

| | | Quarter ended March 31, | | | |
|------------------------------------|----|-------------------------|---------|--------------------------------|------|
| | | Pension benefits | | Other post-retirement benefits | |
| | | 2014 | 2013 | 2014 | 2013 |
| Service cost | \$ | 1,035 | 1,138 | | |
| Interest cost | | 1,457 | 1,301 | 16 | 16 |
| Expected return on plan assets | | (2,416) | (2,138) | | |
| Amortization of prior service cost | | (581) | (580) | | |
| Amortization of the net loss | | 356 | 919 | 12 | 13 |
| Net periodic (benefit)/ cost | \$ | (149) | 640 | 28 | 29 |

We made no contribution to our pension or other post-retirement benefit plans during the quarter ended March 31, 2014 and do not anticipate the need to make a contribution to our defined benefit pension plan during the year ending December 31, 2014.

(9) Disclosures About Fair Value of Financial Instruments

Fair value information about financial instruments, whether or not recognized in the consolidated statement of financial condition, is required to be disclosed. These requirements exclude certain financial instruments and all nonfinancial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Financial assets and liabilities recognized or disclosed at fair value on a recurring basis and certain financial assets and liabilities on a non-recurring basis are accounted for using a three-level hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). When various inputs for measurement fall within different levels of the fair value hierarchy, the lowest level input that has a significant impact on fair value measurement is used.

Financial assets and liabilities are categorized based upon the following characteristics or inputs to the valuation techniques:

- Level 1 Financial assets and liabilities for which inputs are observable and are obtained from reliable quoted prices for identical assets or liabilities in actively traded markets. This is the most reliable fair value measurement and includes, for example, active exchange-traded equity securities.

Table of Contents

- Level 2 Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets or liabilities that are actively traded. Level 2 also includes pricing models in which the inputs are corroborated by market data, for example, matrix pricing.
- Level 3 Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:
 - Quotes from brokers or other external sources that are not considered binding;
 - Quotes from brokers or other external sources where it cannot be determined that market participants would in fact transact for the asset or liability at the quoted price;
 - Quotes and other information from brokers or other external sources where the inputs are not deemed observable.

We are responsible for the valuation process and as part of this process may use data from outside sources in establishing fair value. We perform due diligence to understand the inputs used or how the data was calculated or derived. We also corroborate the reasonableness of external inputs in the valuation process.

The carrying amounts reported in the consolidated statement of financial condition approximate fair value for the following financial instruments: cash on hand, interest-earning deposits in other institutions, federal funds sold and other short-term investments, accrued interest receivable, accrued interest payable, and marketable securities available-for-sale.

Marketable Securities

Where available, market values are based on quoted market prices, dealer quotes, and prices obtained from independent pricing services.

Debt securities available for sale - Generally, debt securities are valued using pricing for similar securities, recently executed transactions and other pricing models utilizing observable inputs. The valuation for most debt securities is classified as Level 2. Securities within Level 2 include corporate bonds, municipal bonds, mortgage-backed securities and US government obligations. Certain corporate debt securities do not have an active market and as such the broker pricing received uses alternative methods. The fair value of these corporate debt securities is determined by using a discounted cash flow model using market assumptions, which generally include cash flow, collateral and other market assumptions. As such, these securities are included herein as Level 3 assets.

Equity securities available for sale Level 1 securities include publicly traded securities valued using quoted market prices. We consider the financial condition of the issuer to determine if the securities have indicators of impairment.

Debt securities held to maturity The fair value of debt securities held to maturity is determined in the same manner as debt securities available for sale.

Loans Receivable

Loans with comparable characteristics including collateral and re-pricing structures are segregated for valuation purposes. Characteristics include remaining term, coupon interest, and estimated prepayment speeds. Delinquent loans are separately evaluated given the impact delinquency has on the projected future cash flow of the loan and the approximate discount or market rate. Each loan pool is separately valued utilizing a discounted cash flow analysis. Projected monthly cash flows are discounted to present value using a market rate for comparable loans, which is not considered an exit price.

Table of Contents

FHLB Stock

Due to the restrictions placed on the transferability of FHLB stock it is not practical to determine the fair value.

Deposit Liabilities

The estimated fair value of deposits with no stated maturity, which includes demand deposits, money market, and other savings accounts, is the amount payable on demand. Although market premiums paid for depository institutions reflect an additional value for these low-cost deposits, adjusting fair value for any value expected to be derived from retaining those deposits for a future period of time or from the benefit that results from the ability to fund interest-earning assets with these deposit liabilities is prohibited. The fair value estimates of deposit liabilities do not include the benefit that results from the low-cost funding provided by these deposits compared to the cost of borrowing funds in the market. Fair values for time deposits are estimated using a discounted cash flow calculation that applies contractual cost currently being offered in the existing portfolio to current market rates being offered locally for deposits of similar remaining maturities. The valuation adjustment for the portfolio consists of the present value of the difference of these two cash flows, discounted at the assumed market rate of the corresponding maturity.

Borrowed Funds

Fixed rate advances are valued by comparing their contractual cost to the prevailing market cost. The carrying amount of repurchase agreements approximates the fair value.

Junior Subordinated Debentures

The fair value of junior subordinated debentures is calculated using the discounted cash flows at the prevailing rate of interest.

Cash flow hedges Interest rate swap agreements (swaps)

The fair value of the swaps is the amount we would expect to pay to terminate the agreements and is based upon the present value of the expected future cash flows using the LIBOR swap curve, the basis for the underlying interest rate.

Off-Balance Sheet Financial Instruments

These financial instruments generally are not sold or traded, and estimated fair values are not readily available. However, the fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. Commitments to extend credit are generally short-term in nature and, if drawn upon, are issued under current market terms. At March 31, 2014 and December 31, 2013, there was no significant unrealized appreciation or depreciation on these financial instruments.

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Table of Contents

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at March 31, 2014:

| | Carrying amount | Estimated fair value | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------------------|----------------------|------------------|------------------|------------------|
| Financial assets: | | | | | |
| Cash and cash equivalents | \$ 462,326 | 462,326 | 462,326 | | |
| Securities available-for-sale | 1,009,717 | 1,009,717 | 4,685 | 992,641 | 12,391 |
| Securities held-to-maturity | 117,724 | 120,933 | | 120,933 | |
| Loans receivable, net | 5,774,840 | 6,004,175 | | | 6,004,175 |
| Accrued interest receivable | 22,188 | 22,188 | 22,188 | | |
| FHLB Stock | 43,714 | 43,714 | | | |
| Total financial assets | \$ 7,430,509 | 7,679,472 | 489,199 | 1,113,574 | 6,032,985 |
| Financial liabilities: | | | | | |
| Savings and checking accounts | \$ 4,148,123 | 4,148,123 | 4,148,123 | | |
| Time deposits | 1,626,740 | 1,655,158 | | | 1,655,158 |
| Borrowed funds | 865,621 | 883,375 | 140,189 | | 743,186 |
| Junior subordinated debentures | 103,094 | 110,792 | | | 110,792 |
| Cash flow hedges - swaps | 7,651 | 7,651 | | 7,651 | |
| Accrued interest payable | 860 | 860 | 860 | | |
| Total financial liabilities | \$ 6,752,089 | 6,807,061 | 4,289,172 | 7,651 | 2,510,238 |

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at December 31, 2013:

| | Carrying amount | Estimated fair value | Level 1 | Level 2 | Level 3 |
|------------------------------------|---------------------|----------------------|------------------|------------------|------------------|
| Financial assets: | | | | | |
| Cash and cash equivalents | \$ 391,905 | 391,905 | 391,905 | | |
| Securities available-for-sale | 1,016,767 | 1,016,767 | 9,850 | 994,666 | 12,251 |
| Securities held-to-maturity | 121,366 | 124,061 | | 124,061 | |
| Loans receivable, net | 5,734,943 | 6,026,711 | 221 | | 6,026,490 |
| Accrued interest receivable | 21,821 | 21,821 | 21,821 | | |
| FHLB Stock | 43,715 | 43,715 | | | |
| Total financial assets | \$ 7,330,517 | 7,624,980 | 423,797 | 1,118,727 | 6,038,741 |
| Financial liabilities: | | | | | |
| Savings and checking accounts | \$ 4,001,482 | 4,001,482 | 4,001,482 | | |
| Time deposits | 1,667,397 | 1,699,937 | | | 1,699,937 |
| Borrowed funds | 881,645 | 896,408 | 156,198 | | 740,210 |
| Junior subordinated debentures | 103,094 | 111,220 | | | 111,220 |
| Cash flow hedges - swaps | 8,037 | 8,037 | | 8,037 | |
| Accrued interest payable | 888 | 888 | 888 | | |
| Total financial liabilities | \$ 6,662,543 | 6,717,972 | 4,158,568 | 8,037 | 2,551,367 |

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Table of Contents

Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both March 31, 2014 and December 31, 2013. There were no transfers of financial instruments between Level 1 and Level 2 during the quarter ended March 31, 2014.

The following table represents assets and liabilities measured at fair value on a recurring basis at March 31, 2014 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total assets at fair value |
|---|----------|---------|---------|----------------------------------|
| Equity securities | \$ 4,685 | | | 4,685 |
| Debt securities: | | | | |
| U.S. government and agencies | | 30 | | 30 |
| Government sponsored enterprises | | 326,281 | | 326,281 |
| States and political subdivisions | | 90,334 | | 90,334 |
| Corporate | | 9,252 | 12,391 | 21,643 |
| Total debt securities | | 425,897 | 12,391 | 438,288 |
| Residential mortgage-backed securities: | | | | |
| GNMA | | 31,196 | | 31,196 |
| FNMA | | 84,407 | | 84,407 |
| FHLMC | | 48,901 | | 48,901 |
| Non-agency | | 660 | | 660 |
| Collateralized mortgage obligations: | | | | |
| GNMA | | 10,814 | | 10,814 |
| FNMA | | 162,852 | | 162,852 |
| FHLMC | | 212,056 | | 212,056 |
| SBA | | 11,954 | | 11,954 |
| Non-agency | | 3,904 | | 3,904 |
| Total mortgage-backed securities | | 566,744 | | 566,744 |
| Interest rate swaps | | (7,651) | | (7,651) |
| Total assets and liabilities | \$ 4,685 | 984,990 | 12,391 | 1,002,066 |

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Table of Contents

The following table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total assets at fair value |
|--|----------|---------|---------|----------------------------|
| Equity securities | \$ 9,850 | | | 9,850 |
| Debt securities: | | | | |
| U.S. government and agencies | | 32 | | 32 |
| Government sponsored enterprises | | 316,057 | | 316,057 |
| States and political subdivisions | | 92,578 | | 92,578 |
| Corporate | | 8,925 | 12,251 | 21,176 |
| Total debt securities | | 417,592 | 12,251 | 429,843 |
| Residential mortgage-backed securities: | | | | |
| GNMA | | 32,263 | | 32,263 |
| FNMA | | 85,665 | | 85,665 |
| FHLMC | | 51,076 | | 51,076 |
| Non-agency | | 667 | | 667 |
| Collateralized mortgage obligations: | | | | |
| GNMA | | 11,494 | | 11,494 |
| FNMA | | 168,661 | | 168,661 |
| FHLMC | | 210,029 | | 210,029 |
| SBA | | 12,569 | | 12,569 |
| Non-agency | | 4,650 | | 4,650 |
| Total mortgage-backed securities | | 577,074 | | 577,074 |
| Interest rate swaps | | (8,037) | | (8,037) |
| Total assets and liabilities | \$ 9,850 | 986,629 | 12,251 | 1,008,730 |

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Table of Contents

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the periods indicated (in thousands):

| | Quarter ended March 31, 2014 | March 31, 2013 |
|--|------------------------------------|-------------------|
| Beginning balance | \$ 12,251 | 11,119 |
| Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation): | | |
| Included in net income as OTTI | | |
| Included in other comprehensive income | 140 | (49) |
| Purchases | | |
| Sales | | |
| Transfers in to Level 3 | | |
| Transfers out of Level 3 | | |
| Ending balance | \$ 12,391 | 11,070 |

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets at March 31, 2014 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total assets at fair value |
|-------------------------------|---------|---------|---------|----------------------------------|
| Loans measured for impairment | \$ | | 60,632 | 60,632 |
| Real estate owned | | | 16,692 | 16,692 |
| Total assets | \$ | | 77,324 | 77,324 |

Table of Contents

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets at December 31, 2013 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total assets at fair value |
|-------------------------------|---------|---------|---------|----------------------------|
| Loans measured for impairment | \$ | | 62,730 | 62,730 |
| Real estate owned | | | 18,203 | 18,203 |
| Total assets | \$ | | 80,933 | 80,933 |

Impaired loans A loan is considered to be impaired as described in the Overview of Critical Accounting Policies Involving Estimates, Allowance for Loan Losses section. We classify loans individually evaluated for impairment that require a specific or TDR reserve as nonrecurring Level 3.

Real Estate Owned Real estate owned is comprised of property acquired through foreclosure or voluntarily conveyed by delinquent borrowers. These assets are recorded on the date acquired at the lower of the related loan balance or fair value, less estimated disposition costs, with the fair value being determined by appraisal. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or fair value, less estimated disposition costs. We classify all real estate owned as nonrecurring Level 3.

The table presents additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which we have utilized Level 3 inputs to determine fair value at March 31, 2014 (dollar amounts in thousands):

| | Fair value | Valuation techniques | Significant unobservable inputs | Range (weighted average) |
|-------------------------------|------------|----------------------|---|--|
| Debt securities | \$ 12,391 | Discounted cash flow | Discount margin Default rates Prepayment speeds | 0.35% to 2.1% (0.69)% 1.00% 1.00% annually |
| Loans measured for impairment | 60,632 | Appraisal value (1) | Estimated cost to sell | 10% |
| Real estate owned | 16,692 | Appraisal value (1) | Estimated cost to sell | 10% |

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which may include level 3 inputs that are not identifiable, or by using the discounted cash flow method if the loan is not collateral dependent.

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The significant unobservable inputs used in the fair value measurement of our debt securities are discount margins, default rates and prepayment speeds. Significant increases in any of those rates would result in a significantly lower fair value measurement.

Table of Contents

(10) Guaranteed Preferred Beneficial Interests in the Company's Junior Subordinated Deferrable Interest Debentures (Trust Preferred Securities) and Interest Rate Swaps

We have two statutory business trusts: Northwest Bancorp Capital Trust III, a Delaware statutory business trust and Northwest Bancorp Statutory Trust IV, a Connecticut statutory business trust (Trusts). These trusts exist solely to issue preferred securities to third parties for cash, issue common securities to the Company in exchange for capitalization of the Trusts, invest the proceeds from the sale of the trust securities in an equivalent amount of debentures of the Company, and engage in other activities that are incidental to those previously listed.

Northwest Bancorp Capital Trust III (Trust III) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 5, 2006 (liquidation value of \$1,000 per preferred security or \$50,000,000) with a stated maturity of December 30, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. Northwest Bancorp Statutory Trust IV (Trust IV) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 15, 2006 (liquidation value of \$1,000 per preferred security or \$50,000,000) with a stated maturity of December 15, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. The Trusts have invested the proceeds of the offerings in junior subordinated deferrable interest debentures issued by the Company. The structure of these debentures mirrors the structure of the trust-preferred securities. Trust III holds \$51,547,000 of the Company's junior subordinated debentures and Trust IV holds \$51,547,000 of the Company's junior subordinated debentures. These subordinated debentures are the sole assets of the Trusts. Cash distributions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts. We have the right to defer payment of interest on the subordinated debentures at any time, or from time-to-time, for periods not exceeding five years. If interest payments on the subordinated debentures are deferred, the distributions on the trust preferred securities are also deferred. Interest on the subordinated debentures and distributions on the trust securities is cumulative. To date, there have been no interest deferrals. Our obligation constitutes a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the trust under the preferred securities.

We are currently a counterparty to three interest rate swap agreements (swaps), designating the swaps as cash flow hedges. The swaps are intended to protect against the variability of cash flows associated with Trust III and Trust IV. The first swap modifies the re-pricing characteristics of Trust III, wherein for a ten year period expiring in September 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.61% to the same counterparty calculated on a notional amount of \$25.0 million. The other two swaps modify the re-pricing characteristics of Trust IV, wherein (i) for a seven year period expiring in September 2015, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 3.85% to the same counterparty calculated on a notional amount of \$25.0 million and (ii) for a ten year period expiring in September 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.09% to the same counterparty calculated on a notional amount of \$25.0 million. The swap agreements were entered into with a counterparty that met our credit standards and the agreements contain collateral provisions protecting the at-risk party. We believe that the credit risk inherent in the contracts is not significant. At March 31, 2014, \$8.4 million of cash was pledged as collateral to the counterparty.

At March 31, 2014, the fair value of the swap agreements was \$(7.7) million and was the amount we would have expected to pay if the contracts were terminated. There was no material hedge ineffectiveness for these swaps.

Table of Contents

The following table shows liability derivatives, included in other liabilities, at March 31, 2014 and December 31, 2013 (in thousands):

| | March 31, 2014 | December 31, 2013 |
|-------------------|-------------------|----------------------|
| Fair value | \$ 7,651 | 8,037 |
| Notional amount | 75,000 | 75,000 |
| Collateral posted | 8,355 | 8,405 |

(11) **Legal Proceedings**

We establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. As of March 31, 2014 we have accrued \$2.4 million. This amount is based on our analysis of currently available information and is subject to significant judgment and a variety of assumptions and uncertainties. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. Due to the inherent subjectivity of assessments and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate loss to us from legal proceedings.

Toth v. Northwest Savings Bank

On May 7, 2012, Ashley Toth (Plaintiff) filed a putative class action complaint in the Court of Common Pleas of Allegheny County, Pennsylvania against Northwest Savings Bank (Northwest). Plaintiff s complaint alleged state law claims related to Northwest s order of posting ATM and debit card transactions and the assessment of overdraft fees on deposit customer accounts. Northwest filed preliminary objections to the putative class action complaint on June 29, 2012. On September 6, 2012, Plaintiff filed an amended putative class action complaint containing substantially the same allegations as the initial putative class action complaint. On November 5, 2012, Northwest filed preliminary objections to the amended putative class action complaint. Plaintiff filed her opposition to Northwest s preliminary objections on December 6, 2012, and Northwest filed its reply in support of the preliminary objections on January 3, 2013. On June 25, 2013, the court entered an order, granting in part and overruling in part, Northwest s preliminary objections.

On November 18, 2013, the parties participated in a mediation and reached an agreement in principle, subject to the preparation and execution of a mutually acceptable settlement agreement and release, to fully, finally and completely settle, resolve, discharge and release all claims that have been or could have been asserted in the action on a class-wide basis. The proposed settlement contemplates that, in return for a full and complete release of claims by Plaintiff and the settlement class members, Northwest will create a settlement fund for distribution to the settlement class members after certain court-approved reductions, including for attorney s fees and expenses. The proposed settlement is subject to preliminary and final court approval.

Table of Contents**(12) Changes in Accumulated Other Comprehensive Income**

The following table shows the changes in accumulated other comprehensive income by component for the periods indicated (in thousands):

| | For the quarter ended March 31, 2014 | | | |
|--|--|--|---|----------|
| | Unrealized gains and losses on securities available- for-sale | Change in fair value of interest rate swaps | Change in defined benefit pension plans | Total |
| Balance as of December 31, 2013 | \$ (3,233) | (5,224) | (3,443) | (11,900) |
| Other comprehensive income before reclassification adjustments | 5,596 | 251 | | 5,847 |
| Amounts reclassified from accumulated other comprehensive income (1), (2) | (1,904) | | (138) | (2,042) |
| Net other comprehensive income | 3,692 | 251 | (138) | 3,805 |
| Balance as of March 31, 2014 | \$ 459 | (4,973) | (3,581) | (8,095) |

| | For the quarter ended March 31, 2013 | | | |
|--|--|--|---|----------|
| | Unrealized gains and losses on securities available- for-sale | Change in fair value of interest rate swaps | Change in defined benefit pension plans | Total |
| Balance as of December 31, 2012 | \$ 15,853 | (8,405) | (18,936) | (11,488) |
| Other comprehensive income before reclassification adjustments | 670 | 680 | | 1,350 |
| Amounts reclassified from accumulated other comprehensive income (3), (4) | (66) | | 229 | 163 |
| Net other comprehensive income | 604 | 680 | 229 | 1,513 |
| Balance as of March 31, 2013 | \$ 16,457 | (7,725) | (18,707) | (9,975) |

(1) Consists of realized gains on securities (gain on sales of investments, net) of \$3,122, net of tax (income tax expense) of \$(1,218).

(2) Consists of amortization of prior service cost (compensation and employee benefits) of \$581 and amortization of net loss (compensation and employee benefits) of \$(368), net of tax (income tax expense) of \$(75). See note 8.

(3) Consists of realized gains on securities (gain on sales of investments, net) of \$109, net of tax (income tax expense) of \$(43).

(4) Consists of amortization of prior service cost (compensation and employee benefits) of \$580 and amortization of net loss (compensation and employee benefits) of \$(932), net of tax (income tax expense) of \$123. See note 8.

Table of Contents

**ITEM 2.
OF OPERATIONS**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

Forward-Looking Statements:

In addition to historical information, this document may contain certain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, as they reflect management's analysis only as of the date of this report. We have no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report.

Important factors that might cause such a difference include, but are not limited to:

- changes in laws, government regulations or policies affecting financial institutions, including regulatory fees and capital requirements;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- our ability to enter new markets successfully, capitalize on growth opportunities and our ability to successfully integrate acquired entities, if any;
- changes in consumer spending, borrowing and savings habits;
- our ability to continue to increase and manage our business and personal loans;
- possible impairments of securities held by us, including those issued by government entities and government sponsored enterprises;
- the impact of the economy on our loan portfolio (including cash flow and collateral values), investment portfolio, customers and capital market activities;
- the impact of the current governmental effort to restructure the U.S. financial and regulatory system;
- changes in the financial performance and/or condition of our borrowers; and

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- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.

Overview of Critical Accounting Policies Involving Estimates

Critical accounting policies involve accounting estimates that: a) require assumptions about highly uncertain matters, and b) could vary sufficiently enough to have a material effect on our financial condition and/ or results of operations.

Allowance for Loan Losses - Provisions for estimated loan losses and the amount of the allowance for loan losses are based on losses inherent in the loan portfolio that are both probable and can be reasonably estimated at the date of the financial statements.

For all classes of loans, we consider a loan to be impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. In evaluating whether a loan is impaired, we consider not only the amount that we expect to collect but also the timing of

Table of Contents

collection. Generally, if a delay in payment is insignificant (e.g., less than 30 days), a loan is not deemed to be impaired.

Business Banking loans greater than or equal to \$1.0 million are reviewed to determine if they should be individually evaluated for impairment. Smaller balance, homogeneous loans (e.g., primarily residential mortgage, home equity and consumer loans) are evaluated collectively for impairment. When a loan is considered to be impaired, the amount of impairment is measured based on (1) the present value of expected future cash flows discounted at the loan's effective interest rate, (2) the loan's market price or (3) the fair value of the collateral, less estimated cost to sell, if the loan is collateral dependent. Impairment losses are included in the allowance for loan losses. Impaired loans are charged-off or charged down when we believe that the ultimate collectability of a loan is not likely or the collateral value no longer supports the carrying value of the loan.

Interest income on non-performing loans is recognized using the cash basis method. For non-performing loans interest collected is credited to income in the period of recovery or applied to reduce principal if there is sufficient doubt about the collectability of principal.

The allowance for loan losses is shown as a valuation allowance to loans. The accounting policy for the determination of the adequacy of the allowance by portfolio segment requires us to make numerous complex and subjective estimates and assumptions relating to amounts which are inherently uncertain. The allowance for loan losses is maintained to absorb losses inherent in the loan portfolio as of the balance sheet date. The methodology used to determine the allowance for loan losses is designed to provide procedural discipline in assessing the appropriateness of the allowance for loan losses. Losses are charged against and recoveries are added to the allowance for loan losses.

For Business Banking loans the allowance for loan losses consists of:

- An allowance for impaired loans;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on environmental factors.

The allowance for impaired loans is based on individual analysis of all nonperforming loans greater than or equal to \$1.0 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. The impaired value is either (1) the present value of the expected future cash flows from the borrower, (2) the market value of the loan or (3) the fair value of the collateral, less estimated costs to sell.

The allowance for homogeneous loans based on historical factors is a rolling three-year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics, not including loans evaluated individually for impairment.

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The allowance for homogeneous loans based on environmental factors augments the historical loss factors for changes in: economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral values and concentrations of credit.

For Personal Banking loans the allowance for loan losses consists of:

- An allowance for loans 90 days or more delinquent;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on environmental factors.

Table of Contents

The allowance for loans 90 days or more delinquent is based on the loss history of loans that have become 90 days or more delinquent. We apply a historical loss factor to homogeneous pools of loans that are 90 days or more delinquent.

The allowance for homogeneous loans based on historical losses is a rolling three-year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics, not including loans that are 90 days or more delinquent.

The allowance for homogeneous loans based on environmental factors augments the historical loss factors for changes in: economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral values and concentrations of credit.

We also have an unallocated allowance which is based on our judgment regarding economic conditions, collateral values, specific loans and industry conditions.

The allocation of the allowance for loan losses is inherently judgmental, and the entire allowance for loan losses is available to absorb loan losses regardless of the nature of the loss.

Personal Banking loans are charged-off or charged down when they become 180 days delinquent, unless the borrower has filed for bankruptcy. Business Banking loans are charged-off or charged down when, in our opinion, they are no longer collectible, or when it has been determined that the collateral value no longer supports the carrying value of the loan, for loans that are collateral dependent.

We have not made any material changes to our methodology for the calculation of the allowance for loan losses during the current year.

Valuation of 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 or for the quarter and year ended March 31, 2014 and December 31, 2013, respectively.

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

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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

Table of Contents

underlying collateral. Also, we may evaluate the business and financial outlook of the issuer, as well as broader economic performance indicators. In addition, we consider our intent to sell the investment securities and the likelihood that we will not have to sell the investment securities before recovery of their cost basis. 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.

Goodwill - Goodwill is not subject to amortization but must be evaluated for impairment at least annually and possibly more frequently if certain events or changes in circumstances arise. Under a quantitative approach, impairment testing requires that the fair value of each reporting unit be compared to its carrying amount, including goodwill. Reporting units are identified based upon analyzing each of our individual operating segments. A reporting unit is defined as any distinct, separately identifiable component of an operating segment for which complete, discrete financial information is available that management regularly reviews. Determining the fair value of a reporting unit requires a high degree of subjective management judgment. We have established June 30th of each year as the date for conducting the annual goodwill impairment assessment. As of June 30, 2013, we, through the assistance of an external third party, performed an impairment test on goodwill. We valued each reporting unit by using a weighted average of four valuation methodologies; comparable transaction approach, control premium approach, public market peers approach and discounted cash flow approach. Declines in fair value could result in impairment being identified. As of June 30, 2013, we did not identify any individual reporting unit where the fair value was less than the carrying value. Future changes in the economic environment or the operations of the operating units could cause changes to the variables used, which could give rise to declines in the estimated fair value of the reporting units. There were no changes in our operations that would cause us to update the goodwill impairment test performed as of June 30, 2013 and accordingly we have determined that goodwill is not impaired as of March 31, 2014.

Other Intangible Assets - Using the purchase method of accounting for acquisitions, we are required to record the assets acquired, including identified intangible assets, and liabilities assumed at their fair values. Through the assistance of an independent third party, we analyze and prepare a core deposit study for all bank acquisitions or an other identifiable intangible asset study, such as customer lists, for all non-bank acquisitions. The core deposit study reflects the cumulative present value benefit of acquiring deposits versus an alternative source of funding. The other identifiable intangible asset study reflects the cumulative present value benefit of acquiring the income stream from an existing customer base versus developing new business relationships. Based upon analysis, the amount of the premium related to the core deposits or other identifiable intangibles of the business purchased is calculated along with the estimated life of the intangible. The intangible, which is recorded in other intangible assets, is then amortized to expense on an accelerated basis over an approximate life of seven years. If it is subsequently determined that the period of economic benefit has decreased or no longer exists, accelerated amortization or impairment may occur.

Deferred Income Taxes - We use the asset and liability method of accounting for income taxes. Using this method, 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. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Management exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets.

Table of Contents

These judgments require us to make projections of future taxable income. The judgments and estimates made in determining our deferred tax assets, which are inherently subjective, are reviewed on an ongoing basis as regulatory and business factors change. A reduction in estimated future taxable income could require us to record a valuation allowance. Changes in levels of valuation allowances could result in increased income tax expense, and could negatively affect earnings.

Executive Summary and Comparison of Financial Condition

Total assets at March 31, 2014 were \$7.975 billion, an increase of \$93.5 million, or 1.2%, from \$7.881 billion at December 31, 2013. This increase in assets was due to increases in interest-earning deposits in other financial institutions of \$86.6 million and net loans receivable of \$39.9 million, which were partially offset by decreases in cash and cash equivalents of \$16.2 million and marketable securities of \$10.7 million. The net increase in total assets was funded by increases in deposits and advances from borrowers for taxes and insurance of \$106.0 million and \$4.4 million, respectively, as well as net income of \$14.6 million for the quarter.

Total loans receivable increased by \$44.8 million, or 0.8%, to \$5.851 billion at March 31, 2014, from \$5.806 billion at December 31, 2013. Loan fundings during the quarter ended March 31, 2014, of \$448.1 million exceeded loan maturities and principal repayments of \$398.7 million and mortgage loan sales of \$907,000. Our business banking loan portfolio increased by \$65.4 million, or 3.2%, to \$2.076 billion at March 31, 2014 from \$2.011 billion at December 31, 2013, as we continue to emphasize the origination of commercial and commercial real estate loans. Our personal banking loan portfolio decreased by \$20.6 million, or 0.5%, to \$3.775 billion at March 31, 2014 from \$3.795 billion at December 31, 2013. This decrease is primarily attributable to an \$18.0 million decrease in home equity loans. Historically home equity loan balances decrease during the first quarter and rebound during the second quarter as the weather improves and home improvements begin.

Total deposits increased by \$106.0 million, or 1.9%, to \$5.775 billion at March 31, 2014 from \$5.669 billion at December 31, 2013. All deposit account types, with the exception of time deposits, increased during the quarter ended March 31, 2014. Noninterest-bearing demand deposits increased by \$55.6 million, or 7.0%, to \$844.7 million at March 31, 2014 from \$789.1 million at December 31, 2013. Interest-bearing demand deposits increased by \$38.0 million, or 4.5%, to \$890.8 million at March 31, 2014 from \$852.8 million at December 31, 2013. Money market deposit accounts increased by \$8.5 million, or 0.7%, to \$1.176 billion at March 31, 2014 from \$1.168 billion at December 31, 2013. Savings deposits increased by \$44.5 million, or 3.7%, to \$1.236 billion at March 31, 2014 from \$1.192 billion at December 31, 2013. Time deposits decreased by \$40.7 million, or 2.4%, to \$1.627 billion at March 31, 2014 from \$1.667 billion at December 31, 2013. We believe the increase in more liquid types of deposit accounts is due primarily to customers' reluctance to lock in time deposits at these historically low rates as well as our new marketing campaign to attract demand deposit customers, which started during March 2014.

Borrowed funds decreased by \$16.0 million, or 1.8%, to \$865.6 million at March 31, 2014, from \$881.6 million at December 31, 2013. This decrease is the result of a \$16.0 million decrease in reverse repurchase agreements. None of our FHLB advances matured during the quarter and the next scheduled maturity is in 2015.

Total shareholders' equity at March 31, 2014 was \$1.158 billion, or \$12.25 per share, an increase of \$754,000, or 0.1%, from \$1.157 billion, or \$12.27 per share, at December 31, 2013. This increase was primarily attributable to net income of \$14.6 million for the quarter ended March 31, 2014, an increase in paid-in-capital of \$3.1 million related to employee incentive stock option exercises and a decrease in accumulated other comprehensive loss of \$3.8 million due to an improvement in the unrealized loss

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Table of Contents

position of the investment securities portfolio. These increases were partially offset by cash dividend payments of \$21.2 million.

Financial institutions and their holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by the regulators that, if undertaken, could have a direct material effect on a company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting guidelines. Capital amounts and classifications are also subject to qualitative judgments made by the regulators about components, risk-weighting and other factors.

Quantitative measures, established by regulation to ensure capital adequacy, require financial institutions to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to total assets (as defined). Capital ratios are presented in the tables below. Dollar amounts in the accompanying tables are in thousands.

| | Actual | | At March 31, 2014 Minimum capital requirements (1) | | Well capitalized requirements (1) | |
|--|--------------|--------|---|-------|-----------------------------------|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Total capital (to risk weighted assets) | | | | | | |
| Northwest Bancshares, Inc. | \$ 1,139,987 | 22.18% | | | | |
| Northwest Savings Bank | 958,066 | 18.69% | 410,193 | 8.00% | 512,742 | 10.00% |
| Tier I capital (to risk weighted assets) | | | | | | |
| Northwest Bancshares, Inc. | 1,074,781 | 20.91% | | | | |
| Northwest Savings Bank | 893,523 | 17.43% | 205,097 | 4.00% | 307,645 | 6.00% |
| Tier I capital (leverage) (to average assets) | | | | | | |
| Northwest Bancshares, Inc. | 1,074,781 | 13.98% | | | | |
| Northwest Savings Bank | 893,523 | 11.40% | 313,446 | 4.00% | 391,808 | 5.00% |

| | Actual | | At December 31, 2013 Minimum capital requirements (1) | | Well capitalized requirements (1) | |
|--|--------------|--------|--|-------|-----------------------------------|--------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Total capital (to risk weighted assets) | | | | | | |
| Northwest Bancshares, Inc. | \$ 1,147,027 | 22.46% | | | | |
| Northwest Savings Bank | 946,531 | 18.60% | 407,062 | 8.00% | 508,828 | 10.00% |
| Tier I capital (to risk weighted assets) | | | | | | |
| Northwest Bancshares, Inc. | 1,081,060 | 21.17% | | | | |
| Northwest Savings Bank | 882,234 | 17.34% | 203,531 | 4.00% | 305,297 | 6.00% |
| Tier I capital (leverage) (to average assets) | | | | | | |
| Northwest Bancshares, Inc. | 1,081,060 | 13.87% | | | | |
| Northwest Savings Bank | 882,234 | 11.42% | 309,127 | 4.00% | 386,408 | 5.00% |

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(1) The Federal Reserve does not yet have formal capital requirements established for savings and loan holding companies.

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Table of Contents

In July 2013, the FDIC and the other federal bank regulatory agencies issued a final rule that will revise their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new common equity Tier 1 minimum capital requirement (4.5% of risk-weighted assets), increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets) and assigns a higher risk weight (150%) to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The final rule also requires unrealized gains and losses on certain available-for-sale securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt-in or opt-out is exercised. The rule limits a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a capital conservation buffer consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule becomes effective for Northwest on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective. The final rule also implements consolidated capital requirements for savings and loan holding companies, such as the Company, effective January 1, 2015.

The following table shows the Basel III regulatory capital levels that must be maintained to avoid limitations on capital distributions and discretionary bonus payments for the periods indicated:

| | Current | Basel III Regulatory Capital Requirements | | | | |
|--|---------|---|-----------------|-----------------|-----------------|-----------------|
| | | January 1, 2015 | January 1, 2016 | January 1, 2017 | January 1, 2018 | January 1, 2019 |
| New Tier 1 common equity ratio plus capital conservation buffer | | 4.50% | 5.125% | 5.75% | 6.375% | 7.00% |
| Tier 1 risk-based capital ratio | 4.00% | | | | | |
| Tier 1 risk-based capital ratio plus capital conservation buffer | | 6.00% | 6.625% | 7.25% | 7.875% | 8.50% |
| Total risk-based capital ratio | 8.00% | | | | | |
| Total risk-based capital ratio plus capital conservation buffer | | 8.00% | 8.625% | 9.25% | 9.875% | 10.50% |

We are required to maintain a sufficient level of liquid assets, as determined by management and reviewed for adequacy by the FDIC and the Pennsylvania Department of Banking during their regular examinations. Northwest monitors its liquidity position primarily using the ratio of unencumbered available-for-sale liquid assets as a percentage of deposits and borrowings (liquidity ratio). Northwest's liquidity ratio at March 31, 2014 was 13.6%. We adjust liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes and insurance on mortgage loan escrow accounts, repayment of borrowings and loan commitments. At March 31, 2014 Northwest had \$2.079 billion of additional borrowing capacity available with the FHLB, including \$150.0 million on an overnight line of credit, as well as \$184.6 million of borrowing capacity available with the Federal Reserve Bank and \$80.0 million with two correspondent banks.

We paid \$21.2 million and \$0 in cash dividends during the quarters ended March 31, 2014 and 2013, respectively. The payment of the regular dividend for the first quarter of 2013 was accelerated into the fourth quarter of 2012. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 143.8% for the quarter ended March 31, 2014, on a regular dividend of \$0.13 per share and a special dividend of \$0.10 per share. As was previously announced on April 14, 2014 we declared a special dividend of \$1.00 per share and on April 16, 2014, the Board of Directors declared a regular dividend of \$0.13 per share. Both dividends are payable on May 15, 2014 to shareholders of record as of May 1, 2014. This represents the 78th consecutive quarter we have paid a regular cash dividend.

Table of ContentsNonperforming Assets

The following table sets forth information with respect to nonperforming assets. Nonaccrual loans are those loans on which the accrual of interest has ceased. Generally, when a loan is 90 days past due, we fully reverse all accrued interest thereon and cease to accrue interest thereafter. Exceptions are made for loans that have contractually matured, are in the process of being modified to extend the maturity date and are otherwise current as to principal and interest, and well secured loans that are in process of collection. Loans may also be placed on nonaccrual before they reach 90 days past due if conditions exist that call into question our ability to collect all contractual interest. Other nonperforming assets represent property acquired through foreclosure or repossession. Foreclosed property is carried at the lower of its fair value less estimated costs to sell, or the principal balance of the related loan.

| | March 31, 2014 | December 31, 2013 |
|--|------------------------|----------------------|
| | (Dollars in thousands) | |
| Loans 90 days or more delinquent: | | |
| Residential mortgage loans | \$ 20,564 | \$ 24,625 |
| Home equity loans | 8,420 | 8,344 |
| Other consumer loans | 1,818 | 2,057 |
| Commercial real estate loans | 16,098 | 18,433 |
| Commercial loans | 4,494 | 4,298 |
| Total loans 90 days or delinquent | \$ 51,394 | \$ 57,757 |
| Total real estate owned (REO) | 16,692 | 18,203 |
| Total loans 90 days or more delinquent and REO | 68,086 | 75,960 |
| Total loans 90 days or more delinquent to net loans receivable | 0.89% | 1.00% |
| Total loans 90 days or more delinquent and REO to total assets | 0.85% | 0.95% |
| Nonperforming assets: | | |
| Nonaccrual loans - loans 90 days or more delinquent | \$ 51,394 | 57,757 |
| Nonaccrual loans - loans less than 90 days delinquent | 57,688 | 49,464 |
| Loans 90 days or more past maturity and still accruing | 709 | 690 |
| Total nonperforming loans | 109,791 | 107,911 |
| Total nonperforming assets | \$ 126,483 | 126,114 |
| Nonaccrual troubled debt restructured loans * | \$ 34,268 | 28,889 |
| Accruing troubled debt restructured loans | 40,243 | 50,277 |
| Total troubled debt restructured loans | \$ 74,511 | 79,166 |

* Included in nonaccrual loans above.

A loan is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement including both contractual principal and interest payments. The amount of impairment is required to be measured using one of three methods: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price; or (3) the fair value of collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, a specific allowance is allocated for the impairment. Impaired loans at March 31, 2014 and December 31, 2013 were \$162.4 million and \$173.8 million, respectively.

Allowance for Loan Losses

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Our Board of Directors has adopted an Allowance for Loan and Lease Losses (ALL) policy designed to provide management with a systematic methodology for determining and documenting the ALL each reporting period. This methodology was developed to provide a consistent process and review

Table of Contents

procedure to ensure that the ALL is in conformity with GAAP, our policies and procedures and other supervisory and regulatory guidelines.

On an ongoing basis, the Credit Administration department, as well as loan officers, branch managers and department heads, review and monitor the loan portfolio for problem loans. This portfolio monitoring includes a review of the monthly delinquency reports as well as historical comparisons and trend analysis. In addition, a meeting is held every quarter with each region to monitor the performance and status of loans on an internal watch list. On an on-going basis the loan officer in conjunction with a portfolio manager grades or classifies problem loans or potential problem loans based upon their knowledge of the lending relationship and other information previously accumulated. This rating is also reviewed independently by our Loan Review department on a periodic basis. Our loan grading system for problem loans is consistent with industry regulatory guidelines which classify loans as substandard, doubtful or loss. Loans that do not expose us to risk sufficient to warrant classification in one of the previous categories, but which possess some weaknesses, are designated as special mention. A substandard loan is any loan that is 90 days or more contractually delinquent or is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions or values, highly questionable and improbable. Loans classified as loss are considered uncollectible so that their continuance as assets without the establishment of a specific loss allowance is not warranted.

Credit relationships that have been classified as substandard or doubtful and are greater than or equal to \$1.0 million are reviewed by the Credit Administration department for possible impairment. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including both contractual principal and interest payments.

If an individual loan is deemed to be impaired, the Credit Administration department determines the proper measure of impairment for each loan based on one of three methods: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price; or (3) the fair value of the collateral if the loan is collateral dependent. If the measurement of the impaired loan is more or less than the recorded investment in the loan, the Credit Administration department adjusts the specific allowance associated with that individual loan accordingly.

If a substandard or doubtful loan is not considered individually for impairment, it is grouped with other loans that possess common characteristics for impairment evaluation and analysis. This segmentation is accomplished by grouping loans of similar product types, risk characteristics and industry concentration into homogeneous pools. Historical loss ratios are analyzed and adjusted based on delinquency trends as well as the current economic, political, regulatory and interest rate environment and used to estimate the current measure of impairment.

The individual impairment measures along with the estimated loss for each homogeneous pool are consolidated into one summary document. This summary schedule along with the support documentation used to establish this schedule is presented to management's Credit Committee on a quarterly basis. The Credit Committee reviews the processes and documentation presented, reviews the concentration of credit by industry and customer, lending products and activity, competition and collateral values, as well as economic conditions in general and in each of our market areas. Based on this review and discussion, the appropriate amount of ALL is estimated and any adjustments to reconcile the actual ALL with this estimate are determined. In addition, the Credit Committee considers if any changes to the methodology are

Table of Contents

needed. The Credit Committee also reviews and discusses delinquency trends, nonperforming asset amounts and ALL levels and ratios compared to our peer group as well as state and national statistics. Similarly, following the Credit Committee's review and approval, a review is performed by the Risk Management Committee of the Board of Directors on a quarterly basis.

In addition to the reviews by management's Credit Committee and the Board of Directors' Risk Management Committee, regulators from either the FDIC or the Pennsylvania Department of Banking perform an extensive review on an annual basis for the adequacy of the ALL and its conformity with regulatory guidelines and pronouncements. Any recommendations or enhancements from these independent parties are considered by management and the Credit Committee and implemented accordingly.

We acknowledge that this is a dynamic process and consists of factors, many of which are external and out of our control that can change often, rapidly and substantially. The adequacy of the ALL is based upon estimates using all the information previously discussed as well as current and known circumstances and events. There is no assurance that actual portfolio losses will not be substantially different than those that were estimated.

We utilize a consistent methodology each period when analyzing the adequacy of the allowance for loan losses and the related provision for loan losses. As part of the analysis as of March 31, 2014, we considered the economic conditions in our markets, such as the unemployment and bankruptcy levels as well as changes in real estate collateral values. In addition, we considered the overall trends in asset quality, specific reserves already established for criticized loans, historical loss rates and collateral valuations. As a result of this analysis, the allowance for loan losses increased by \$4.9 million, or 6.8%, to \$76.2 million, or 1.30% of total loans, at March 31, 2014 from \$71.3 million, or 1.23% of total loans, at December 31, 2013. This increase is primarily attributable to one commercial loan and one commercial real estate loan requiring additional reserves totaling \$6.1 million. Partially offsetting these factors were decreases in classified loans, TDRs and non-accrual loans delinquent 90 days or more of \$14.5 million, \$4.7 million and \$6.4 million, respectively, compared to December 31, 2013.

We also consider how the level of non-accrual loans and historical charge-offs have influenced the required amount of allowance for loan losses. Non-accrual loans of \$109.1 million or 1.9% of total loans receivable, at March 31, 2014 increased by \$1.9 million, or 1.7%, from \$107.2 million, or 1.9% of total loans receivable, at December 31, 2013. As a percentage of average loans, annualized net charge-offs decreased to 0.18% for the quarter ended March 31, 2014 compared to 0.36% for the year ended December 31, 2013 and 0.59% for the quarter ended March 31, 2013.

Comparison of Operating Results for the Quarters Ended March 31, 2014 and 2013

Net income for the quarter ended March 31, 2014 was \$14.6 million, or \$0.16 per diluted share, a decrease of \$658,000, or 4.3%, from \$15.3 million, or \$0.17 per diluted share, for the quarter ended March 31, 2013. The decrease in net income resulted from a decrease in net interest income of \$3.1 million, or 4.8%, and an increase in noninterest expense of \$1.7 million, or 3.3%. Partially offsetting these factors was an increase in noninterest income of \$3.3 million, or 20.0%, and a decrease in income tax expense of \$1.2 million, or 18.2%. Annualized, net income for the quarter ended March 31, 2014 represents a 5.16% and 0.75% return on average equity and return on average assets, respectively, compared to 5.45% and 0.78% for the same quarter last year. A discussion of significant changes follows.

Table of Contents

Interest Income

Total interest income decreased by \$4.5 million, or 5.7%, to \$75.1 million for the quarter ended March 31, 2014 due primarily to a decrease in the average yield earned on interest earning assets to 4.16% for the quarter ended March 31, 2014 from 4.35% for the quarter ended March 31, 2013. The average yield on all categories of interest earning assets decreased when compared to the prior year period, with the exception of Federal Home Loan Bank of Pittsburgh stock (FHLB) and other interest earning deposits. Partially offsetting this decrease in yield was an increase in the average balance of interest earning assets of \$13.9 million, or 0.2%, to \$7.347 billion for the quarter ended March 31, 2014 from \$7.333 billion for the quarter ended March 31, 2013.

Interest income on loans receivable decreased \$3.6 million, or 4.9%, to \$69.4 million for the quarter ended March 31, 2014 compared to \$73.0 million for the quarter ended March 31, 2013. This decrease in interest income on loans receivable can be attributed to a decline in the average yield which decreased to 4.83% for the quarter ended March 31, 2014 from 5.18% for the quarter ended March 31, 2013. The continued decline in average yield is due primarily to the historically low level of market interest rates in general and continued competitive pricing pressure for new, as well as existing, credit relationships. Partially offsetting this decrease was an increase in the average balance of loans receivable of \$185.2 million, or 3.3%, to \$5.824 billion for the quarter ended March 31, 2014 from \$5.638 billion for the quarter ended March 31, 2013. This increase is due to continued success in increasing market share and the retention of most of the residential mortgage loans originated by our wholesale lending function rather than selling a portion of these originations in the secondary market.

Interest income on mortgage-backed securities decreased by \$648,000, or 18.8%, to \$2.8 million for the quarter ended March 31, 2014 from \$3.4 million for the quarter ended March 31, 2013. This decrease is the result of decreases in both the average balance and average yield. The average balance of mortgage-backed securities decreased by \$104.4 million, or 14.4%, to \$621.1 million for the quarter ended March 31, 2014 from \$725.5 for the quarter ended March 31, 2013 due primarily to redirecting cash flows from these securities to fund loan growth and purchase other types of investments which have shorter durations. The average yield on mortgage-backed securities decreased to 1.80% for the quarter ended March 31, 2014 from 1.90% for the quarter ended March 31, 2013. The decrease in average yield resulted primarily from the purchase of mortgage-backed securities at generally lower interest rates than the existing portfolio.

Interest income on investment securities decreased by \$233,000, or 7.9%, to \$2.7 million for the quarter ended March 31, 2014 from \$3.0 million for the quarter ended March 31, 2013. This decrease is due to a decrease in the average yield of investment securities to 2.16% for the quarter ended March 31, 2014 from 2.52% for the quarter ended March 31, 2013. This decrease is primarily the result of higher rate, tax-free, municipal securities maturing or being called and being replaced by lower yielding, shorter duration government agency securities. Partially offsetting this decrease was an increase in the average balance of investment securities of \$37.0 million, or 7.9%, to \$507.4 million for the quarter ended March 31, 2014 from \$470.4 million for the quarter ended March 31, 2013. This increase resulted from utilizing existing cash and excess cash flow from mortgage-backed securities to purchase government agency securities, with a shorter duration in an effort to maintain our net interest margin while minimizing maturity extension risk.

For the quarter ended March 31, 2014 we received dividends on FHLB stock of \$275,000 on an average balance of \$43.7 million, resulting in a yield of 2.52%, compared to dividends of \$38,000 on an average balance of \$46.9 million, resulting in a yield of 0.32% for the quarter ended March 31, 2013.

Table of Contents

Interest income on interest-earning deposits decreased by \$51,000, or 20.3%, to \$200,000 for the quarter ended March 31, 2014 from \$251,000 for the quarter ended March 31, 2013. This decrease is due primarily to a decrease in the average balance, which was partially offset by an increase of one basis point in the average yield. The average balance of interest-earning deposits decreased by \$100.8 million, or 22.3%, to \$351.6 million for the quarter ended March 31, 2014 from \$452.4 million for the quarter ended March 31, 2013, due to the utilization of cash to fund loan growth and the payment of dividends over the past year.

Interest Expense

Interest expense decreased by \$1.4 million, or 9.2%, to \$14.2 million for the quarter ended March 31, 2014 from \$15.6 million for the quarter ended March 31, 2013. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities, which decreased to 0.98% from 1.07%, as well as a decrease in the average balance of interest-bearing liabilities, which decreased by \$74.1 million, or 1.2%, to \$5.861 billion for the quarter ended March 31, 2014 from \$5.935 billion for the quarter ended March 31, 2013. The decrease in the cost of funds resulted primarily from the current level of market interest rates which enabled us to reduce the rate of interest paid on time deposit products. Also contributing to the decrease was the maturity of an interest rate swap used to hedge the interest rate on our junior subordinated debentures. The decrease in average interest-bearing liabilities resulted from a reduction in average time deposits of \$207.6 million, or 11.2%, compared to last year, as consumers continue to shift investment priorities to shorter duration or demand products as well as to utilize funds for living expenses. This decrease in time deposits was partially offset by a combined increase in the average balance of interest-bearing checking, savings and money market accounts of \$105.8 million, or 3.4%, compared to the average balance for the same quarter last year.

Net Interest Income

Net interest income decreased by \$3.1 million, or 4.8%, to \$60.9 million for the quarter ended March 31, 2014 from \$64.0 million for the quarter ended March 31, 2013. This decrease is attributable to the factors discussed above. The current level of market interest rates reduced the interest rates on loan originations and investment purchases at a faster pace than we were able to reduce our cost of funds, resulting in compression of our net interest spread and margin. Our net interest rate spread decreased to 3.18% for the quarter ended March 31, 2014 from 3.28% for the quarter ended March 31, 2013 and our net interest margin decreased to 3.38% for the quarter ended March 31, 2014 from 3.49% for the quarter ended March 31, 2013.

Provision for Loan Losses

The provision for loan losses increased by \$327,000, or 4.6%, to \$7.5 million for the quarter ended March 31, 2014 from \$7.2 million for the quarter ended March 31, 2013. This increase is due primarily to two business banking loans requiring provisions of \$3.8 million and \$1.5 million, respectively. Improvements in overall asset quality partially offset these increases. Classified loans decreased by \$13.2 million, or 5.6%, to \$222.4 million at March 31, 2014 from \$235.5 million at March 31, 2013. In addition, TDRs decreased by \$16.9 million, or 18.4%, to \$74.5 million at March 31, 2014 from \$91.4 million at March 31, 2013 and loans 90 days or more delinquent decreased by \$21.2 million, or 29.2%, to \$51.4 million at March 31, 2014 from \$72.6 million at March 31, 2013.

In determining the amount of the current period provision, we considered current economic conditions, including unemployment levels and bankruptcy filings, and changes in real estate values and the impact of these factors on the quality of our loan portfolio and historical loss

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factors. Net charge-offs for the quarter ended March 31, 2014 were \$2.6 million compared to \$8.4 million for the quarter ended March 31, 2013. Annualized net charge-offs to average loans decreased to 0.18% for the quarter ended March 31, 2014 from 0.59% for the quarter ended March 31, 2013. We analyze the allowance for loan losses as

Table of Contents

described in the section entitled Allowance for Loan Losses. The provision that is recorded is sufficient, in our judgment, to bring this reserve to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience.

Noninterest Income

Noninterest income increased by \$3.3 million, or 20.0%, to \$19.7 million for the quarter ended March 31, 2014 from \$16.4 million for the quarter ended March 31, 2013. The increase is primarily attributable to increases in gain on sale of investments, trust and other financial services income and insurance commission income. Gain on sale of investments increased by \$3.2 million to \$3.3 million for the quarter ended March 31, 2014 from \$101,000 for the quarter ended March 31, 2013, as a result sales of equity securities during the current quarter. Trust and other financial services income increased by \$843,000, or 38.2% to \$3.0 million for the quarter ended March 31, 2014 from \$2.2 million for the quarter ended March 31, 2013. This increase is due to our acquisition of Evans Capital Management, Inc. as of January 1, 2014 as well as increases in the amount of assets under management. Insurance commission income increased by \$269,000, or 11.7%, to \$2.6 million for the quarter ended March 31, 2014 from \$2.3 million for the quarter ended March 31, 2013, due primarily to our continued emphasis on increasing cross-sales opportunities between our banking, investment and insurance areas. Partially offsetting these factors was a decrease in mortgage banking income. Mortgage banking income decreased by \$707,000, or 74.0%, to \$249,000 for the quarter ended March 31, 2014 from \$956,000 for the quarter ended March 31, 2013. This decrease resulted from fewer sales of residential mortgage loans to the secondary market during the current quarter compared to the same period last year.

Noninterest Expense

Noninterest expense increased by \$1.7 million, or 3.3%, to \$53.2 million for the quarter ended March 31, 2014 from \$51.5 million for the quarter ended March 31, 2013. This increase is primarily the result of increases in processing expense, office operations and premises and occupancy costs. Processing expense increased by \$736,000, or 12.6%, to \$6.6 million for the quarter ended March 31, 2014 from \$5.9 million for the quarter ended March 31, 2013. This increase is primarily the result of software upgrades to enhance our compliance management system. Office operations increased by \$489,000, or 15.0%, to \$3.8 million for the quarter ended March 31, 2014 from \$3.3 million for the quarter ended March 31, 2013, due primarily to increased collections costs. Premises and occupancy costs increased by \$404,000, or 6.6% to \$6.6 million for the quarter ended March 31, 2014 from \$6.2 million for the quarter ended March 31, 2013. This increase is primarily the result of increased utilities and snow removal costs due to the unusually harsh winter in our market area. These increases were partially offset by a decrease in marketing expense of \$263,000, or 13.8%, to \$1.6 million for the quarter ended March 31, 2014 from \$1.9 million for the quarter ended March 31, 2013. This decrease was due to the timing of various campaigns in the current and prior year.

Income Taxes

The provision for income taxes decreased by \$1.1 million, or 18.2%, to \$5.3 million for the quarter ended March 31, 2014 from \$6.4 million for the quarter ended March 31, 2013. This decrease in income tax expense is primarily a result of the decrease in income before income taxes of \$1.8 million, or 8.4%. In addition, the \$1.00 per share special dividend announced on April 14, 2014 is deductible on the Company's common stock held in our Employee Stock Ownership Plan and 401(k) plan. Our effective tax rate for the quarter ended March 31, 2014 was 26.5% compared to 29.6% for the quarter ended March 31, 2013. We anticipate our effective tax rate to be approximately 27.0% for the year.

Table of Contents**Average Balance Sheet**

(Dollars in thousands)

The following table sets forth certain information relating to the Company's average balance sheet and reflects the average yield on interest-earning assets and average cost of interest-bearing liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods presented. Average balances are calculated using daily averages.

| | Quarter ended March 31, | | | | | |
|---|-------------------------|---------------|----------------------------|--------------------|---------------|----------------------------|
| | 2014 | | | 2013 | | |
| | Average balance | Interest | Avg. yield/ cost (f) | Average balance | Interest | Avg. yield/ cost (f) |
| Assets: | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans receivable (a) (b) (includes FTE adjustments of \$543 and \$554, respectively) | \$ 5,823,527 | 69,916 | 4.87% | 5,638,332 | 73,527 | 5.22% |
| Mortgage-backed securities (c) | 621,146 | 2,793 | 1.80% | 725,524 | 3,441 | 1.90% |
| Investment securities (c) (includes FTE adjustments of \$892 and \$1,111, respectively) | 507,354 | 3,627 | 2.86% | 470,386 | 4,079 | 3.47% |
| FHLB stock | 43,715 | 275 | 2.52% | 46,868 | 38 | 0.32% |
| Other interest-earning deposits | 351,615 | 200 | 0.23% | 452,385 | 251 | 0.22% |
| Total interest-earning assets (includes FTE adjustments of \$1,435 and \$1,665, respectively) | 7,347,357 | 76,811 | 4.23% | 7,333,495 | 81,336 | 4.44% |
| Noninterest earning assets (d) | 584,754 | | | 585,516 | | |
| Total assets | \$ 7,932,111 | | | 7,919,011 | | |
| Liabilities and shareholders' equity: | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| Savings deposits | \$ 1,208,349 | 804 | 0.27% | 1,180,487 | 894 | 0.31% |
| Interest-bearing checking deposits | 851,723 | 139 | 0.07% | 840,264 | 139 | 0.07% |
| Money market deposit accounts | 1,173,957 | 782 | 0.27% | 1,107,522 | 742 | 0.27% |
| Time deposits | 1,642,224 | 4,765 | 1.18% | 1,849,782 | 6,039 | 1.32% |
| Borrowed funds (e) | 881,187 | 6,557 | 3.02% | 853,487 | 6,426 | 3.05% |
| Junior subordinated debentures | 103,094 | 1,157 | 4.49% | 103,094 | 1,405 | 5.45% |
| Total interest-bearing liabilities | 5,860,534 | 14,204 | 0.98% | 5,934,636 | 15,645 | 1.07% |
| Noninterest-bearing checking deposits | 815,117 | | | 768,071 | | |
| Noninterest-bearing liabilities | 105,027 | | | 77,106 | | |
| Total liabilities | 6,780,678 | | | 6,779,813 | | |
| Shareholders' equity | 1,151,433 | | | 1,139,198 | | |

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| | | | | | |
|--|----|-----------|-------|-----------|-------|
| Total liabilities and shareholders equity | \$ | 7,932,111 | | 7,919,011 | |
| Net interest income/ Interest rate spread | | 62,607 | 3.25% | 65,691 | 3.37% |
| Net interest-earning assets/ Net interest margin | \$ | 1,486,823 | 3.45% | 1,398,859 | 3.58% |
| Ratio of interest-earning assets to interest-bearing liabilities | | 1.25X | | 1.24X | |

(a) Average gross loans includes loans held as available-for-sale and loans placed on nonaccrual status.

(b) Interest income includes accretion/ amortization of deferred loan fees/ expenses, which were not material.

(c) Average balances do not include the effect of unrealized gains or losses on securities held as available-for-sale.

(d) Average balances include the effect of unrealized gains or losses on securities held as available-for-sale.

(e) Average balances include FHLB borrowings and securities sold under agreements to repurchase.

(f) Annualized. Shown on a fully tax-equivalent basis (FTE). The FTE basis adjusts for the tax benefit of income on certain tax exempt loans and investments using the federal statutory rate of 35% for each period presented. We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts. GAAP basis yields were: Loans 4.83% and 5.18%, respectively; Investment securities 2.16% and 2.52%, respectively; interest-earning assets 4.16% and 4.35%, respectively. GAAP basis net interest rate spreads were 3.18% and 3.28%, respectively; and GAAP basis net interest margins were 3.38% and 3.49%, respectively.

Table of Contents**Rate/ Volume Analysis**

(Dollars in Thousands)

The following table represents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) net change. Changes that cannot be attributed to either rate or volume have been allocated to both rate and volume.

Quarters ended March 31, 2014 and 2013

| | Rate | Volume | Net Change |
|---|-------------------|--------------|----------------|
| Interest earning assets: | | | |
| Loans receivable | \$ (6,026) | 2,415 | (3,611) |
| Mortgage-backed securities | (179) | (469) | (648) |
| Investment securities | (716) | 264 | (452) |
| FHLB stock | 257 | (20) | 237 |
| Other interest-earning deposits | 6 | (57) | (51) |
| Total interest-earning assets | (6,658) | 2,133 | (4,525) |
| Interest-bearing liabilities: | | | |
| Savings deposits | (111) | 21 | (90) |
| Interest-bearing checking deposits | (2) | 2 | |
| Money market deposit accounts | (4) | 44 | 40 |
| Time deposits | (636) | (638) | (1,274) |
| Borrowed funds | (77) | 208 | 131 |
| Junior subordinated debentures | (248) | | (248) |
| Total interest-bearing liabilities | (1,078) | (363) | (1,441) |
| Net change in net interest income | \$ (5,580) | 2,496 | (3,084) |

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As the holding company for a savings bank, one of our primary market risks is interest rate risk. Interest rate risk is the sensitivity of net interest income to variations in interest rates over a specified time period. The sensitivity results from differences in the time periods in which interest rate sensitive assets and liabilities mature or re-price. We attempt to control interest rate risk by matching, within acceptable limits, the re-pricing periods of assets and liabilities. We have attempted to limit our exposure to interest sensitivity by increasing core deposits, enticing customers to extend certificates of deposit maturities, borrowing funds with fixed-rates and longer maturities and by shortening the maturities of our assets by emphasizing the origination of more short-term fixed rate loans and adjustable rate loans. We also continue to sell a portion of the long-term, fixed-rate mortgage loans that we originate. In addition, we purchase shorter term or adjustable-rate investment securities and mortgage-backed securities.

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We have an Asset/ Liability Committee consisting of several members of management which meets monthly to review market interest rates, economic conditions, the pricing of interest earning assets and

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Table of Contents

interest bearing liabilities and the balance sheet structure. On a quarterly basis, this Committee also reviews the interest rate risk position and cash flow projections.

The Board of Directors has a Risk Management Committee which meets quarterly and reviews interest rate risk and trends, our interest sensitivity position, the liquidity position and the market risk inherent in the investment portfolio.

In an effort to assess interest rate risk and market risk, we utilize a simulation model to determine the effect of immediate incremental increases and decreases in interest rates on net income and the market value of equity. Certain assumptions are made regarding loan prepayments and decay rates of savings and interest-bearing demand accounts. Because it is difficult to accurately project the market reaction of depositors and borrowers, the effect of actual changes in interest rates on these assumptions may differ from simulated results. We have established the following guidelines for assessing interest rate risk:

Net income simulation. Given a non-parallel shift of 100 basis points (bps), 200 bps and 300 bps in interest rates, the estimated net income may not decrease by more than 10%, 20% and 30%, respectively, within a one-year period.

Market value of equity simulation. The market value of equity is the present value of assets and liabilities. Given a non-parallel shift of 100 bps, 200 bps and 300 bps in interest rates, the market value of equity may not decrease by more than 15%, 30% and 35%, respectively, from the computed economic value at current interest rate levels.

The following table illustrates the simulated impact of a 100 bps, 200 bps or 300 bps upward or a 100 bps downward movement in interest rates on net income, return on average equity, earnings per share and market value of equity. This analysis was prepared assuming that interest-earning asset and interest-bearing liability levels at March 31, 2014 remain constant. The impact of the rate movements was computed by simulating the effect of an immediate and sustained shift in interest rates over a twelve-month period from March 31, 2014 levels.

| Non-parallel shift in interest rates over the next 12 months | 100 bps | Increase 200 bps | 300 bps | Decrease 100 bps |
|---|---------|---------------------|---------|---------------------|
| Projected percentage increase/ (decrease) in net income | 0.0% | 3.3% | 4.1% | (11.2)% |
| Projected increase/ (decrease) in return on average equity | 0.0% | 3.2% | 4.0% | (10.8)% |
| Projected increase/ (decrease) in earnings per share | \$ 0.00 | \$ 0.02 | \$ 0.02 | \$ (0.08) |
| Projected percentage increase/ (decrease) in market value of equity | (3.7)% | (13.8)% | (20.9)% | (2.8)% |

The figures included in the table above represent projections that were computed based upon certain assumptions including prepayment rates and decay rates. These assumptions are inherently uncertain and, as a result, cannot precisely predict the impact of changes in interest rates. Actual results may differ significantly due to timing, magnitude and frequency of interest rate changes and changes in market conditions.

ITEM 4.

CONTROLS AND PROCEDURES

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Under the supervision of and with the participation of management, including the Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the

Table of Contents

end of the period covered by this quarterly report (the Evaluation Date). Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective.

There were no changes in the internal controls over financial reporting during the period covered by this report or in other factors that have materially affected, or are reasonably likely to materially affect the internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to a number of asserted and unasserted claims encountered in the normal course of business. We believe that any additional liability, other than that which has already been accrued, that may result from such potential litigation will not have a material adverse effect on the financial statements. However, we cannot presently determine whether or not any claims against us will have a material adverse effect on our results of operations in any future reporting period. See note 12.

Item 1A. Risk Factors

There are no material changes to the risk factors as previously discussed in Item 1A, to Part I of our 2013 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

a.) Not applicable.

b.) Not applicable.

c.) The following table discloses information regarding the repurchase of shares of common stock during the quarter ending March 31, 2014:

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| Month | Number of shares purchased | Average price paid per share | Total number of shares purchased as part of a publicly announced repurchase plan (1) | Maximum number of shares yet to be purchased under the plan (1) |
|----------|----------------------------|------------------------------|--|---|
| January | | \$ | | 1,049,189 |
| February | | | | 1,049,189 |
| March | | | | 1,049,189 |
| | | \$ | | |

| Month | Number of shares purchased | Average price paid per share | Total number of shares purchased as part of a publicly announced repurchase plan (2) | Maximum number of shares yet to be purchased under the plan (2) |
|----------|----------------------------|------------------------------|--|---|
| January | | \$ | | 5,000,000 |
| February | | | | 5,000,000 |
| March | | | | 5,000,000 |
| | | \$ | | |

(1) Reflects the program for 4,750,000 shares announced September 26, 2011.

(2) Reflects the program for 5,000,000 shares announced December 13, 2012.

Table of Contents

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

| | |
|---------|--|
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

Table of Contents

Signature

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

NORTHWEST BANCSHARES, INC.
(Registrant)

Date: May 9, 2014

By: /s/ William J. Wagner
William J. Wagner
President and Chief Executive Officer
(Duly Authorized Officer)

Date: May 9, 2014

By: /s/ Gerald J. Ritzert
Gerald J. Ritzert
Controller
(Principal Accounting Officer of the Registrant)