

Northwest Bancshares, Inc.
Form 10-Q
May 08, 2012
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, 2012

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)

Maryland

27-0950358

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(State or other jurisdiction of incorporation or organization)

(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) 97,602,357 shares outstanding as of April 30, 2012

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, 2012 and December 31, 2011</u>	1
<u>Consolidated Statements of Income for the three months ended March 31, 2012 and 2011</u>	2
<u>Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011</u>	3
<u>Consolidated Statements of Changes in Shareholders' Equity for the three months ended March 31, 2012 and 2011</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</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>	39
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	53
<u>Item 4. Controls and Procedures</u>	54
PART II OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	54
<u>Item 1A. Risk Factors</u>	55
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	55
<u>Item 3. Defaults Upon Senior Securities</u>	55
<u>Item 4. Mine Safety Disclosures</u>	55
<u>Item 5. Other Information</u>	55
<u>Item 6. Exhibits</u>	55
<u>Signatures</u>	57
Certifications	

Table of Contents**ITEM 1. FINANCIAL STATEMENTS****NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION****(in thousands, except share data)**

	(Unaudited) March 31, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 85,050	94,276
Interest-earning deposits in other financial institutions	672,887	593,388
Federal funds sold and other short-term investments	952	633
Marketable securities available-for-sale (amortized cost of \$894,232 and \$885,408)	919,578	908,349
Marketable securities held-to-maturity (fair value of \$224,630 and \$239,412)	216,956	231,389
Total cash and investments	1,895,423	1,828,035
Personal Banking:		
Loans held for sale	14,222	967
Residential mortgage loans	2,412,711	2,396,399
Home equity loans	1,058,938	1,084,786
Other consumer loans	237,591	245,689
Total Personal Banking	3,723,462	3,727,841
Business Banking:		
Commercial real estate loans	1,475,576	1,435,767
Commercial loans	408,894	387,911
Total Business Banking	1,884,470	1,823,678
Total loans	5,607,932	5,551,519
Allowance for loan losses	(72,941)	(71,138)
Total loans, net	5,534,991	5,480,381
Federal Home Loan Bank stock, at cost	47,090	48,935
Accrued interest receivable	25,072	24,599
Real estate owned, net	28,895	26,887
Premises and equipment, net	133,599	132,152
Bank owned life insurance	134,615	133,524
Goodwill	171,882	171,882
Other intangible assets	1,828	2,123
Other assets	95,613	109,187
Total assets	\$ 8,069,008	7,957,705
Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 732,361	658,560
Interest-bearing demand deposits	833,342	800,676
Savings deposits	2,124,269	2,036,272
Time deposits	2,179,789	2,284,817
Total deposits	5,869,761	5,780,325

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Borrowed funds	836,410	827,925
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	27,683	23,571
Accrued interest payable	1,119	1,104
Other liabilities	68,466	66,782
Total liabilities	6,906,533	6,802,801
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, 97,593,396 and 97,493,046 shares issued, respectively	976	975
Paid-in capital	660,933	659,523
Retained earnings	547,352	543,598
Unallocated common stock of Employee Stock Ownership Plan	(25,568)	(25,966)
Accumulated other comprehensive loss	(21,218)	(23,226)
Total shareholders' equity	1,162,475	1,154,904
Total liabilities and shareholders' equity	\$ 8,069,008	7,957,705

See accompanying notes to consolidated financial statements - unaudited

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

	Three months ended March 31,	
	2012	2011
Interest income:		
Loans receivable	\$ 78,159	80,457
Mortgage-backed securities	4,691	6,756
Taxable investment securities	573	398
Tax-free investment securities	2,446	3,074
Interest-earning deposits	380	407
Total interest income	86,249	91,092
Interest expense:		
Deposits	12,944	16,063
Borrowed funds	7,899	7,989
Total interest expense	20,843	24,052
Net interest income	65,406	67,040
Provision for loan losses	6,287	7,244
Net interest income after provision for loan losses	59,119	59,796
Noninterest income:		
Impairment losses on securities	(545)	
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)	307	
Net impairment losses	(238)	
Gain on sale of investments, net	44	4
Service charges and fees	8,425	8,928
Trust and other financial services income	2,116	1,910
Insurance commission income	1,718	1,380
Loss on real estate owned, net	(1,070)	(27)
Income from bank owned life insurance	1,117	1,166
Mortgage banking income	531	197
Other operating income	997	768
Total noninterest income	13,640	14,326
Noninterest expense:		
Compensation and employee benefits	27,838	25,499
Premises and occupancy costs	5,748	6,191
Office operations	3,324	3,100
Processing expenses	6,142	5,767
Marketing expenses	2,036	1,959
Federal deposit insurance premiums	1,620	2,427
Professional services	1,697	1,256
Amortization of intangible assets	295	491
Real estate owned expense	740	431
Other expenses	1,836	2,257
Total noninterest expense	51,276	49,378

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Income before income taxes		21,483	24,744
Federal and state income taxes		6,302	7,491
Net income	\$	15,181	17,253
Basic earnings per share	\$	0.16	0.16
Diluted earnings per share	\$	0.16	0.16

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,		
	2012	2011	
Net Income	\$	15,181	17,253
Other comprehensive income net of tax:			
Net unrealized holding gains on marketable securities:			
Unrealized holding gains net of tax of \$(870) and \$(1,131), respectively		1,361	2,101
Other-than-temporary impairment on securities included in net income, net of tax of \$(93) and \$0, respectively		145	
Reclassification adjustment for gains included in net income, net of tax of \$31 and \$8, respectively		(49)	(16)
Net unrealized holding gains on marketable securities		1,457	2,085
Change in fair value of interest rate swaps, net of tax of \$(297) and \$(481), respectively		551	894
Other comprehensive income		2,008	2,979
Total comprehensive income	\$	17,189	20,232

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 dividends per share data)

Three months ended March 31, 2011	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive	Unallocated common stock	Total Shareholders
	Shares	Amount	Capital	Earnings	Income/ (loss)	of ESOP	Equity
Beginning balance at December 31, 2010	110,295,117	\$ 1,103	824,164	523,089	(13,497)	(27,409)	1,307,450
Comprehensive income:							
Net income				17,253			17,253
Other comprehensive income, net of tax of \$(1,604)					2,979		2,979
Total comprehensive income				17,253	2,979		20,232
Exercise of stock options	56,738	1	352				353
Stock compensation expense			483			384	867
Share repurchases	(2,618,423)	(26)	(31,048)				(31,074)
Dividends paid (\$0.10 per share)				(10,712)			(10,712)
Ending balance at March 31, 2011	107,733,432	\$ 1,078	793,951	529,630	(10,518)	(27,025)	1,287,116
Three months ended March 31, 2012	Common Stock		Paid-in	Retained	Accumulated Other Comprehensive	Unallocated common stock	Total Shareholders
	Shares	Amount	Capital	Earnings	Income/ (loss)	of ESOP	Equity
Beginning balance at December 31, 2011	97,493,046	\$ 975	659,523	543,598	(23,226)	(25,966)	1,154,904
Comprehensive income:							
Net income				15,181			15,181
Other comprehensive income, net of tax of \$(1,229)					2,008		2,008
Total comprehensive income				15,181	2,008		17,189
Exercise of stock options	100,350	1	785				786
Stock compensation expense			625			398	1,023
Dividends paid (\$0.12 per share)				(11,427)			(11,427)

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Ending balance at March 31, 2012	97,593,396	\$	976	660,933	547,352	(21,218)	(25,568)	1,162,475
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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,	
	2012	2011
OPERATING ACTIVITIES:		
Net Income	\$ 15,181	17,253
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	6,287	7,244
Net loss on sale of assets	1,164	608
Net depreciation, amortization and accretion	2,467	4,108
Decrease in other assets	9,896	8,358
Increase / (decrease) in other liabilities	2,547	(4,045)
Net amortization of premium on marketable securities	(54)	(344)
Noncash impairment losses on investment securities	238	
Noncash write-down of real estate owned	536	416
Origination of loans held for sale	(50,110)	(15,385)
Proceeds from sale of loans held for sale	36,982	23,215
Noncash compensation expense related to stock benefit plans	1,023	867
Net cash provided by operating activities	26,157	42,295
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(77,491)	(91,695)
Purchase of marketable securities held-to-maturity		
Proceeds from maturities and principal reductions of marketable securities available-for-sale	68,558	63,997
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	14,401	43,320
Loan originations	(480,303)	(375,303)
Proceeds from loan maturities and principal reductions	427,002	405,521
Proceeds from sale of Federal Home Loan Bank stock	1,845	3,004
Proceeds from sale of real estate owned	3,263	2,866
Sale of real estate owned for investment, net	114	102
Purchase of premises and equipment	(4,346)	(1,931)
Net cash (used in)/ provided by investing activities	(46,957)	49,881

Table of Contents

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)

(in thousands)

	Three months ended March 31,	
	2012	2011
FINANCING ACTIVITIES:		
Increase in deposits, net	\$ 89,436	56,201
Repayments of long-term borrowings	(17)	(50,017)
Net increase/ (decrease) in short-term borrowings	8,502	(9,701)
Increase in advances by borrowers for taxes and insurance	4,112	3,323
Cash dividends paid	(11,427)	(10,712)
Purchase of common stock for retirement		(31,074)
Proceeds from stock options exercised	786	353
Net cash (used in) / provided by financing activities	91,392	(41,627)
Net increase in cash and cash equivalents	\$ 70,592	50,549
Cash and cash equivalents at beginning of period	\$ 688,297	719,111
Net increase in cash and cash equivalents	70,592	50,549
Cash and cash equivalents at end of period	\$ 758,889	769,660
Cash and cash equivalents:		
Cash and due from banks	\$ 85,050	78,446
Interest-earning deposits in other financial institutions	672,887	690,581
Federal funds sold and other short-term investments	952	633
Total cash and cash equivalents	\$ 758,889	769,660
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$11,065 and \$13,731, respectively)	\$ 20,828	24,598
Income taxes	\$ 955	917
Non-cash activities:		
Loan foreclosures and repossessions	\$ 6,557	2,052
Sale of real estate owned financed by the Company	\$ 100	140

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), is a Maryland incorporated company 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. 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, 2012, Northwest operated 168 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest's subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Boetger & Associates, Inc., Allegheny Services, Inc., Great Northwest Corporation and Veracity Benefits Design. 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 and 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, 2011 updated, as required, for any new pronouncements or changes.

The results of operations for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

Stock-Based Compensation

Stock-based compensation expense of \$1.0 million and \$867,000 for the three months ended March 31, 2012 and 2011, respectively, was recognized in compensation expense relating to our stock benefit plans. At March 31, 2012 there was compensation expense of \$5.6 million to be recognized for awarded but unvested stock options and \$12.8 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. As of March 31, 2012 we had no liability for unrecognized tax benefits.

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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, 2012. 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, 2010, 2009 and 2008.

Table of Contents(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 commercial and personal demand, savings and time deposit accounts and commercial 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 52 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.

At or for the three months ended:

March 31, 2012 (\$ in 000 s)	Community Banking	Consumer Finance	All Other *	Consolidated
External interest income	\$ 80,405	5,531	313	86,249
Intersegment interest income	748		(748)	
Interest expense	19,540	748	555	20,843
Provision for loan losses	5,500	787		6,287
Noninterest income	13,082	511	47	13,640
Noninterest expense	47,878	3,196	202	51,276
Income tax expense (benefit)	6,221	504	(423)	6,302
Net income	15,096	807	(722)	15,181
Total assets	\$ 7,917,340	113,271	38,397	8,069,008

March 31, 2011 (\$ in 000 s)	Community Banking	Consumer Finance	All Other *	Consolidated
External interest income	\$ 85,616	5,247	229	91,092
Intersegment interest income	770		(770)	
Interest expense	22,960	770	322	24,052
Provision for loan losses	6,500	744		7,244
Noninterest income	13,860	453	13	14,326
Noninterest expense	46,101	3,037	240	49,378
Income tax expense (benefit)	7,396	477	(382)	7,491
Net income	17,289	672	(708)	17,253
Total assets	\$ 7,986,834	112,716	22,654	8,122,204

* 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, 2012 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	\$ 56			56
Debt issued by government sponsored enterprises:				
Due in one year - five years	26,296	44		26,340
Due in five years - ten years	29,163	474		29,637
Due after ten years	9,125		(35)	9,090
Equity securities	12,398	4,676	(3)	17,071
Municipal securities:				
Due in one year - five years	8,880	245		9,125
Due in five years - ten years	26,427	1,093		27,520
Due after ten years	116,529	5,905	(110)	122,324
Corporate debt issues:				
Due in one year - five years	500			500
Due after ten years	25,019	275	(6,135)	19,159
Residential mortgage-backed securities:				
Fixed rate pass-through	102,152	7,528	(16)	109,664
Variable rate pass-through	129,112	6,636	(4)	135,744
Fixed rate non-agency CMOs	8,280	178	(307)	8,151
Fixed rate agency CMOs	143,158	3,126		146,284
Variable rate non-agency CMOs	1,023		(135)	888
Variable rate agency CMOs	256,114	2,038	(127)	258,025
Total residential mortgage-backed securities	639,839	19,506	(589)	658,756
Total marketable securities available-for-sale	\$ 894,232	32,218	(6,872)	919,578

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Table of Contents

The following table shows the portfolio of investment securities available-for-sale at December 31, 2011 (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	\$ 59			59
Debt issued by government sponsored enterprises:				
Due in one year - five years	36,295	134		36,429
Due in five years - ten years	29,557	638	(61)	30,134
Due after ten years	9,665		(49)	9,616
Equity securities	12,080	644	(259)	12,465
Municipal securities:				
Due in one year - five years	10,633	291		10,924
Due in five years - ten years	27,817	1,336		29,153
Due after ten years	124,041	5,350	(180)	129,211
Corporate debt issues:				
Due in one year or less	500			500
Due after ten years	25,036	233	(4,635)	20,634
Residential mortgage-backed securities:				
Fixed rate pass-through	110,364	8,201	(1)	118,564
Variable rate pass-through	135,103	6,679	(4)	141,778
Fixed rate non-agency CMOs	9,521	188	(735)	8,974
Fixed rate CMOs	112,670	3,466		116,136
Variable rate non-agency CMOs	1,104		(154)	950
Variable rate CMOs	240,963	1,991	(132)	242,822
Total residential mortgage-backed securities	609,725	20,525	(1,026)	629,224
Total marketable securities available-for-sale	\$ 885,408	29,151	(6,210)	908,349

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

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due in Five years - ten years	\$ 3,678	171		3,849
Due after ten years	69,592	3,649		73,241
Residential mortgage-backed securities:				
Fixed rate pass-through	22,815	1,117		23,932
Variable rate pass-through	8,649	54		8,703
Fixed rate agency CMOs	100,008	2,436		102,444
Variable rate agency CMOs	12,214	247		12,461
Total residential mortgage-backed securities	143,686	3,854		147,540

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Total marketable securities held-to-maturity	\$	216,956	7,674	224,630
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Table of Contents

The following table shows the portfolio of investment securities held-to-maturity at December 31, 2011 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due in five years - ten years	\$ 3,677	174		3,851
Due after ten years	71,015	3,615		74,630
Residential mortgage-backed securities:				
Fixed rate pass-through	24,160	1,099		25,259
Variable rate pass-through	9,066	94		9,160
Fixed rate agency CMOs	108,881	2,761		111,642
Variable rate agency CMOs	14,590	280		14,870
Total residential mortgage-backed securities	156,697	4,234		160,931
Total marketable securities held-to-maturity	\$ 231,389	8,023		239,412

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 the fair value has been lower than the amortized cost, 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. Other investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows indicate that an adverse change has occurred, other-than-temporary impairment would be recognized for the amount of the 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, 2012 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government and agencies	\$ 9,090	(35)	9,090	(35)	9,090	(35)
Municipal securities	899	(17)	1,489	(93)	2,388	(110)
Corporate issues	1,580	(171)	13,479	(5,964)	15,059	(6,135)
Equity securities			16	(3)	16	(3)
Residential mortgage- backed securities - non-agency			4,899	(442)	4,899	(442)
Residential mortgage- backed securities - agency	80,745	(128)	15,592	(19)	96,337	(147)
Total temporarily impaired securities	\$ 83,224	(316)	44,565	(6,556)	127,789	(6,872)

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, 2011 (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	\$ 24,601	(61)	9,648	(49)	34,249	(110)
Municipal securities			2,317	(180)	2,317	(180)
Corporate issues	3,537	(219)	15,067	(4,416)	18,604	(4,635)
Equities	4,178	(258)	18	(1)	4,196	(259)
Residential mortgage- backed securities - non-agency			4,971	(889)	4,971	(889)
Residential mortgage- backed securities - agency	85,921	(100)	14,353	(37)	100,274	(137)
Total temporarily impaired securities	\$ 118,237	(638)	46,374	(5,572)	164,611	(6,210)

Corporate issues

As of March 31, 2012, we had six investments with a total book value of \$19.4 million and total fair value of \$13.5 million, where the book value exceeded the carrying value for more than 12 months. These investments were two single issuer trust preferred investments and four pooled trust preferred investments. The single issuer trust preferred investments were evaluated for other-than-temporary impairment by determining the strength of the underlying issuer. In both cases, the underlying issuer was well-capitalized for regulatory purposes. Neither of the issuers have deferred interest payments or announced the intention to defer interest payments, nor have either been downgraded. We believe the decline in fair value is related to the spread over three month LIBOR, on which the quarterly interest payments are based, as the spread over LIBOR is significantly lower than current market spreads on similar investments. We concluded the impairment of these two investments was considered noncredit related and temporary. In making that determination, we also considered the duration and the severity of the losses and whether we intend to hold these securities until the value is recovered, the securities are redeemed or maturity. The pooled trust preferred investments were evaluated for other-than-temporary impairment by considering the duration and severity of the losses, actual cash flows, projected cash flows, performing collateral, the class of investment owned and the amount of additional defaults the structure could withstand prior to the investment experiencing a disruption in cash flows. None of these investments experienced a cash flow disruption or are projecting a cash flow disruption.

We concluded, based on all facts evaluated, the impairment of these investments was considered noncredit related and temporary. Management asserts that we do not have the intent to sell these investments and that it is more likely than not, we will not have to sell the investments before recovery of their cost basis.

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Table of Contents

The following table provides class, book value, fair value and ratings information for our portfolio of corporate securities that have an unrealized loss at March 31, 2012 (in thousands):

Description	Class	Book Value	Total Fair Value	Unrealized Losses	Moody s/ Fitch Ratings
Bank Boston Capital Trust (1)	N/A	\$ 989	694	(295)	Ba1/ BB
Huntington Capital Trust	N/A	1,425	1,038	(387)	Baa3/ BB
Commercebank Capital Trust	N/A	887	880	(7)	Not rated
Ocean Shore Capital Trust	N/A	864	700	(164)	Not rated
I-PreTSL I	Mezzanine	1,500	443	(1,057)	Not rated/ CCC
I-PreTSL II	Mezzanine	1,500	605	(895)	Not rated/ B
PreTSL XIX	Senior A-1	8,626	6,365	(2,261)	Baa2/ BBB
PreTSL XX	Senior A-1	5,403	4,334	(1,069)	Ba2/ BB
		\$ 21,194	15,059	(6,135)	

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

The following table provides collateral information on the entire pool for the trust preferred securities included in the previous table at March 31, 2012 (in thousands):

Description *	Total Collateral	Current deferrals and defaults	Performing Collateral	Additional Immediate defaults before causing an interest shortfall
I-PreTSL I	\$ 188,500	32,500	156,000	93,251
I-PreTSL II	340,500	17,500	323,000	156,787
PreTSL XIX	649,981	179,150	470,831	146,000
PreTSL XX	552,238	174,500	377,738	96,500

Mortgage-backed securities

Mortgage-backed securities include agency (FNMA, FHLMC and GNMA) mortgage-backed securities and non-agency collateralized mortgage obligations (CMOs). We review our portfolio of agency mortgage-backed securities quarterly for impairment. As of March 31, 2012, we believe that the impairment within our portfolio of agency mortgage-backed securities is noncredit related and temporary. As of March 31, 2012, we had ten non-agency CMOs with a total book value of \$9.3 million and a total fair value of \$9.0 million. During the three months ended March 31, 2012, we recognized other-than-temporary credit related impairment of \$238,000 related to one of these investments. After recognizing the other-than-temporary impairment, our book value on this investment was \$4.3 million, with a fair value of \$4.0 million. We determined how much of the impairment was credit related and noncredit related by analyzing cash flow estimates, estimated prepayment speeds, loss severity and conditional default rates. We consider the discounted cash flow analysis to be our primary evidence when determining whether credit related other-than-temporary impairment exists. The impairment on the other nine non-agency

Table of Contents

CMOs, with book value of \$5.0 million and fair value of \$5.0 million, were also reviewed considering the severity and length of impairment. After this review, we determined that the impairment on these securities was noncredit related and temporary.

The following table shows issuer specific information, book value, fair value, unrealized gain or loss and other-than-temporary impairment recorded in earnings for the portfolio of non-agency CMOs at March 31, 2012 (in thousands):

Description	Book Value	Fair Value	Unrealized Gain/ (loss)	Impairment recorded in current period earnings	Total impairment recorded in prior period earnings
AMAC 2003-6 2A2	\$ 323	331	8		
AMAC 2003-6 2A8	667	686	19		
AMAC 2003-7 A3	395	399	4		
BOAMS 2005-11 1A8	1,501	1,629	128		(146)
CWALT 2005-J14 A3	4,318	4,011	(307)	(238)	(676)
CFSB 2003-17 2A2	615	625	10		
WAMU 2003-S2 A4	461	470	9		
CMLTI 2005-10 1A5B	58	3	(55)		(3,531)
SARM 2005-21 4A2	23	16	(7)		(3,193)
WFMBS 2003-B A2	942	869	(73)		
	\$ 9,303	9,039	(264)	(238)	(7,546)

Municipal Securities

At March 31, 2012, we had two investments in municipal securities with a total book value of \$1.6 million and a total fair value of \$1.5 million, where book value exceeded fair value for more than 12 months. We initially evaluate municipal securities for other-than-temporary impairment by comparing the fair value, provided to us by two third party pricing sources 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 carrying value we then look at the stated interest rate and compare the stated interest rate to current market interest rates to determine if the decline in fair value is considered to be attributable to interest rates. If the interest rate approximates current interest rates for similar securities, we determine if the investment is rated and if so, if the rating has changed in the current period. If the rating has not changed during the current period, we review publicly available information to determine if there has been any negative change in the underlying municipality. As of March 31, 2012, we have determined that all of the impairment in our municipal securities portfolio is noncredit related and temporary. The two investments in municipal securities discussed above were issued by two Pennsylvania municipalities.

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Table of Contents

The following table provides information for our portfolio of municipal securities that have unrealized losses for greater than 12 months at March 31, 2012 (in thousands):

Description	State	Book Value	Total Fair Value	Unrealized Losses	Rating
Cambridge Area JT Revenue	PA	\$ 595	566	(29)	Not rated
West Reading General Obligation	PA	987	923	(64)	BBB
		\$ 1,582	1,489	(93)	

Credit related other-than-temporary impairment on debt securities is recognized in earnings while noncredit related other-than-temporary impairment on 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 (in thousands):

	2012	2011
Beginning balance at January 1, (a)	\$ 16,382	15,445
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized		
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	238	
Ending balance at March 31,	\$ 16,620	15,445

(a) 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**

We have defined our portfolio segments as Personal Banking loans and Business Banking loans. Classes of Personal Banking loans are residential mortgage loans, home equity loans and other consumer loans. Classes of Business Banking loans are commercial real estate loans and commercial loans. The following table shows a summary of our loans receivable at March 31, 2012 and December 31, 2011 (in thousands):

	March 31, 2012	December 31, 2011
Personal Banking:		
Residential mortgage loans	\$ 2,449,991	2,414,992
Home equity loans	1,058,938	1,084,786
Other consumer loans	237,591	245,689
Total Personal Banking	3,746,520	3,745,467
Business Banking:		
Commercial real estate	1,516,583	1,481,127
Commercial loans	430,902	408,462
Total Business Banking	1,947,485	1,889,589
Total loans receivable, gross	5,694,005	5,635,056
Deferred loan fees	(4,026)	(4,752)
Allowance for loan losses	(72,941)	(71,138)
Undisbursed loan proceeds:		
Residential mortgage loans	(19,032)	(12,874)
Commercial real estate	(41,007)	(45,360)
Commercial loans	(22,008)	(20,551)
Total loans receivable, net	\$ 5,534,991	5,480,381

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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 at March 31, 2012 (in thousands):

	Balance December 31, 2011	Current period provision	Charge-offs	Recoveries	Balance March 31, 2012
Personal Banking:					
Residential mortgage loans	\$ 8,482	327	(1,043)	98	7,864
Home equity loans	8,687	128	(892)	24	7,947
Other consumer loans	5,325	207	(1,287)	344	4,589
Total Personal Banking	22,494	662	(3,222)	466	20,400
Business Banking:					
Commercial real estate loans	32,148	4,319	(1,473)	297	35,291
Commercial loans	12,080	1,192	(649)	97	12,720
Total Business Banking	44,228	5,511	(2,122)	394	48,011
Unallocated	4,416	114			4,530
Total	\$ 71,138	6,287	(5,344)	860	72,941

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable at March 31, 2011 (in thousands):

	Balance December 31, 2010	Current period provision	Charge-offs	Recoveries	Balance March 31, 2011
Personal Banking:					
Residential mortgage loans	\$ 6,854	2,286	(1,205)	71	8,006
Home equity loans	7,675	1,403	(2,255)	17	6,840
Other consumer loans	5,810	581	(1,232)	397	5,556
Total Personal Banking	20,339	4,270	(4,692)	485	20,402
Business Banking:					
Commercial real estate loans	35,832	278	(2,276)	206	34,040
Commercial loans	15,770	2,869	(1,041)	112	17,710
Total Business Banking	51,602	3,147	(3,317)	318	51,750
Unallocated	4,471	(173)			4,298
Total	\$ 76,412	7,244	(8,009)	803	76,450

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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, 2012 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual	Recorded investment in loans past due 90 days or more and still accruing	TDRs
Personal Banking:					
Residential mortgage loans	\$ 2,426,933	7,864	28,696	11	806
Home equity loans	1,058,938	7,947	9,100	342	
Other consumer loans	237,591	4,589	1,983	423	
Total Personal Banking	3,723,462	20,400	39,779	776	806
Business Banking:					
Commercial real estate loans	1,475,576	35,291	58,400		38,995
Commercial loans	408,894	12,720	26,834	24	27,502
Total Business Banking	1,884,470	48,011	85,234	24	66,497
Total	\$ 5,607,932	68,411	125,013	800	67,303

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2011 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual	Recorded investment in loans past due 90 days or more and still accruing	TDRs
Personal Banking:					
Residential mortgage loans	\$ 2,397,366	8,482	28,221	12	806
Home equity loans	1,084,786	8,687	9,560	221	
Other consumer loans	245,689	5,325	2,667	277	
Total Personal Banking	3,727,841	22,494	40,448	510	806
Business Banking:					
Commercial real estate loans	1,435,767	32,148	62,494		38,216
Commercial loans	387,911	12,080	28,163		30,407
Total Business Banking	1,823,678	44,228	90,657		68,623
Total	\$ 5,551,519	66,722	131,105	510	69,429

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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, 2012 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 28,696				28,696	29,327	170
Home equity loans	9,100				9,100	9,545	68
Other consumer loans	1,983				1,983	2,499	13
Total Personal Banking	39,779				39,779	41,371	251
Business Banking:							
Commercial real estate loans	34,601	23,799	24,012	9,218	91,630	91,747	878
Commercial loans	15,810	11,024	8,332	8,744	43,910	45,802	369
Total Business Banking	50,411	34,823	32,344	17,962	135,540	137,549	1,247
Total	\$ 90,190	34,823	32,344	17,962	175,319	178,920	1,498

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, 2011 (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	\$ 28,221			361	28,582	30,731	538
Home equity loans	9,560				9,560	9,574	182
Other consumer loans	2,667				2,667	2,340	34
Total Personal Banking	40,448			361	40,809	42,645	754
Business Banking:							
Commercial real estate loans	44,603	17,891	15,467	16,097	94,058	101,731	3,640
Commercial loans	10,785	17,378	7,337	8,991	44,491	59,897	1,642
Total Business Banking	55,388	35,269	22,804	25,088	138,549	161,628	5,282
Total	\$ 95,836	35,269	22,804	25,449	179,358	204,273	6,036

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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, 2012 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	\$ 2,426,933				
Home equity loans	1,058,938				
Other consumer loans	237,591				
Total Personal Banking	3,723,462				
Business Banking:					
Commercial real estate loans	1,432,081	43,495	16,334	4,918	27,161
Commercial loans	384,711	24,183	4,614	1,114	19,569
Total Business Banking	1,816,792	67,678	20,948	6,032	46,730
Total	\$ 5,540,254	67,678	20,948	6,032	46,730

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2011 (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	\$ 2,397,366				
Home equity loans	1,084,786				
Other consumer loans	245,689				
Total Personal Banking	3,727,841				
Business Banking:					
Commercial real estate loans	1,395,634	40,133	15,576	3,025	24,557
Commercial loans	361,033	26,878	5,897	1,519	20,981
Total Business Banking	1,756,667	67,011	21,473	4,544	45,538
Total	\$ 5,484,508	67,011	21,473	4,544	45,538

Table of Contents

Our loan portfolios include certain 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 typically are 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. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan.

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

During the three months ended March 31, 2012, one commercial real estate loan TDR with a balance of \$282,000 was charged off and one commercial loan TDR with a balance of \$213,000 was paid off.

Table of Contents

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

	Number of contracts	For the three months ended March 31, 2012		
		Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:				
Personal Banking:				
Residential mortgage loans		\$		
Home equity loans				
Other consumer loans				
Total Personal Banking				
Business Banking:				
Commercial real estate loans	3	1,400	1,391	636
Commercial loans	3	1,645	1,446	84
Total Business Banking	6	3,045	2,837	720
Total	6	\$ 3,045	2,837	720
Troubled debt restructurings that subsequently defaulted:				
Personal Banking:				
Residential mortgage loans	1	\$ 449	361	470
Home equity loans				
Other consumer loans				
Total Personal Banking	1	449	361	470
Business Banking:				
Commercial real estate loans	1	575	520	
Commercial loans				
Total Business Banking	1	575	520	
Total	2	\$ 1,024	881	470

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Table of Contents

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

	Number of contracts	For the three months ended March 31, 2011		
		Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:				
Personal Banking:				
Residential mortgage loans	1	\$ 449	363	1
Home equity loans				
Other consumer loans				
Total Personal Banking	1	449	363	1
Business Banking:				
Commercial real estate loans	3	1,758	1,734	129
Commercial loans	5	12,934	11,684	3,754
Total Business Banking	8	14,692	13,418	3,883