

Northwest Bancshares, Inc.
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 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)

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) 94,941,430 shares outstanding as of October 30, 2014

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)

	(Unaudited) September 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 83,994	98,122
Interest-earning deposits in other financial institutions	209,161	293,149
Federal funds sold and other short-term investments	634	634
Marketable securities available-for-sale (amortized cost of \$928,644 and \$1,022,078)	930,913	1,016,767
Marketable securities held-to-maturity (fair value of \$113,322 and \$124,061)	110,214	121,366
Total cash and investments	1,334,916	1,530,038
Personal Banking:		
Residential mortgage loans held for sale		221
Residential mortgage loans	2,511,272	2,482,783
Home equity loans	1,071,540	1,083,939
Other consumer loans	238,653	228,348
Total Personal Banking	3,821,465	3,795,291
Business Banking:		
Commercial real estate loans	1,732,234	1,608,399
Commercial loans	403,402	402,601
Total Business Banking	2,135,636	2,011,000
Total loans	5,957,101	5,806,291
Allowance for loan losses	(71,650)	(71,348)
Total loans, net	5,885,451	5,734,943
Federal Home Loan Bank stock, at cost	43,985	43,715
Accrued interest receivable	19,505	19,152
Real estate owned, net	15,007	18,203
Premises and equipment, net	144,759	146,139
Bank owned life insurance	143,306	140,172
Goodwill	176,169	174,644
Other intangible assets	3,364	2,319
Other assets	60,464	70,715
Total assets	\$ 7,826,926	7,880,040
Liabilities and Shareholders' equity		
Liabilities:		
Noninterest-bearing checking deposits	\$ 884,804	789,135
Interest-bearing checking deposits	895,280	852,809
Money market deposit accounts	1,180,540	1,167,954
Savings deposits	1,214,284	1,191,584
Time deposits	1,532,815	1,667,397
Total deposits	5,707,723	5,668,879

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Borrowed funds	878,448	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	16,267	26,669
Accrued interest payable	880	888
Other liabilities	43,793	43,499
Total liabilities	6,750,205	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, 94,994,819 and 94,243,713 shares issued, respectively	950	943
Paid-in capital	627,748	619,678
Retained earnings	476,484	569,728
Unallocated common stock of employee stock ownership plan	(21,798)	(23,083)
Accumulated other comprehensive loss	(6,663)	(11,900)
Total shareholders' equity	1,076,721	1,155,366
Total liabilities and shareholders' equity	\$ 7,826,926	7,880,040

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per share data)

	Quarter ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Interest income:				
Loans receivable	\$ 70,820	71,422	210,868	216,113
Mortgage-backed securities	2,504	3,113	7,963	9,862
Taxable investment securities	1,004	1,030	3,098	2,969
Tax-free investment securities	1,561	1,912	4,814	6,069
Interest-earning deposits	187	253	673	844
Total interest income	76,076	77,730	227,416	235,857
Interest expense:				
Deposits	6,305	7,150	19,216	22,368
Borrowed funds	7,882	8,126	23,389	23,989
Total interest expense	14,187	15,276	42,605	46,357
Net interest income	61,889	62,454	184,811	189,500
Provision for loan losses	3,466	4,992	19,236	17,555
Net interest income after provision for loan losses	58,423	57,462	165,575	171,945
Noninterest income:				
Gain on sale of investments	852	109	4,549	229
Service charges and fees	9,665	9,282	27,115	27,010
Trust and other financial services income	2,976	2,380	9,078	6,847
Insurance commission income	1,778	2,019	6,579	6,504
Loss on real estate owned, net	(240)	(111)	(937)	(2,526)
Income from bank owned life insurance	1,083	1,178	3,134	3,351
Mortgage banking income	239	203	753	1,395
Other operating income	1,836	1,049	4,699	3,090
Total noninterest income	18,189	16,109	54,970	45,900
Noninterest expense:				
Compensation and employee benefits	28,047	27,629	84,562	83,715
Premises and occupancy costs	5,642	5,633	17,939	17,530
Office operations	3,419	3,497	11,044	10,631
Processing expenses	6,723	6,036	19,951	19,279
Marketing expenses	2,211	1,032	6,779	5,025
Federal deposit insurance premiums	1,242	1,377	3,877	4,239
Professional services	1,854	1,331	5,691	4,223
Amortization of other intangible assets	330	291	992	988
Real estate owned expense	636	681	1,734	1,880
Other expenses	3,250	2,770	7,754	7,044
Total noninterest expense	53,354	50,277	160,323	154,554
Income before income taxes	23,258	23,294	60,222	63,291
Federal and state income taxes	5,926	5,727	15,605	17,104

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Net income	\$	17,332	17,567	44,617	46,187
Basic earnings per share	\$	0.19	0.19	0.49	0.51
Diluted earnings per share	\$	0.19	0.19	0.48	0.51

See accompanying notes to unaudited consolidated financial statements

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

(in thousands)

		Quarter ended September 30,		Nine months ended September 30,	
		2014	2013	2014	2013
Net Income	\$	17,332	17,567	44,617	46,187
Other comprehensive income net of tax:					
Net unrealized holding gains/ (losses) on marketable securities:					
Unrealized holding gains/ (losses) net of tax of \$1,002, \$(73), \$(4,574) and \$6,767, respectively		(1,570)	110	7,149	(10,619)
Reclassification adjustment for gains included in net income, net of tax of \$268, \$55, \$1,616 and \$142 respectively		(419)	(87)	(2,527)	(221)
Net unrealized holding gains/ (losses) on marketable securities		(1,989)	23	4,622	(10,840)
Change in fair value of interest rate swaps, net of tax of \$(367), \$(159), \$(555) and \$(1,400), respectively		680	294	1,029	2,600
Defined benefit plan:					
Reclassification adjustment for prior period service costs included in net income, net of tax of \$74, \$(123), \$223 and \$(369), respectively		(138)	229	(414)	687
Other comprehensive income/ (loss)		(1,447)	546	5,237	(7,553)
Total comprehensive income	\$	15,885	18,113	49,854	38,634

See accompanying notes to unaudited consolidated financial statements

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(dollars in thousands, except share data)

Quarter ended September 30, 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 June 30, 2013	93,877,847	\$ 939	613,520	555,692	(19,587)	(23,743)	1,126,821
Comprehensive income:							
Net income				17,567			17,567
Other comprehensive income, net of tax of \$(300)					546		546
Total comprehensive income				17,567	546		18,113
Exercise of stock options	274,195	3	2,657				2,660
Stock compensation expense			1,003			438	1,441
Dividends paid (\$0.13 per share)				(11,946)			(11,946)
Ending balance at September 30, 2013	94,152,042	\$ 942	617,180	561,313	(19,041)	(23,305)	1,137,089

Quarter ended September 30, 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 June 30, 2014	94,949,695	\$ 949	626,213	471,219	(5,216)	(22,200)	1,070,965
Comprehensive income:							
Net income				17,332			17,332
Other comprehensive loss, net of tax of \$977					(1,447)		(1,447)
Total comprehensive income/ (loss)				17,332	(1,447)		15,885
Exercise of stock options	45,124	1	476				477
Stock-based compensation expense, including tax benefit of \$159			1,059			402	1,461
Dividends paid (\$0.13 per share)				(12,067)			(12,067)

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Ending balance at September 30, 2014	94,994,819	\$	950	627,748	476,484	(6,663)	(21,798)	1,076,721
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See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(dollars in thousands, except share data)

Nine months ended September 30, 2013

	Common Stock		Paid-in	Retained	Accumulated	Unallocated	Total
	Shares	Amount	Capital	Earnings	Other Comprehensive Income/ (loss)	common stock of ESOP	Shareholders Equity
Beginning balance at December 31, 2012	93,652,960	\$ 937	613,249	549,040	(11,488)	(24,525)	1,127,213
Comprehensive income:							
Net income				46,187			46,187
Other comprehensive loss, net of tax of \$5,140							