

Northwest Bancshares, Inc.  
Form 10-Q  
November 09, 2015  
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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, 2015**

**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) 101,768,906 shares outstanding as of October 30, 2015



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	September 30, 2015	December 31, 2014
<b>Assets</b>		
Cash and due from banks	\$ 91,406	87,401
Interest-earning deposits in other financial institutions	3,206	152,671
Federal funds sold and other short-term investments	1,013	634
Marketable securities available-for-sale (amortized cost of \$965,965 and \$906,702)	976,677	912,371
Marketable securities held-to-maturity (fair value of \$48,511 and \$106,292)	47,299	103,695
Total cash and investments	1,119,601	1,256,772
Personal Banking loans:		
Residential mortgage loans	2,712,537	2,521,456
Home equity loans	1,203,190	1,066,131
Other consumer loans	494,714	242,744
Total Personal Banking loans	4,410,441	3,830,331
Business Banking loans:		
Commercial real estate loans	2,330,864	1,801,184
Commercial loans	410,308	358,376
Total Business Banking loans	2,741,172	2,159,560
Total loans	7,151,613	5,989,891
Allowance for loan losses	(60,547)	(67,518)
Total loans, net	7,091,066	5,922,373
Federal Home Loan Bank stock, at cost	40,115	33,293
Accrued interest receivable	22,098	18,623
Real estate owned, net	10,391	16,759
Premises and equipment, net	153,841	143,909
Bank owned life insurance	167,258	144,362
Goodwill	261,319	175,323
Other intangible assets	9,712	3,033
Other assets	59,507	60,586
Total assets	\$ 8,934,908	7,775,033
<b>Liabilities and Shareholders equity</b>		
Liabilities:		
Noninterest-bearing checking deposits	\$ 1,127,864	891,248
Interest-bearing checking deposits	1,097,969	874,623
Money market deposit accounts	1,277,878	1,179,070
Savings deposits	1,378,958	1,209,287
Time deposits	1,762,073	1,478,314
Total deposits	6,644,742	5,632,542
Borrowed funds	927,219	888,109

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Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	119,332	103,094
Advances by borrowers for taxes and insurance	18,216	30,507
Accrued interest payable	1,816	936
Other liabilities	62,246	57,198
<b>Total liabilities</b>	<b>7,773,571</b>	<b>6,712,386</b>
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value: 50,000,000 authorized, no shares issued		
Common stock, \$0.01 par value: 500,000,000 shares authorized, 101,725,112 and 94,721,453 shares issued, respectively	1,017	947
Paid-in capital	714,730	626,134
Retained earnings	487,048	481,577
Unallocated common stock of employee stock ownership plan	(21,398)	(21,641)
Accumulated other comprehensive loss	(20,060)	(24,370)
<b>Total shareholders' equity</b>	<b>1,161,337</b>	<b>1,062,647</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 8,934,908</b>	<b>7,775,033</b>

See accompanying notes to unaudited consolidated financial statements

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

	Quarter ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
<b>Interest income:</b>				
Loans receivable	\$ 76,087	70,820	217,783	210,868
Mortgage-backed securities	2,230	2,504	6,522	7,963
Taxable investment securities	1,689	1,456	5,741	4,523
Tax-free investment securities	986	1,561	3,477	4,814
Interest-earning deposits	99	187	418	673
<b>Total interest income</b>	<b>81,091</b>	<b>76,528</b>	<b>233,941</b>	<b>228,841</b>
<b>Interest expense:</b>				
Deposits	6,163	6,305	17,620	19,216
Borrowed funds	7,987	7,882	24,221	23,389
<b>Total interest expense</b>	<b>14,150</b>	<b>14,187</b>	<b>41,841</b>	<b>42,605</b>
<b>Net interest income</b>	<b>66,941</b>	<b>62,341</b>	<b>192,100</b>	<b>186,236</b>
Provision for loan losses	3,167	3,466	5,117	19,236
<b>Net interest income after provision for loan losses</b>	<b>63,774</b>	<b>58,875</b>	<b>186,983</b>	<b>167,000</b>
<b>Noninterest income:</b>				
Gain on sale of investments	260	852	921	4,549
Service charges and fees	9,945	9,665	27,832	27,115
Trust and other financial services income	3,062	2,976	8,932	9,078
Insurance commission income	2,398	1,778	7,036	6,579
Loss on real estate owned, net	(246)	(240)	(1,833)	(937)
Income from bank owned life insurance	1,166	1,083	3,087	3,134
Mortgage banking income	267	239	725	753
Other operating income	1,288	1,384	2,590	3,274
<b>Total noninterest income</b>	<b>18,140</b>	<b>17,737</b>	<b>49,290</b>	<b>53,545</b>
<b>Noninterest expense:</b>				
Compensation and employee benefits	31,000	28,047	87,815	84,562
Premises and occupancy costs	6,072	5,642	18,238	17,939
Office operations	3,892	3,419	11,080	11,044
Processing expenses	8,126	6,723	22,723	19,951
Marketing expenses	1,691	2,211	6,857	6,779
Federal deposit insurance premiums	1,177	1,242	3,810	3,877
Professional services	1,529	1,854	4,973	5,691
Amortization of other intangible assets	422	330	959	992
Real estate owned expense	471	636	1,677	1,734
Acquisition expense	7,590		8,404	
Other expenses	1,834	3,250	6,114	7,754
<b>Total noninterest expense</b>	<b>63,804</b>	<b>53,354</b>	<b>172,650</b>	<b>160,323</b>
<b>Income before income taxes</b>	<b>18,110</b>	<b>23,258</b>	<b>63,623</b>	<b>60,222</b>
Federal and state income taxes	5,238	5,926	19,276	15,605



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Net income	\$	12,872	17,332	44,347	44,617
Basic earnings per share	\$	0.14	0.19	0.48	0.49
Diluted earnings per share	\$	0.13	0.19	0.48	0.48

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,	
	2015	2014	2015	2014
Net Income	\$ 12,872	17,332	44,347	44,617
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of \$(1,520), \$1,002, \$(2,266) and \$(4,574), respectively	2,379	(1,570)	3,543	7,149
Reclassification adjustment for gains included in net income, net of tax of \$77, \$268, \$299 and \$1,616 respectively	(120)	(419)	(467)	(2,527)
Net unrealized holding gains on marketable securities	2,259	(1,989)	3,076	4,622
Change in fair value of interest rate swaps, net of tax of \$(24), \$(367), \$(311) and \$(555), respectively	45	680	577	1,029
Defined benefit plan:				
Reclassification adjustment for prior period service costs included in net income, net of tax of \$(140), \$74, \$(420) and \$223, respectively	219	(138)	657	(414)
Other comprehensive income/ (loss)	2,523	(1,447)	4,310	5,237
Total comprehensive income	\$ 15,395	15,885	48,657	49,854

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)

**Quarter ended September 30, 2014**

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
	Shares	Amount					
Beginning balance at June 30, 2014	94,949,695	\$ 949	626,213	471,038	(5,216)	(22,200)	1,070,784
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 compensation expense			1,059			402	1,461
Dividends paid (\$0.13 per share)				(12,067)			(12,067)
Ending balance at September 30, 2014	94,994,819	\$ 950	627,748	476,303	(6,663)	(21,798)	1,076,540

**Quarter ended September 30, 2015**

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
	Shares	Amount					
Beginning balance at June 30, 2015	94,740,749	\$ 947	624,321	487,150	(22,583)	(21,485)	1,068,350
Comprehensive income:							
Net income				12,872			12,872
Other comprehensive income, net of tax of \$(1,607)					2,523		2,523
Total comprehensive income				12,872	2,523		15,395
Acquisition of LNB Bancorp, Inc.	7,056,704	70	90,538				90,608
Exercise of stock options	75,159	1	773				774
			941			87	1,028

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Stock-based compensation expense,  
including tax benefit of \$25

Share repurchases	(147,500)	(1)	(1,843)					(1,844)
Dividends paid (\$0.14 per share)					(12,974)			(12,974)
Ending balance at September 30, 2015	101,725,112	\$	1,017	714,730	487,048	(20,060)	(21,398)	1,161,337

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, 2014

	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	569,547	(11,900)	(23,083)	1,155,185
Comprehensive income:							
Net income				44,617			44,617
Other comprehensive income, net of tax of \$(3,290)					5,237		5,237
Total comprehensive income				44,617	5,237		49,854
Exercise of stock options	478,476	5	4,935				4,940
Stock-based compensation expense, including tax benefit of \$159	272,630	2	3,135			1,285	4,422
Dividends paid (\$1.49 per share)				(137,861)			(137,861)
Ending balance at September 30, 2014	94,994,819	\$ 950	627,748	476,303	(6,663)	(21,798)	1,076,540

## Nine months ended September 30, 2015

	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, 2014	94,721,453	\$ 947	626,134	481,577	(24,370)	(21,641)	1,062,647
Comprehensive income:							
Net income				44,347			44,347
Other comprehensive income, net of tax of \$(2,698)					4,310		4,310
Total comprehensive income				44,347	4,310		48,657
Acquisition of LNB Bancorp, Inc.	7,056,704	70	90,538				90,608

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Exercise of stock options	285,905		3	2,838				2,841
Stock-based compensation expense, including tax benefit of \$31	306,350		3	3,061		243		3,307
Share repurchases	(645,300)		(6)	(7,841)				(7,847)
Dividends paid (\$0.42 per share)					(38,876)			(38,876)
Ending balance at September 30, 2015	101,725,112	\$	1,017	714,730	487,048	(20,060)	(21,398)	1,161,337

See accompanying notes to unaudited consolidated financial statements

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

	<b>2015</b>	<b>Nine months ended September 30,</b>	<b>2014</b>
<b>OPERATING ACTIVITIES:</b>			
Net Income	\$	44,347	44,617
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses		5,117	19,236
Net gain on sale of assets		(559)	(4,681)
Net depreciation, amortization and accretion		4,791	6,975
Decrease in other assets		37,533	6,621
Decrease in other liabilities		(8,993)	(3,839)
Net amortization on marketable securities		536	288
Noncash write-down of real estate owned		2,340	1,844
Origination of loans held for sale		(371)	(758)
Proceeds from sale of loans held for sale		375	1,023
Noncash compensation expense related to stock benefit plans		3,276	4,263
Net cash provided by operating activities		88,392	75,589
<b>INVESTING ACTIVITIES:</b>			
Purchase of marketable securities available-for-sale		(59,980)	(34,996)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity		56,616	11,152
Proceeds from maturities and principal reductions of marketable securities available-for-sale		183,822	124,856
Proceeds from sale of marketable securities available-for-sale		1,227	7,834
Loan originations		(1,677,913)	(1,469,902)
Proceeds from loan maturities and principal reductions		1,432,075	1,296,321
Purchase of Federal Home Loan Bank stock		(2,982)	(270)
Proceeds from sale of real estate owned		10,531	8,602
Sale of real estate owned for investment, net		456	456
Purchase of premises and equipment		(7,657)	(7,290)
Acquisitions, net of cash received		(61,108)	(2,792)
Net cash used in investing activities		(124,913)	(66,029)

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

	<b>Nine months ended September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>FINANCING ACTIVITIES:</b>		
Increase/ (decrease) in deposits, net	\$ (28,075)	38,844
Proceeds from long-term borrowings	85,000	
Repayments of long-term borrowings	(172,539)	(40)
Net increase/ (decrease) in short-term borrowings	63,480	(3,157)
Decrease in advances by borrowers for taxes and insurance	(12,544)	(10,402)
Cash dividends paid	(38,876)	(137,861)
Purchase of common stock for retirement	(7,847)	
Proceeds from stock options exercised	2,841	4,940
Net cash used in financing activities	(108,560)	(107,676)
Net decrease in cash and cash equivalents	\$ (145,081)	(98,116)
Cash and cash equivalents at beginning of period	\$ 240,706	391,905
Net decrease in cash and cash equivalents	(145,081)	(98,116)
Cash and cash equivalents at end of period	\$ 95,625	293,789
Cash and cash equivalents:		
Cash and due from banks	\$ 91,406	83,994
Interest-earning deposits in other financial institutions	3,206	209,161
Federal funds sold and other short-term investments	1,013	634
Total cash and cash equivalents	\$ 95,625	293,789
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$16,092 and \$17,276, respectively)	\$ 40,961	42,613
Income taxes	\$ 10,731	19,343
Business acquisitions:		
Fair value of assets acquired	\$ 1,160,190	2,798
Cash paid, net		