

Northwest Bancshares, Inc.
Form 10-Q
August 09, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2011

or
 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
(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

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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) 103,279,692 shares outstanding as of July 31, 2011

NORTHWEST BANCSHARES, INC.
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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share data)

	(Unaudited)	
	June 30, 2011	December 31, 2010
Assets		
Cash and due from banks	\$ 80,889	40,708
Interest-earning deposits in other financial institutions	631,957	677,771
Federal funds sold and other short-term investments	633	632
Marketable securities available-for-sale (amortized cost of \$1,023,829 and \$945,571)	1,040,547	950,463
Marketable securities held-to-maturity (fair value of \$284,685 and \$354,126)	280,782	357,922
Total cash and investments	2,034,808	2,027,496
Loans held for sale	8,035	11,376
Residential mortgage loans	2,342,904	2,386,928
Home equity loans	1,083,301	1,095,953
Other consumer loans	247,182	255,776
Commercial real estate loans	1,375,090	1,350,319
Commercial loans	432,666	433,653
Total loans	5,489,178	5,534,005
Allowance for loan losses	(75,455)	(76,412)
Total loans, net	5,413,723	5,457,593
Federal Home Loan Bank stock, at cost	54,222	60,080
Accrued interest receivable	25,647	26,216
Real estate owned, net	21,389	20,780
Premises and equipment, net	126,303	128,101
Bank owned life insurance	133,358	132,237
Goodwill	171,882	171,882
Other intangible assets	2,972	3,942
Other assets	103,041	119,828
Total assets	\$ 8,087,345	8,148,155
Liabilities and Shareholders' equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 614,718	575,281
Interest-bearing demand deposits	796,482	782,257
Savings deposits	2,042,618	1,948,882
Time deposits	2,365,488	2,457,916
Total deposits	5,819,306	5,764,336
Borrowed funds	847,450	891,293
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	103,094	103,094

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Advances by borrowers for taxes and insurance	30,371	22,868
Accrued interest payable	1,155	1,716
Other liabilities	58,828	57,398
Total liabilities	6,860,204	6,840,705
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, 103,266,045 and 110,295,117 shares issued, respectively	1,033	1,103
Paid-in capital	726,207	824,164
Retained earnings	533,229	523,089
Unallocated common stock of employee stock ownership plan	(26,639)	(27,409)
Accumulated other comprehensive loss	(6,689)	(13,497)
	1,227,141	1,307,450
Total liabilities and shareholders' equity	\$8,087,345	8,148,155

See accompanying notes to consolidated financial statements - unaudited

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Interest income:				
Loans receivable	\$79,993	81,734	160,450	162,480
Mortgage-backed securities	6,073	6,706	12,829	12,851
Taxable investment securities	594	599	992	1,597
Tax-free investment securities	2,992	2,853	6,066	5,537
Interest-earning deposits	489	512	896	1,077
Total interest income	90,141	92,404	181,233	183,542
Interest expense:				
Deposits	15,473	18,973	31,536	40,377
Borrowed funds	7,989	9,704	15,978	19,404
Total interest expense	23,462	28,677	47,514	59,781
Net interest income	66,679	63,727	133,719	123,761
Provision for loan losses	8,367	7,896	15,611	16,697
Net interest income after provision for loan losses	58,312	55,831	118,108	107,064
Noninterest income:				
Impairment losses on securities	(577)	(1,824)	(577)	(1,921)
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)	70	1,606	70	1,606
Net impairment losses	(507)	(218)	(507)	(315)
Gain on sale of investments, net	45	94	49	2,177
Service charges and fees	9,321	9,902	18,249	18,804
Trust and other financial services income	2,185	1,912	4,095	3,745
Insurance commission income	1,790	1,293	3,170	2,435
Loss on real estate owned, net	(593)	(255)	(620)	(279)
Income from bank owned life insurance	1,716	1,474	2,882	2,640
Mortgage banking income	290	29	487	21
Other operating income	1,015	1,314	1,783	2,174
Total noninterest income	15,262	15,545	29,588	31,402
Noninterest expense:				
Compensation and employee benefits	29,658	24,960	55,157	50,816
Premises and occupancy costs	5,650	5,340	11,841	11,342
Office operations	3,255	2,934	6,355	6,171
Processing expenses	5,687	5,552	11,454	11,248
Marketing expenses	2,108	3,294	4,067	4,737
Federal deposit insurance premiums	2,355	2,148	4,782	4,296
Professional services	1,289	583	2,545	1,311
Amortization of other intangible assets	479	759	970	1,541
Real estate owned expense	249	712	680	1,611

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Other expenses	1,760	1,875	4,017	3,688
Total noninterest expense	52,490	48,157	101,868	96,761
Income before income taxes	21,084	23,219	45,828	41,705
Federal and state income taxes	6,081	7,078	13,572	12,411
Net income	\$ 15,003	16,141	32,256	29,294
Basic earnings per share	\$0.15	0.15	0.31	0.27
Diluted earnings per share	\$0.15	0.15	0.31	0.27

See accompanying notes to unaudited consolidated financial statements

NORTHWEST BANCSHARES, INC.
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
 (dollars in thousands)

Three months ended	Common Stock		Paid-in Capital	Retained Earnings	Accumulated	Unallocated common stock of ESOP	Total Shareholders' Equity
	Shares	Amount			Other Comprehensive Income/ (loss)		
June 30, 2010							
Beginning balance at March 31, 2010	110,680,962	\$ 1,107	828,623	510,932	(9,731)	(28,851)	1,302,080
Comprehensive income:							
Net income	-	-	-	16,141	-	-	16,141
Change in fair value of interest rate swaps, net of tax of \$1,752	-	-	-	-	(2,741)	-	(2,741)
Change in unrealized loss on securities, net of tax of \$(2,746)	-	-	-	-	5,100	-	5,100
Reclassification of previously recognized OTTI on investment securities recorded in OCI to net income, net of tax of \$(71)	-	-	-	-	147	-	147
Total comprehensive income	-	-	-	16,141	2,506	-	18,647
Exercise of stock options	94,052	1	838	-	-	-	839
Stock compensation expense	-	-	225	-	-	-	225
Dividends paid (\$0.10 per share)	-	-	-	(11,068)	-	-	(11,068)
Ending balance at June 30, 2010	110,775,014	\$ 1,108	829,686	516,005	(7,225)	(28,851)	1,310,723
Three months ended							
June 30, 2011	107,733,432	\$ 1,078	793,951	529,630	(10,518)	(27,025)	1,287,116

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Beginning balance at March 31, 2011							
Comprehensive income:							
Net income	-	-	-	15,003	-	-	15,003
Change in fair value of interest rate swaps, net of tax of \$705	-	-	-	-	(1,309)	-	(1,309)
Change in unrealized loss on securities, net of tax of \$(2,767)	-	-	-	-	4,358	-	4,358
Reclassification of previously recognized OTTI on investment securities recorded in OCI to net income, net of tax of \$(273)	-	-	-	-	780	-	780
Total comprehensive income	-	-	-	15,003	3,829	-	18,832
Exercise of stock options	72,230	1	386	-	-	-	387
Stock compensation expense	1,273,949	12	3,384	-	-	386	3,782
Share repurchases	(5,813,566)	(58)	(71,514)	-	-	-	(71,572)
Dividends paid (\$0.11 per share)	-	-	-	(11,404)	-	-	(11,404)
Ending balance at June 30, 2011	103,266,045	\$ 1,033	726,207	533,229	(6,689)	(26,639)	1,227,141

See accompanying notes to unaudited consolidated financial statements

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)
(dollars in thousands)

Six months ended June 30, 2010	Accumulated						
	Common Stock		Paid-in Capital	Retained Earnings	Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders' Equity
	Shares	Amount					
Beginning balance at December 31, 2009	110,641,858	\$ 1,106	828,195	508,842	(9,977)	(11,651)	1,316,515
Comprehensive income:							
Net income	-	-	-	29,294	-	-	29,294
Change in fair value of interest rate swaps, net of tax of \$2,291	-	-	-	-	(3,583)	-	(3,583)
Change in unrealized loss on securities, net of tax of \$(3,300)	-	-	-	-	6,130	-	6,130
Reclassification of previously recognized OTTI on investment securities recorded in OCI to net income, net of tax of \$(110)	-	-	-	-	205	-	205
Total comprehensive income	-	-	-	29,294	2,752	-	32,046
Exercise of stock options	133,156	2	1,166	-	-	-	1,168
Stock-based compensation expense	-	-	1,028	-	-	-	1,028
Additional costs associated with common stock offering	-	-	(703)	-	-	-	(703)
Purchase of common stock by ESOP	-	-	-	-	-	(17,200)	(17,200)
Dividends paid (\$0.20 per share)	-	-	-	(22,131)	-	-	(22,131)

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Ending balance at June 30, 2010	110,775,014	\$ 1,108	829,686	516,005	(7,225)	(28,851)	1,310,723
	Accumulated						
Six months ended June 30, 2011	Common Stock		Paid-in	Retained	Comprehensive	Unallocated	Total
	Shares	Amount	Capital	Earnings	Income/ (loss)	common stock of ESOP	Shareholders' 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	-	-	-	32,256	-	-	32,256
Change in fair value of interest rate swaps, net of tax of \$223	-	-	-	-	(415)	-	(415)
Change in unrealized loss on securities, net of tax of \$(3,889)	-	-	-	-	6,443	-	6,443
Reclassification of previously recognized OTTI on investment securities recorded in OCI to net income, net of tax of \$(273)	-	-	-	-	780	-	780
Total comprehensive income	-	-	-	32,256	6,808	-	39,064
Exercise of stock options	128,968	2	738	-	-	-	740
Stock-based compensation expense	1,273,949	12	3,867	-	-	770	4,649
Share repurchases	(8,431,989)	(84)	(102,562)	-	-	-	(102,646)
Dividends paid (\$0.21 per share)	-	-	-	(22,116)	-	-	(22,116)
Ending balance at June 30, 2011	103,266,045	\$ 1,033	726,207	533,229	(6,689)	(26,639)	1,227,141

See accompanying notes to unaudited consolidated financial statements

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Six months ended June 30,	
	2011	2010
OPERATING ACTIVITIES:		
Net Income	\$ 32,256	29,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	15,611	16,697
Net loss/ (gain) on sale of assets	1,597	(302)
Net depreciation, amortization and accretion	4,634	7,092
Decrease in other assets	11,013	5,084
(Decrease)/ increase in other liabilities	233	(570)
Net amortization of discount on marketable securities	(258)	(1,101)
Noncash impairment losses on investment securities	507	315
Origination of loans held for sale	(46,254)	(27,494)
Proceeds from sale of loans held for sale	49,655	15,348
Noncash compensation expense related to stock benefit plans	4,649	1,028
Net cash provided by operating activities	73,643	45,391
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(184,770)	-
Purchase of marketable securities held-to-maturity	-	(465,089)
Proceeds from maturities and principal reductions of marketable securities available-for-sale	106,668	191,511
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	76,783	49,789
Proceeds from sale of marketable securities available-for-sale	-	56,865
Loan originations	(801,314)	(1,003,830)
Proceeds from loan maturities and principal reductions	820,330	751,886
Proceeds from sale of Federal Home Loan Bank stock	5,858	-
Proceeds from sale of real estate owned	4,594	5,250
Purchase of real estate owned for investment, net	(251)	(104)
Purchase of premises and equipment	(1,781)	(7,697)
Net cash provided by/ (used in) investing activities	26,117	(421,419)

NORTHWEST BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)
(in thousands)

	Six months ended June 30,	
	2011	2010
FINANCING ACTIVITIES:		
Increase in deposits, net	\$54,970	104,555
Repayments of long-term borrowings	(50,033)	(1,532)
Net increase in short-term borrowings	6,190	1,769
Increase in advances by borrowers for taxes and insurance	7,503	8,669
Cash dividends paid	(22,116)	(22,131)
Purchase of common stock for employee stock ownership plan	-	(17,200)
Purchase of common stock for retirement	(102,646)	-
Proceeds from stock options exercised	740	1,168
Net cash (used in)/provided by financing activities	(105,392)	75,298
Net decrease in cash and cash equivalents	\$(5,632)	(300,730)
Cash and cash equivalents at beginning of period	\$719,111	1,107,790
Net decrease in cash and cash equivalents	(5,632)	(300,730)
Cash and cash equivalents at end of period	\$713,479	807,060
Cash and cash equivalents:		
Cash and due from banks	\$80,889	60,647
Interest-earning deposits in other financial institutions	631,957	745,781
Federal funds sold and other short-term investments	633	632
Total cash and cash equivalents	\$713,479	807,060
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$26,828 and \$35,291, respectively)	\$48,075	59,941
Income taxes	\$10,135	