

Northwest Bancshares, Inc.
Form 10-Q
August 08, 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 June 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)

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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) 94,964,483 shares outstanding as of July 31, 2014

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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, 2014	December 31, 2013
Assets		
Cash and due from banks	\$ 97,467	98,122
Interest-earning deposits in other financial institutions	287,867	293,149
Federal funds sold and other short-term investments	634	634
Marketable securities available-for-sale (amortized cost of \$972,258 and \$1,022,078)	977,786	1,016,767
Marketable securities held-to-maturity (fair value of \$117,670 and \$124,061)	114,154	121,366
Total cash and investments	1,477,908	1,530,038
Personal Banking:		
Residential mortgage loans held for sale		221
Residential mortgage loans	2,485,740	2,482,783
Home equity loans	1,066,943	1,083,939
Other consumer loans	231,974	228,348
Total Personal Banking	3,784,657	3,795,291
Business Banking:		
Commercial real estate loans	1,694,882	1,608,399
Commercial loans	406,195	402,601
Total Business Banking	2,101,077	2,011,000
Total loans	5,885,734	5,806,291
Allowance for loan losses	(71,442)	(71,348)
Total loans, net	5,814,292	5,734,943
Federal Home Loan Bank stock, at cost	43,986	43,715
Accrued interest receivable	21,756	21,821
Real estate owned, net	14,915	18,203
Premises and equipment, net	145,344	146,139
Bank owned life insurance	142,223	140,172
Goodwill	175,988	174,463
Other intangible assets	3,694	2,319
Other assets	62,210	69,663
Total assets	\$ 7,902,316	7,881,476
Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing checking deposits	\$ 872,661	789,135
Interest-bearing checking deposits	901,486	852,809
Money market deposit accounts	1,183,228	1,167,954
Savings deposits	1,236,307	1,191,584
Time deposits	1,580,240	1,667,397
Total deposits	5,773,922	5,668,879

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Borrowed funds	869,335	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	37,677	26,669
Accrued interest payable	816	888
Other liabilities	45,000	43,499
Total liabilities	6,829,844	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, 94,949,695 and 94,243,713 shares issued, respectively	949	943
Paid-in capital	626,213	619,678
Retained earnings	472,726	571,164
Unallocated common stock of employee stock ownership plan	(22,200)	(23,083)
Accumulated other comprehensive loss	(5,216)	(11,900)
Total shareholders' equity	1,072,472	1,156,802
Total liabilities and shareholders' equity	\$ 7,902,316	7,881,476

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 June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Interest income:				
Loans receivable	\$ 70,797	71,987	140,170	144,960
Mortgage-backed securities	2,666	3,308	5,459	6,749
Taxable investment securities	1,014	1,034	2,094	1,939
Tax-free investment securities	1,598	2,094	3,253	4,157
Interest-earning deposits	286	340	486	591
Total interest income	76,361	78,763	151,462	158,396
Interest expense:				
Deposits	6,421	7,404	12,911	15,218
Borrowed funds	7,793	8,032	15,507	15,863
Total interest expense	14,214	15,436	28,418	31,081
Net interest income	62,147	63,327	123,044	127,315
Provision for loan losses	8,285	5,405	15,770	12,563
Net interest income after provision for loan losses	53,862	57,922	107,274	114,752
Noninterest income:				
Gain on sale of investments	349	19	3,697	120
Service charges and fees	9,042	9,037	17,450	17,728
Trust and other financial services income	3,055	2,263	6,102	4,467
Insurance commission income	2,237	2,190	4,801	4,485
Loss on real estate owned, net	(562)	(2,285)	(697)	(2,415)
Income from bank owned life insurance	1,050	1,088	2,051	2,173
Mortgage banking income	265	236	514	1,192
Other operating income	1,688	865	2,863	2,041
Total noninterest income	17,124	13,413	36,781	29,791
Noninterest expense:				
Compensation and employee benefits	28,543	28,156	56,515	56,086
Premises and occupancy costs	5,740	5,744	12,297	11,897
Office operations	3,868	3,866	7,625	7,134
Processing expenses	6,639	7,390	13,228	13,243
Marketing expenses	2,931	2,093	4,568	3,993
Federal deposit insurance premiums	1,338	1,424	2,635	2,862
Professional services	1,775	1,199	3,837	2,892
Amortization of other intangible assets	331	349	662	697
Real estate owned expense	459	600	1,098	1,199
Other expenses	2,182	1,985	4,504	4,274
Total noninterest expense	53,806	52,806	106,969	104,277
Income before income taxes	17,180	18,529	37,086	40,266
Federal and state income taxes	4,465	5,051	9,731	11,490

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Net income	\$	12,715	13,478	27,355	28,776
Basic earnings per share	\$	0.14	0.15	0.30	0.32
Diluted earnings per share	\$	0.14	0.15	0.30	0.32

See accompanying notes to unaudited consolidated financial statements

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	Quarter ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net Income	\$ 12,715	13,478	27,355	28,776
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of \$(1,997), \$7,276, \$(5,576) and \$6,841, respectively	3,123	(11,399)	8,719	(10,729)
Reclassification adjustment for gains included in net income, net of tax of \$130, \$44, \$1,348 and \$87 respectively	(204)	(68)	(2,108)	(134)
Net unrealized holding gains/ (losses) on marketable securities	2,919	(11,467)	6,611	(10,863)
Change in fair value of interest rate swaps, net of tax of \$(53), \$(874), \$(188) and \$(1,241), respectively	98	1,626	349	2,306
Defined benefit plan:				
Reclassification adjustment for prior period service costs included in net income, net of tax of \$74, \$(123), \$149 and \$(246), respectively	(138)	229	(276)	458
Other comprehensive income/ (loss)	2,879	(9,612)	6,684	(8,099)
Total comprehensive income	\$ 15,594	3,866	34,039	20,677

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)

Quarter ended June 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 March 31, 2013	93,802,335	\$ 938	615,160	565,594	(9,975)	(24,137)	1,147,580
Comprehensive income:							
Net income				13,478			13,478
Other comprehensive loss, net of tax of \$6,350					(9,612)		(9,612)
Total comprehensive income				13,478	(9,612)		3,866
Exercise of stock options	174,992	2	1,681				1,683
Stock compensation expense	269,320	3	1,134			394	1,531
Share repurchases	(368,800)	(4)	(4,455)				