

Northwest Bancshares, Inc.
Form 10-Q
May 10, 2010

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**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 March 31, 2010**

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

27-0950358

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

100 Liberty Street, Warren, Pennsylvania

16365

(Address of principal executive offices)

(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

(Do not check if a 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) 110,703,901 shares outstanding as of April 30, 2010

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

	<i>(Unaudited)</i>	
	March 31, 2010	December 31, 2009
Assets		
Cash and due from banks	\$ 66,351	69,265
Interest-earning deposits in other financial institutions	868,361	1,037,893
Federal funds sold and other short-term investments	683	632
Marketable securities available-for-sale (amortized cost of \$901,441 and \$1,059,177)	911,231	1,067,089
Marketable securities held-to-maturity (fair value of \$275,114 and \$0)	275,956	
Total cash and investments	2,122,582	2,174,879
Loans held for sale	181	1,164
Mortgage loans one- to four- family	2,392,899	2,334,538
Home equity loans	1,073,925	1,067,584
Consumer loans	282,631	286,292
Commercial real estate loans	1,288,584	1,238,217
Commercial business loans	385,455	371,670
Total loans	5,423,675	5,299,465
Allowance for loan losses	(74,836)	(70,403)
Total loans, net	5,348,839	5,229,062
Federal Home Loan Bank stock, at cost	63,242	63,242
Accrued interest receivable	27,209	25,780
Real estate owned, net	22,182	20,257
Premises and equipment, net	123,274	124,316
Bank owned life insurance	129,436	128,270
Goodwill	171,682	171,363
Other intangible assets	5,900	4,678
Other assets	70,284	83,451
Total assets	\$ 8,084,630	8,025,298
 Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 514,487	487,036
Interest-bearing demand deposits	773,613	768,110
Savings deposits	1,881,216	1,744,537
Time deposits	2,524,132	2,624,741

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Total deposits	5,693,448	5,624,424
Borrowed funds	903,905	897,326
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	25,033	22,034
Accrued interest payable	4,559	4,493
Other liabilities	52,511	57,412
Total liabilities	6,782,550	6,708,783
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, 110,680,962 and 110,641,858 shares issued, respectively	1,107	1,106
Paid-in capital	828,623	828,195
Retained earnings	510,932	508,842
Unallocated common stock of employee stock ownership plan	(28,851)	(11,651)
Accumulated other comprehensive loss	(9,731)	(9,977)
	1,302,080	1,316,515
Total liabilities and shareholders' equity	\$ 8,084,630	8,025,298

See accompanying notes to consolidated financial statements - unaudited

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

	Three months ended March 31,	
	2010	2009
Interest income:		
Loans receivable	80,746	80,708
Mortgage-backed securities	6,145	7,405
Taxable investment securities	998	1,546
Tax-free investment securities	2,684	2,932
Interest-earning deposits	565	39
 Total interest income	 91,138	 92,630
Interest expense:		
Deposits	21,404	24,637
Borrowed funds	9,700	10,189
 Total interest expense	 31,104	 34,826
 Net interest income	 60,034	 57,804
Provision for loan losses	8,801	5,781
 Net interest income after provision for loan losses	 51,233	 52,023
Noninterest income:		
Impairment losses on securities	(437)	
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)	340	
 Net impairment losses	 (97)	
Gain on sale of investments, net	2,083	42
Service charges and fees	8,902	7,871
Trust and other financial services income	1,833	1,348
Insurance commission income	1,142	549
Loss on real estate owned, net	(24)	(3,879)
Income from bank owned life insurance	1,166	1,187
Mortgage banking (loss)/ income	(8)	1,814
Other operating income	860	705
 Total noninterest income	 15,857	 9,637
Noninterest expense:		
Compensation and employee benefits	25,856	23,926
Premises and occupancy costs	6,002	5,978
Office operations	3,237	3,013
Processing expenses	5,696	5,308

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Marketing expenses	1,443	929
Federal deposit insurance premiums	2,148	1,890
Professional services	728	641
Amortization of other intangible assets	782	844
Real estate owned expense	899	433
Other expenses	1,813	1,304
Total noninterest expense	48,604	44,266
Income before income taxes	18,486	17,394
Federal and state income taxes	5,333	5,092
Net income	13,153	12,302
Basic earnings per share	0.12	0.11
Diluted earnings per share	0.12	0.11
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)

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)		Treasury Stock	Total Shareholders Equity
	Shares	Amount						
Three months ended March 31, 2009								
Beginning balance at December 31, 2008	109,052,887	\$ 5,124	218,332	490,326	(30,575)	(69,423)	613,784	
Comprehensive income:								
Net income				12,302			12,302	
Change in fair value of interest rate swaps, net of tax of \$(613)					1,138		1,138	
Change in unrealized loss on securities, net of tax of \$(405)					633		633	
Total comprehensive income				12,302	1,771		14,073	
Exercise of stock options	14,274	1	57				58	
Stock compensation expense			441				441	
Dividends paid (\$0.10 per share)				(3,951)			(3,951)	
Ending balance at March 31, 2009	109,067,161	\$ 5,125	218,830	498,677	(28,804)	(69,423)	624,405	

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)		Unallocated common stock of ESOP	Total Shareholders Equity
	Shares	Amount						
Three months ended March 31, 2010								
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				13,153			13,153	
Change in fair value of interest rate swaps, net of tax of \$539					(842)		(842)	
					1,146		1,146	

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Change in unrealized loss on securities, net of tax of \$(732)							
Reclassification of previously recognized							
OTTI on investment securities recorded in OCI to net income, net of tax of \$39					(58)		(58)
Total comprehensive income				13,153	246		13,399
Exercise of stock options	39,104	1	328				329
Stock compensation expense			803				803
Additional costs associated with common stock offering			(703)				(703)
Purchase of common stock by ESOP					(17,200)		(17,200)
Dividends paid (\$0.10 per share)				(11,063)			(11,063)
Ending balance at March 31, 2010	110,680,962	\$ 1,107	828,623	510,932	(9,731)	(28,851)	1,302,080

See accompanying notes to unaudited consolidated financial statements

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

	Three months ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Net Income	\$ 13,153	12,302
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	8,801	5,781
Net gain on sale of assets	(1,230)	(1,102)
Net depreciation, amortization and accretion	3,639	4,718
Decrease in other assets	6,288	4,082
(Decrease)/ increase in other liabilities	(6,216)	3,415
Net amortization of premium/ (discount) on marketable securities	(747)	(933)
Deferred income tax expense	252	(75)
Noncash impairment losses on investment securities	97	
Noncash impairment of REO		3,862
Origination of loans held for sale	(6,944)	(183,054)
Proceeds from sale of loans held for sale	2,785	159,697
Noncash compensation expense related to stock benefit plans	803	441
Net cash provided by operating activities	20,681	9,134
INVESTING ACTIVITIES:		
Purchase of marketable securities held-to-maturity	(283,429)	
Proceeds from maturities and principal reductions of marketable securities available-for-sale	103,611	66,854
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	7,467	
Proceeds from sale of marketable securities available-for-sale	56,865	
Loan originations	(497,200)	(332,029)
Proceeds from loan maturities and principal reductions	368,567	349,299
Proceeds from sale of real estate owned	2,360	1,447
Sale of real estate owned for investment, net	39	38
Purchase of premises and equipment	(2,030)	(4,442)
Net cash (used in)/ provided by investing activities	(243,750)	81,167

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

	Three months ended March 31,	
	2010	2009
FINANCING ACTIVITIES:		
Increase in deposits, net	\$ 69,024	172,803
Repayments of long-term borrowings	(1,516)	(69)
Net (decrease) /increase in short-term borrowings	8,101	(73,014)
Increase/ (decrease) in advances by borrowers for taxes and insurance	2,999	(330)
Cash dividends paid	(11,063)	(3,951)
Purchase of common stock for employee stock ownership plan	(17,200)	
Proceeds from stock options exercised	329	58
Net cash provided by financing activities	50,674	95,497
Net increase/ (decrease) in cash and cash equivalents	\$ (172,395)	185,798