

Northwest Bancshares, Inc.
Form 10-Q
November 05, 2012
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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, 2012

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) 97,635,138 shares outstanding as of October 31, 2012

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NORTHWEST BANCSHARES, INC.

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

	(Unaudited) September 30, 2012	December 31, 2011
Assets		
Cash and due from banks	\$ 91,286	94,276
Interest-earning deposits in other financial institutions	546,149	593,388
Federal funds sold and other short-term investments	633	633
Marketable securities available-for-sale (amortized cost of \$922,684 and \$885,408)	951,879	908,349
Marketable securities held-to-maturity (fair value of \$174,821 and \$239,412)	167,739	231,389
Total cash and investments	1,757,686	1,828,035
Personal Banking:		
Residential mortgage loans held for sale	14,152	967
Residential mortgage loans	2,410,124	2,396,399
Home equity loans	1,100,879	1,084,786
Other consumer loans	235,693	245,689
Total Personal Banking	3,760,848	3,727,841
Business Banking:		
Commercial real estate loans	1,560,966	1,435,767
Commercial loans	406,819	387,911
Total Business Banking	1,967,785	1,823,678
Total loans	5,728,633	5,551,519
Allowance for loan losses	(71,177)	(71,138)
Total loans, net	5,657,456	5,480,381
Federal Home Loan Bank stock, at cost	46,834	48,935
Accrued interest receivable	25,324	24,599
Real estate owned, net	29,291	26,887
Premises and equipment, net	135,455	132,152
Bank owned life insurance	136,871	133,524
Goodwill	171,882	171,882
Other intangible assets	1,330	2,123
Other assets	85,542	109,187
Total assets	\$ 8,047,671	7,957,705
Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 763,839	658,560
Interest-bearing demand deposits	842,389	800,676
Savings deposits	2,256,544	2,036,272
Time deposits	1,961,984	2,284,817
Total deposits	5,824,756	5,780,325

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Borrowed funds	855,552	827,925
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	11,570	23,571
Accrued interest payable	1,111	1,104
Other liabilities	76,962	66,782
Total liabilities	6,873,045	6,802,801
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, 97,844,382 and 97,493,046 shares issued and outstanding, respectively	978	975
Paid-in capital	661,589	659,523
Retained earnings	556,502	543,598
Unallocated common stock of employee stock ownership plan	(24,817)	(25,966)
Accumulated other comprehensive loss	(19,626)	(23,226)
	1,174,626	1,154,904
Total liabilities and shareholders' equity	\$ 8,047,671	7,957,705

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)

	Quarter ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Interest income:				
Loans receivable	\$ 77,109	80,562	232,690	241,012
Mortgage-backed securities	3,941	5,544	13,041	18,373
Taxable investment securities	577	684	1,585	1,676
Tax-free investment securities	2,223	2,848	6,987	8,914
Interest-earning deposits	364	393	1,217	1,289
Total interest income	84,214	90,031	255,520	271,264
Interest expense:				
Deposits	10,207	14,958	34,335	46,494
Borrowed funds	8,013	8,061	23,824	24,039
Total interest expense	18,220	23,019	58,159	70,533
Net interest income	65,994	67,012	197,361	200,731
Provision for loan losses	6,915	8,057	18,165	23,668
Net interest income after provision for loan losses	59,079	58,955	179,196	177,063
Noninterest income:				
Impairment losses on securities	(340)		(885)	(577)
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)	247		554	70
Net impairment losses	(93)		(331)	(507)
Gain on sale of investments, net	260	152	260	201
Service charges and fees	8,772	8,499	25,899	26,748
Trust and other financial services income	2,122	2,063	6,256	6,158
Insurance commission income	1,480	1,796	4,801	4,966
Loss on real estate owned, net	(1,187)	(1,340)	(2,839)	(1,960)
Income from bank owned life insurance	1,148	1,938	3,372	4,820
Mortgage banking income	1,484	400	2,804	887
Other operating income	949	1,002	3,190	2,785
Total noninterest income	14,935	14,510	43,412	44,098
Noninterest expense:				
Compensation and employee benefits	28,171	26,004	83,425	81,161
Premises and occupancy costs	5,498	5,658	16,729	17,499
Office operations	3,141	3,209	9,805	9,564
Processing expenses	6,340	5,896	18,541	17,350
Marketing expenses	1,830	2,788	7,695	6,855
Federal deposit insurance premiums	1,305	1,386	4,343	6,168
Professional services	1,939	1,238	5,136	3,783
Amortization of other intangible assets	219	475	793	1,445
Real estate owned expense	832	483	2,143	1,163
Other expenses	2,528	2,786	6,435	6,803
Total noninterest expense	51,803	49,923	155,045	151,791

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Income before income taxes	22,211	23,542	67,563	69,370
Federal and state income taxes	6,518	6,822	20,328	20,394
Net income	\$ 15,693	\$ 16,720	47,235	48,976
Basic earnings per share	\$ 0.17	0.17	0.50	0.48
Diluted earnings per share	\$ 0.17	0.17	0.50	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,	
	2012	2011	2012	2011	2011
Net Income	\$	15,693	16,720	47,235	48,976
Other comprehensive income net of tax:					
Net unrealized holding gains on marketable securities:					
Unrealized holding gains net of tax of \$(998), \$(1,502), \$(2,471) and \$(5,123), respectively		1,550	2,789	3,805	9,512
Other-than-temporary impairment on securities included in net income, net of tax of \$(36), \$0, \$(129) and \$(177), respectively		57		202	330
Reclassification adjustment for (gains)/ losses included in net income, net of tax of \$16, (\$155), \$138 and \$(247), respectively		(25)	289	(215)	459
Net unrealized holding gains on marketable securities		1,582	3,078	3,792	10,301
Change in fair value of interest rate swaps, net of tax of \$55, \$1,424, \$103 and \$1,647, respectively		(102)	(2,644)	(192)	(3,059)
Other comprehensive income		1,480	434	3,600	7,242
Total comprehensive income	\$	17,173	17,154	50,835	56,218

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)

Quarter ended September 30, 2011	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, 2011	103,266,045	\$ 1,033	726,207	533,229	(6,689)	(26,639)	1,227,141
Comprehensive income:							
Net income				16,720			16,720
Other comprehensive income, net of tax of \$(233)					434		434
Total comprehensive income				16,720	434		17,154
Exercise of stock options	145,487	1	598				599
Stock compensation expense		1	654			381	1,036
Share repurchases	(5,835,164)	(59)	(68,027)				(68,086)
Dividends paid (\$0.11 per share)				(11,067)			(11,067)
Ending balance at September 30, 2011	97,576,368	\$ 976	659,432	538,882	(6,255)	(26,258)	1,166,777
Quarter ended September 30, 2012	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, 2012	97,880,874	\$ 979	662,183	552,278	(21,106)	(25,192)	1,169,142
Comprehensive income:							
Net income				15,693			15,693
Other comprehensive income, net of tax of \$(963)					1,480		1,480
Total comprehensive income				15,693	1,480		17,173
Exercise of stock options	147,288	1	897				898
Stock compensation expense			713			375	1,088
Share repurchases	(183,780)	(2)	(2,204)				(2,206)
Dividends paid (\$0.12 per share)				(11,469)			(11,469)
Ending balance at September 30, 2012	97,844,382	\$ 978	661,589	556,502	(19,626)	(24,817)	1,174,626

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)

Nine months ended September 30, 2011	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 December 31, 2010	110,295,117	\$ 1,103	824,164	523,089	(13,497)	(27,409)	1,307,450
Comprehensive income:							
Net income				48,976			48,976
Other comprehensive income, net of tax of \$(3,900)					7,242		7,242
Total comprehensive income				48,976	7,242		56,218
Exercise of stock options	274,455	3	1,336				1,339
Stock-based compensation expense	1,273,949	13	4,521			1,151	5,685
Share repurchases	(14,267,153)	(143)	(170,589)				(170,732)
Dividends paid (\$0.32 per share)				(33,183)			(33,183)
Ending balance at September 30, 2011	97,576,368	\$ 976	659,432	538,882	(6,255)	(26,258)	1,166,777
Nine months ended September 30, 2012	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 December 31, 2011	97,493,046	\$ 975	659,523	543,598	(23,226)	(25,966)	1,154,904
Comprehensive income:							
Net income				47,235			47,235
Other comprehensive income, net of tax of \$(2,359)					3,600		3,600
Total comprehensive income				47,235	3,600		50,835
Exercise of stock options	271,739	2	1,891				1,893
Stock-based compensation expense	263,377	3	2,379			1,149	3,531
Share repurchases	(183,780)	(2)	(2,204)				(2,206)
Dividends paid (\$0.36 per share)				(34,331)			(34,331)
Ending balance at September 30, 2012	97,844,382	\$ 978	661,589	556,502	(19,626)	(24,817)	1,174,626

See accompanying notes to unaudited consolidated financial statements

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

	Nine months ended September 30,	
	2012	2011
OPERATING ACTIVITIES:		
Net Income	\$ 47,235	48,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	18,165	23,668
Net loss on sale of assets	1,639	3,273
Net depreciation, amortization and accretion	7,166	6,857
Decrease in other assets	14,476	9,311
Increase in other liabilities	9,892	2,150
Net amortization of premium on marketable securities	(59)	(241)
Noncash impairment losses on investment securities	331	507
Noncash write-down of real estate owned	2,129	2,198
Origination of loans held for sale	(180,319)	(77,498)
Proceeds from sale of loans held for sale	168,442	87,871
Noncash compensation expense related to stock benefit plans	3,531	5,685
Net cash provided by operating activities	92,628	112,757
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(299,414)	(197,752)
Proceeds from maturities and principal reductions of marketable securities available-for-sale	262,192	193,906
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	63,583	88,967
Loan originations	(1,568,290)	(1,318,398)
Proceeds from loan maturities and principal reductions	1,371,874	1,289,071
Proceeds from redemption of Federal Home Loan Bank stock	2,101	8,569
Proceeds from sale of real estate owned	11,145	6,961
Sale/ (purchase) of real estate owned for investment, net	343	(137)
Purchase of premises and equipment	(11,804)	(4,445)
Net cash (used in)/ provided by investing activities	(168,270)	66,742

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (continued)

(in thousands)

	Nine months ended September 30,	
	2012	2011
FINANCING ACTIVITIES:		
Increase in deposits, net	\$ 44,431	48,414
Repayments of long-term borrowings	(52)	(50,049)
Net increase/ (decrease) in short-term borrowings	27,679	(12,570)
Decrease in advances by borrowers for taxes and insurance	(12,001)	(10,788)
Cash dividends paid	(34,331)	(33,183)
Purchase of common stock for retirement	(2,206)	(170,732)
Proceeds from stock options exercised	1,893	1,339
Net cash provided by/ (used in) financing activities	25,413	(227,569)
Net decrease in cash and cash equivalents	\$ (50,229)	(48,070)
Cash and cash equivalents at beginning of period	\$ 688,297	719,111
Net decrease in cash and cash equivalents	(50,229)	(48,070)
Cash and cash equivalents at end of period	\$ 638,068	671,041
Cash and cash equivalents:		
Cash and due from banks	\$ 91,286	90,493
Interest-earning deposits in other financial institutions	546,149	579,915
Federal funds sold and other short-term investments	633	633
Total cash and cash equivalents	\$ 638,068	671,041
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$29,606 and \$39,477, respectively)	\$ 58,152	71,177
Income taxes	\$ 10,389	16,320
Non-cash activities:		
Loans foreclosures and repossessions	\$ 17,141	9,719
Sale of real estate owned financed by the Company	\$ 428	266

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the Company) or (NWBI), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The Company was incorporated to be the successor to Northwest Bancorp, Inc. upon the completion of the mutual-to-stock conversion of Northwest Bancorp, MHC in December 2009. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Savings Bank, a Pennsylvania-chartered savings bank (Northwest). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At September 30, 2012, Northwest operated 166 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest's subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, which operates 52 offices in Pennsylvania, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Boetger & Associates, Inc., Allegheny Services, Inc., Great Northwest Corporation and Veracity Benefits Design. The unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. In the opinion of management, all adjustments necessary for the fair presentation of the Company's financial position and results of operations have been included. The consolidated statements have been prepared using the accounting policies described in the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 updated, as required, for any new pronouncements or changes.

The results of operations for the quarter ended and nine months ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

Stock-Based Compensation

On May 23, 2012, we awarded employees 508,573 stock options and directors 64,800 stock options with an exercise price of \$11.70 and a grant date fair value of \$1.23 per stock option. On May 23, 2012, we also awarded employees 239,077 restricted common shares and directors 24,300 restricted common shares with a grant date fair value of \$11.64. Awarded stock options and common shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of \$1.1 million and \$1.0 million for the quarter ended September 30, 2012 and 2011, respectively, and \$3.5 million and \$5.7 million for the nine months ended September 30, 2012 and 2011, respectively, was recognized in compensation expense relating to our stock benefit plans. At September 30, 2012 there was compensation expense of \$5.8 million to be recognized for awarded but unvested stock options and \$14.6 million for unvested restricted common shares.

Income Taxes- Uncertain Tax Positions

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Accounting standards prescribe a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. A tax benefit from an uncertain position may be recognized only if it is more likely than not that the position is sustainable, based on its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. As of September 30, 2012 we had no liability for unrecognized tax benefits.

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We recognize interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. We recognize penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at September 30, 2012. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2011, 2010 and 2009.

(2) Business Segments

We operate in two reportable business segments: Community Banking and Consumer Finance. The Community Banking segment provides services traditionally offered by full-service community banks, including business and personal demand, savings and time deposit accounts and business and personal loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, comprised of Northwest Consumer Discount Company, offers personal installment loans for a variety of consumer and real estate products. This activity is funded primarily through an intercompany borrowing relationship with Allegheny Services, Inc. Net income is the primary measure used by management to measure segment performance. The following tables provide financial information for these reportable segments. The

All Other column represents the parent company and elimination entries necessary to reconcile to the consolidated amounts presented in the financial statements.

At or for the quarter ended:

September 30, 2012 (\$ in 000 s)	Community Banking	Consumer Finance	All other *	Consolidated
External interest income	\$ 78,386	5,513	315	84,214
Intersegment interest income	748		(748)	
Interest expense	16,881	748	591	18,220
Provision for loan losses	6,000	915		6,915
Noninterest income	14,412	509	14	14,935
Noninterest expense	48,484	3,120	199	51,803
Income tax expense (benefit)	6,442	507	(431)	6,518
Net income	15,739	732	(778)	15,693
Total assets	\$ 7,889,245	116,112	42,314	8,047,671

September 30, 2011 (\$ in 000 s)	Community Banking	Consumer Finance	All other *	Consolidated
External interest income	\$ 84,267	5,479	285	90,031
Intersegment interest income	770		(770)	
Interest expense	21,672	770	577	23,019
Provision for loan losses	7,300	757		8,057
Noninterest income	13,693	804	13	14,510
Noninterest expense	46,794	3,016	113	49,923
Income tax expense (benefit)	6,521	721	(420)	6,822
Net income	16,443	1,019	(742)	16,720
Total assets	\$ 7,838,335	115,084	35,924	7,989,343

* Eliminations consist of intercompany loans, interest income and interest expense.

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At or for the nine months ended:

September 30, 2012 (\$ in 000 s)	Community Banking	Consumer Finance	All other *	Consolidated
External interest income	\$ 238,081	16,556	883	255,520
Intersegment interest income	2,234		(2,234)	
Interest expense	54,206	2,234	1,719	58,159
Provision for loan losses	15,750	2,415		18,165
Noninterest income	41,735	1,601	76	43,412
Noninterest expense	144,949	9,496	600	155,045
Income tax expense (benefit)	19,967	1,658	(1,297)	20,328
Net income	47,178	2,354	(2,297)	47,235
Total assets	\$ 7,889,245	116,112	42,314	8,047,671

September 30, 2011 (\$ in 000 s)	Community Banking	Consumer Finance	All other *	Consolidated
External interest income	\$ 254,403	16,111	750	271,264
Intersegment interest income	2,306		(2,306)	
Interest expense	66,875	2,306	1,352	70,533
Provision for loan losses	21,450	2,218		23,668
Noninterest income	42,230	1,829	39	44,098
Noninterest expense	142,227	9,058	506	151,791
Income tax expense (benefit)	19,782	1,809	(1,197)	20,394
Net income	48,605	2,549	(2,178)	48,976
Total assets	\$ 7,838,335	115,084	35,924	7,989,343

* Eliminations consist of intercompany loans, interest income and interest expense.

Table of Contents(3) **Investment securities and impairment of investment securities**

The following table shows the portfolio of investment securities available-for-sale at September 30, 2012 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	\$ 41			41
Debt issued by government sponsored enterprises:				
Due in one year - five years	57,427	135		57,562
Due in five years - ten years	58,610	692	(11)	59,291
Due after ten years	7,512		(11)	7,501
Equity securities	13,020	7,133	(85)	20,068
Municipal securities:				
Due in one year - five years	7,626	229		7,855
Due in five years - ten years	21,377	832		22,209
Due after ten years	105,527	6,273	(1)	111,799
Corporate debt issues:				
Due after ten years	24,914	249	(4,868)	20,295
Residential mortgage-backed securities:				
Fixed rate pass-through	94,048	7,869		101,917
Variable rate pass-through	111,574	6,101	(2)	117,673
Fixed rate non-agency CMOs	6,404	153	(247)	6,310
Fixed rate agency CMOs	159,880	3,035		162,915
Variable rate non-agency CMOs	898		(20)	878
Variable rate agency CMOs	253,826	1,975	(236)	255,565
Total residential mortgage-backed securities	626,630	19,133	(505)	645,258
Total marketable securities available-for-sale	\$ 922,684	34,676	(5,481)	951,879

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2011 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due in one year or less	\$ 59			59
Debt issued by government sponsored enterprises:				
Due in one year - five years	36,295	134		36,429
Due in five years - ten years	29,557	638	(61)	30,134
Due after ten years	9,665		(49)	9,616
Equity securities	12,080	644	(259)	12,465
Municipal securities:				
Due in one year - five years	10,633	291		10,924
Due in five years - ten years	27,817	1,336		29,153
Due after ten years	124,041	5,350	(180)	129,211
Corporate debt issues:				
Due in one year or less	500			500
Due after ten years	25,036	233	(4,635)	20,634
Residential mortgage-backed securities:				
Fixed rate pass-through	110,364	8,201	(1)	118,564
Variable rate pass-through	135,103	6,679	(4)	141,778
Fixed rate non-agency CMOs	9,521	188	(735)	8,974
Fixed rate CMOs	112,670	3,466		116,136
Variable rate non-agency CMOs	1,104		(154)	950
Variable rate CMOs	240,963	1,991	(132)	242,822
Total residential mortgage-backed securities	609,725	20,525	(1,026)	629,224
Total marketable securities available-for-sale	\$ 885,408	29,151	(6,210)	908,349

The following table shows the portfolio of investment securities held-to-maturity at September 30, 2012 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due in five years - ten years	\$ 3,679	167		3,846
Due after ten years	65,595	4,080		69,675
Residential mortgage-backed securities:				
Fixed rate pass-through	18,478	1,145		19,623
Variable rate pass-through	7,101	5		7,106
Fixed rate agency CMOs	65,025	1,588	(53)	66,560

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Variable rate agency CMOs		7,861	150		8,011
Total residential mortgage-backed securities		98,465	2,888	(53)	101,300
Total marketable securities held-to-maturity	\$	167,739	7,135	(53)	174,821

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2011 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due in five years - ten years	\$ 3,677	174		3,851
Due after ten years	71,015	3,615		74,630
Residential mortgage-backed securities:				
Fixed rate pass-through	24,160	1,099		25,259
Variable rate pass-through	9,066	94		9,160
Fixed rate agency CMOs	108,881	2,761		111,642
Variable rate agency CMOs	14,590	280		14,870
Total residential mortgage-backed securities	156,697	4,234		160,931
Total marketable securities held-to-maturity	\$ 231,389	8,023		239,412

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which amortized cost has exceeded fair values, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and the intent to hold the investments for a period of time sufficient to allow for a recovery in value. Certain investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows indicates that an adverse change has occurred, other-than-temporary impairment would be recognized for the amount of the unrealized loss that was deemed credit related.

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at September 30, 2012 (in thousands):

	Less than 12 months		12 months or more		Total Fair value	Total Unrealized loss
	Fair value	Unrealized loss	Fair value	Unrealized loss		
Government sponsored enterprises	\$ 10,566	(11)	7,502	(11)	18,068	(22)
Municipal securities			594	(1)	594	(1)
Corporate issues	850	(38)	15,330	(4,830)	16,180	(4,868)
Equity securities	539	(83)	17	(2)	556	(85)
Residential mortgage-backed securities - non-agency			4,524	(267)	4,524	(267)
Residential mortgage-backed securities - agency	59,366	(268)	8,116	(23)	67,482	(291)
Total temporarily impaired securities	\$ 71,321	(400)	36,083	(5,134)	107,404	(5,534)

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The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2011 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Government sponsored enterprises	\$ 24,601	(61)	9,648	(49)	34,249	(110)
Municipal securities			2,317	(180)	2,317	(180)
Corporate issues	3,537	(219)	15,067	(4,416)	18,604	(4,635)
Equities	4,178	(258)	18	(1)	4,196	(259)
Residential mortgage-backed securities - non-agency			4,971	(889)	4,971	(889)
Residential mortgage- backed securities - agency	85,921	(100)	14,353	(37)	100,274	(137)
Total temporarily impaired securities	\$ 118,237	(638)	46,374	(5,572)	164,611	(6,210)

Corporate issues

As of September 30, 2012, we had seven investments with a total amortized cost of \$20.1 million and total fair value of \$15.3 million, where the amortized cost exceeded the carrying value for more than 12 months. These investments were three single issuer trust preferred investments and four pooled trust preferred investments. The single issuer trust preferred investments were evaluated for other-than-temporary impairment by determining the strength of the underlying issuer. In all cases, the underlying issuer was well-capitalized for regulatory purposes. None of the issuers have deferred interest payments or announced the intention to defer interest payments. We believe the decline in fair value is related to the spread over three month LIBOR, on which the quarterly interest payments are based, as the spread over LIBOR is significantly lower than current market spreads on similar investments. We concluded the impairment of these three investments was considered noncredit related. In making that determination, we also considered the duration and the severity of the losses and whether we intend to hold these securities until the value is recovered, the securities are redeemed or maturity. The pooled trust preferred investments were evaluated for other-than-temporary impairment by considering the duration and severity of the losses, actual cash flows, projected cash flows, performing collateral, the class of investment owned and the amount of additional defaults the structure could withstand prior to the investment experiencing a disruption in cash flows. None of these investments experienced a cash flow disruption or are projecting a cash flow disruption.

We concluded, based on all facts evaluated, the impairment of these investments was noncredit related. Management asserts that we do not have the intent to sell these investments and that it is more likely than not, we will not have to sell the investments before recovery of their cost basis.

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The following table provides class, amortized cost, fair value and ratings information for our portfolio of corporate securities that have an unrealized loss, both greater than and less than twelve months, at September 30, 2012 (in thousands):

Description	Class	Amortized cost	Total Fair value	Unrealized losses	Moody s/ Fitch ratings
Bank Boston Capital Trust (1)	N/A	\$ 990	725	(265)	Ba2/ BB
Huntington Capital Trust	N/A	1,426	1,060	(366)	Baa3/ BB
Commercebank Capital Trust	N/A	888	850	(38)	Not rated
Ocean Shore Capital Trust	N/A	866	800	(66)	Not rated
I-PreTSL I	Mezzanine	1,500	511	(989)	Not rated/ CCC
I-PreTSL II	Mezzanine	1,500	608	(892)	Not rated/ B
PreTSL XIX	Senior A-1	8,486	6,939	(1,547)	Baa2/ BBB
PreTSL XX	Senior A-1	5,392	4,687	(705)	Ba2/ BB
		\$ 21,048	16,180	(4,868)	

(1) Bank Boston was acquired by Bank of America.

The following table provides collateral information on the entire pool for the trust preferred securities included in the previous table at September 30, 2012 (in thousands):

Description	Total collateral	Current deferrals and defaults	Performing collateral	Additional immediate defaults before causing an interest shortfall
I-PreTSL I	\$ 188,500	32,500	156,000	95,310
I-PreTSL II	340,500	24,500	316,000	316,000
PreTSL XIX	644,881	182,150	462,731	148,500
PreTSL XX	552,238	174,500	377,738	99,500

Mortgage-backed securities

Mortgage-backed securities include agency (FNMA, FHLMC and GNMA) mortgage-backed securities and non-agency collateralized mortgage obligations (CMOs). We review our portfolio of mortgage-backed securities quarterly for impairment. As of September 30, 2012, we believe that the impairment within our portfolio of agency mortgage-backed securities is noncredit related. As of September 30, 2012, we had seven non-agency CMOs with a total amortized cost of \$7.3 million and a total fair value of \$7.2 million, including two non-agency CMOs with an amortized cost of \$4.8 million and a fair value of \$4.5 million, where the amortized cost exceeded the carrying value for more than 12 months. During the quarter and nine months ended September 30, 2012, we recognized other-than-temporary credit related impairment of \$93,000 and \$331,000, respectively on one of these securities. After recognizing the other-than-temporary impairment, our amortized cost on this investment was \$3.9 million, with a fair value of \$3.6 million. We determined how much of the impairment was credit related and noncredit related by analyzing cash flow estimates, estimated prepayment speeds, loss severity and conditional default rates.

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We consider the discounted cash flow analysis to be our primary evidence when determining whether credit related other-than-temporary impairment exists. After this review, we determined that the remaining impairment on these securities was noncredit related.

The following table shows issuer specific information, amortized cost, fair value, unrealized gain or loss and other-than-temporary impairment recorded in earnings for the portfolio of non-agency CMOs at September 30, 2012 (in thousands):

Description	Amortized cost	Fair value	Unrealized gain/ (loss)	Impairment recorded in current period earnings	Total impairment recorded in prior period earnings
AMAC 2003-6 2A2	\$ 233	239	6		
AMAC 2003-6 2A8	481	496	15		
BOAMS 2005-11 1A8	965	1,081	116		(146)
CWALT 2005-J14 A3	3,893	3,646	(247)	(93)	(1,007)
CFSB 2003-17 2A2	469	478	9		
WAMU 2003-S2 A4	363	370	7		
WFMBS 2003-B A2	898	878	(20)		
	\$ 7,302	7,188	(114)	(93)	(1,153)

Municipal Securities

As of September 30, 2012, we had one Pennsylvania municipal security with a total amortized cost of \$595,000 and a total fair value of \$594,000, where amortized cost exceeded fair value for more than 12 months. We initially evaluate municipal securities for other-than-temporary impairment by comparing the fair value, provided to us by two third party pricing sources using quoted prices for similar assets that are actively traded, to the amortized cost. When an investment's fair value is below 80% of the amortized cost we then look at the stated interest rate and compare the stated interest rate to current market interest rates to determine if the decline in fair value is considered to be attributable to interest rates. If the interest rate approximates current interest rates for similar securities, we determine if the investment is rated and if so, if the rating has changed in the current period. If the rating has not changed during the current period, we review publicly available information to determine if there has been any negative change in the underlying municipality. At September 30, 2012, we have determined that all of the impairment in our municipal securities portfolio is noncredit related.

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The following table provides information for our portfolio of municipal securities that have unrealized losses for greater than 12 months at September 30, 2012 (in thousands):

Description	State	Amortized cost	Total Fair value	Unrealized losses	Rating
Cambridge Area JT Revenue	PA	\$ 595	594	(1)	Not rated
		\$ 595	594	(1)	

Credit related other-than-temporary impairment on debt securities is recognized in earnings while noncredit related other-than-temporary impairment on debt securities, not expected to be sold, is recognized in other comprehensive income.

The table below shows a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold for the quarter ended (in thousands):

	2012	2011
Beginning balance at July 1, (a)	\$ 16,620	15,952
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized		
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	93	
Ending balance at September 30,	\$ 16,713	15,952

(a) The beginning balance represents credit losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.

The table below shows a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold for the nine months ended (in thousands):

	2012	2011
Beginning balance at January 1, (a)	\$ 16,382	15,445
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized		
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	331	507
Ending balance at September 30,	\$ 16,713	15,952

(a) The beginning balance represents credit losses included in other-than-temporary impairment charges recognized on debt securities in prior periods.

Table of Contents**(4) Loans receivable**

We have defined our portfolio segments as Personal Banking loans and Business Banking loans. Classes of Personal Banking loans are residential mortgage loans, home equity loans and other consumer loans. Classes of Business Banking loans are commercial real estate loans and commercial loans. The following table shows a summary of our loans receivable at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Personal Banking:		
Residential mortgage loans	\$ 2,446,034	2,414,992
Home equity loans	1,100,879	1,084,786
Other consumer loans	235,693	245,689
Total Personal Banking	3,782,606	3,745,467
Business Banking:		
Commercial real estate	1,603,774	1,481,127
Commercial loans	440,579	408,462
Total Business Banking	2,044,353	1,889,589
Total loans receivable, gross	5,826,959	5,635,056
Deferred loan fees	(2,624)	(4,752)
Allowance for loan losses	(71,177)	(71,138)
Undisbursed loan proceeds:		
Residential mortgage loans	(19,134)	(12,874)
Commercial real estate	(42,808)	(45,360)
Commercial loans	(33,760)	(20,551)
Total loans receivable, net	\$ 5,657,456	5,480,381

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2012 (in thousands):

	Balance June 30, 2012	Current period provision	Charge-offs	Recoveries	Balance September 30, 2012
Personal Banking:					
Residential mortgage loans	\$ 7,997	1,440	(1,197)	121	8,361
Home equity loans	8,634	710	(1,268)	42	8,118
Other consumer loans	4,665	1,073	(1,536)	579	4,781
Total Personal Banking	21,296	3,223	(4,001)	742	21,260
Business Banking:					
Commercial real estate loans	34,781	538	(1,385)	403	34,337
Commercial loans	9,431	3,401	(1,641)	34	11,225
Total Business Banking	44,212	3,939	(3,026)	437	45,562
Unallocated	4,602	(247)			4,355
Total	\$ 70,110	6,915	(7,027)	1,179	71,177

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2011 (in thousands):

	Balance June 30, 2011	Current period provision	Charge-offs	Recoveries	Balance September 30, 2011
Personal Banking:					
Residential mortgage loans	\$ 8,463	707	(634)	75	8,611
Home equity loans	7,699	1,465	(588)	20	8,596
Other consumer loans	5,144	1,299	(1,307)	277	5,413
Total Personal Banking	21,306	3,471	(2,529)	372	22,620
Business Banking:					
Commercial real estate loans	31,690	3,188	(3,675)	190	31,393
Commercial loans	17,963	1,620	(4,791)	129	14,921
Total Business Banking	49,653	4,808	(8,466)	319	46,314
Unallocated	4,496	(222)			4,274
Total	\$ 75,455	8,057	(10,995)	691	73,208

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2012 (in thousands):

	Balance December 31, 2011	Current period provision	Charge-offs	Recoveries	Balance September 30, 2012
Personal Banking:					
Residential mortgage loans	\$ 8,482	3,017	(3,459)	321	8,361
Home equity loans	8,687	2,078	(2,749)	102	8,118
Other consumer loans	5,325	2,619	(4,327)	1,164	4,781
Total Personal Banking	22,494	7,714	(10,535)	1,587	21,260
Business Banking:					
Commercial real estate loans	32,148	6,631	(5,817)	1,375	34,337
Commercial loans	12,080	3,881	(5,009)	273	11,225
Total Business Banking	44,228	10,512	(10,826)	1,648	45,562
Unallocated	4,416	(61)			4,355
Total	\$ 71,138	18,165	(21,361)	3,235	71,177

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2011 (in thousands):

	Balance December 31, 2010	Current period provision	Charge-offs	Recoveries	Balance September 30, 2011
Personal Banking:					
Residential mortgage loans	\$ 6,854	4,190	(2,668)	235	8,611
Home equity loans	7,675	4,586	(3,736)	71	8,596
Other consumer loans	5,810	2,437	(3,816)	982	5,413
Total Personal Banking	20,339	11,213	(10,220)	1,288	22,620
Business Banking:					
Commercial real estate loans	35,832	3,092	(8,220)	689	31,393
Commercial loans	15,770	9,560	(10,706)	297	14,921
Total Business Banking	51,602	12,652	(18,926)	986	46,314
Unallocated	4,471	(197)			4,274
Total	\$ 76,412	23,668	(29,146)	2,274	73,208

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at September, 30, 2012 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual	Recorded investment in loans past due 90 days or more and still accruing	TDRs
Personal Banking:					
Residential mortgage loans	\$ 2,424,276	8,361	24,476	807	3,545
Home equity loans	1,100,879	8,118	9,365		630
Other consumer loans	235,693	4,781	1,494		
Total Personal Banking	3,760,848	21,260	35,335	807	4,175
Business Banking:					
Commercial real estate loans	1,560,966	34,337	61,632		44,996
Commercial loans	406,819	11,225	23,805		37,154
Total Business Banking	1,967,785	45,562	85,437		82,150
Total	\$ 5,728,633	66,822	120,772	807	86,325

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2011 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual	Recorded investment in loans past due 90 days or more and still accruing	TDRs
Personal Banking:					
Residential mortgage loans	\$ 2,397,366	8,482	28,221	12	806
Home equity loans	1,084,786	8,687	9,560	221	
Other consumer loans	245,689	5,325	2,667	277	
Total Personal Banking	3,727,841	22,494	40,448	510	806
Business Banking:					
Commercial real estate loans	1,435,767	32,148	62,494		38,216
Commercial loans	387,911	12,080	28,163		30,407
Total Business Banking	1,823,678	44,228	90,657		68,623
Total	\$ 5,551,519	66,722	131,105	510	69,429

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The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and by class of financing receivable at September, 30, 2012 (in thousands):

	Pennsylvania	(1)	New York	(1)	Ohio	(1)	Maryland	(1)	Other	(1)	Total		
Recorded investment in loans receivable:													
Personal Banking:													
Residential mortgage loans	\$	2,028,697	83.6%	157,552	6.5%	19,261	0.8%	156,528	6.5%	62,238	2.6%	2,424,276	100.0%
Home equity loans		937,206	85.2%	113,844	10.3%	11,186	1.0%	30,919	2.8%	7,724	0.7%	1,100,879	100.0%
Other consumer loans		217,323	92.2%	10,673	4.5%	2,981	1.3%	1,290	0.5%	3,426	1.5%	235,693	100.0%
Total Personal Banking		3,183,226	84.6%	282,069	7.5%	33,428	0.9%	188,737	5.0%	73,388	2.0%	3,760,848	100.0%
Business Banking:													
Commercial real estate loans		863,722	55.3%	438,955	28.1%	36,185	2.3%	142,877	9.2%	79,227	5.1%	1,560,966	100.0%
Commercial loans		301,161	74.0%	47,915	11.8%	11,452	2.8%	26,784	6.6%	19,507	4.8%	406,819	100.0%
Total Business Banking		1,164,883	59.3%	486,870	24.7%	47,637	2.4%	169,661	8.6%	98,734	5.0%	1,967,785	100.0%
Total	\$	4,348,109	75.9%	768,939	13.4%	81,065	1.4%	358,398	6.3%	172,122	3.0%	5,728,633	100.0%

(1) Percentage of total loans receivable per state by class of financing receivable.

	Pennsylvania	(2)	New York	(2)	Ohio	(2)	Maryland	(2)	Other	(2)	Total		
Loans 90 or more days delinquent:													
Personal Banking:													
Residential mortgage loans	\$	15,856	0.8%	1,292	0.8%	231	1.2%	4,373	2.8%	2,724	4.4%	24,476	1.0%
Home equity loans		5,811	0.6%	1,561	1.4%	131	1.2%	1,486	4.8%	376	4.9%	9,365	0.9%
Other consumer loans		1,452	0.7%	39	0.4%		0.0%		0.0%	3	0.1%	1,494	0.6%
Total Personal Banking		23,119	0.7%	2,892	1.0%	362	1.1%	5,859	3.1%	3,103	4.2%	35,335	0.9%
Business Banking:													
Commercial real estate loans		16,078	1.9%	6,364	1.4%		0.0%	5,236	3.7%	7,552	9.5%	35,230	2.3%
Commercial loans		5,305	1.8%		0.0%	16	0.1%	1,724	6.4%	2,819	14.5%	9,864	2.4%
Total Business Banking		21,383	1.8%	6,364	1.3%	16	0.0%	6,960	4.1%	10,371	10.5%	45,094	2.3%
Total	\$	44,502	1.0%	9,256	1.2%	378	0.5%	12,819	3.6%	13,474	7.8%	80,429	1.4%

(2) Percentage of loans 90 or more days delinquent in that state by class of financing receivable.

The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and by class of financing receivable at December, 31, 2011 (in thousands):

	Pennsylvania	(1)	New York	(1)	Ohio	(1)	Maryland	(1)	Other	(1)	Total		
Recorded investment in loans receivable:													
Personal Banking:													
Residential mortgage loans	\$	1,978,512	82.5%	159,389	6.6%	19,895	0.8%	168,247	7.0%	71,323	3.1%	2,397,366	100.0%
Home equity loans		925,368	85.3%	104,194	9.6%	11,677	1.1%	33,816	3.1%	9,731	0.9%	1,084,786	100.0%

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Other consumer loans	225,827	91.9%	11,191	4.6%	3,022	1.2%	1,417	0.6%	4,232	1.7%	245,689	100.0%
Total Personal Banking	3,129,707	84.0%	274,774	7.4%	34,594	0.9%	203,480	5.5%	85,286	2.2%	3,727,841	100.0%
Business Banking:												
Commercial real estate loans	849,702	59.2%	356,868	24.9%	35,882	2.5%	114,839	8.0%	78,476	5.4%	1,435,767	100.0%
Commercial loans	258,775	66.7%	56,128	14.5%	10,072	2.6%	25,942	6.7%	36,994	9.5%	387,911	100.0%
Total Business Banking	1,108,477	60.7%	412,996	22.6%	45,954	2.5%	140,781	7.7%	115,470	6.5%	1,823,678	100.0%
Total	\$ 4,238,184	76.3%	687,770	12.4%	80,548	1.5%	344,261	6.2%	200,756	3.6%	5,551,519	100.0%

(1) Percentage of total loans receivable per state by class of financing receivable.

	Pennsylvania	(2)	New York	(2)	Ohio	(2)	Maryland	(2)	Other	(2)	Total	
Loans 90 or more days delinquent:												
Personal Banking:												
Residential mortgage loans	\$ 16,971	0.9%	1,358	0.9%	305	1.5%	4,436	2.6%	5,151	7.2%	28,221	1.2%
Home equity loans	6,559	0.7%	1,031	1.0%	23	0.2%	1,496	4.4%	451	4.6%	9,560	0.9%
Other consumer loans	2,537	1.1%	54	0.5%	23	0.8%		0.0%	53	1.3%	2,667	1.1%
Total Personal Banking	26,067	0.8%	2,443	0.9%	351	1.0%	5,932	2.9%	5,655	6.6%	40,448	1.1%
Business Banking:												
Commercial real estate loans	17,753	2.1%	8,625	2.4%	88	0.2%	6,573	5.7%	11,564	14.7%	44,603	3.1%
Commercial loans	5,075	2.0%	281	0.5%		0.0%	2,514	9.7%	2,915	7.9%	10,785	2.8%
Total Business Banking	22,828	2.1%	8,906	2.2%	88	0.2%	9,087	6.5%	14,479	12.5%	55,388	3.0%
Total	\$ 48,895	1.2%	11,349	1.7%	439	0.5%	15,019	4.4%	20,134	10.0%	95,836	1.7%

(2) Percentage of loans 90 or more days delinquent in that state by class of financing receivable.

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The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the nine months ended September 30, 2012 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 24,476			2,434	26,910	27,248	495
Home equity loans	9,365			500	9,865	9,776	212
Other consumer loans	1,494				1,494	1,853	28
Total Personal Banking	35,335			2,934	38,269	38,877	735
Business Banking:							
Commercial real estate loans	35,230	26,402	33,593	15,335	110,560	97,340	2,809
Commercial loans	9,864	13,941	18,963	10,031	52,799	52,327	1,409
Total Business Banking	45,094	40,343	52,556	25,366	163,359	149,667	4,218
Total	\$ 80,429	40,343	52,556	28,300	201,628	188,544	4,953

The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2011 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 28,221			361	28,582	30,731	538
Home equity loans	9,560				9,560	9,574	182
Other consumer loans	2,667				2,667	2,340	34
Total Personal Banking	40,448			361	40,809	42,645	754
Business Banking:							
Commercial real estate loans	44,603	17,891	15,467	16,097	94,058	101,731	3,640
Commercial loans	10,785	17,378	7,337	8,991	44,491	59,897	1,642
Total Business Banking	55,388	35,269	22,804	25,088	138,549	161,628	5,282
Total	\$ 95,836	35,269	22,804	25,449	179,358	204,273	6,036

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The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at September 30, 2012 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	\$ 2,420,731	3,545	3,545	886	
Home equity loans	1,100,249	630	630	174	
Other consumer loans	235,693				
Total Personal Banking	3,756,673	4,175	4,175	1,060	
Business Banking:					
Commercial real estate loans	1,504,183	56,783	31,220	5,721	25,563
Commercial loans	374,693	32,126	21,894	1,324	10,232
Total Business Banking	1,878,876	88,909	53,114	7,045	35,795
Total	\$ 5,635,549	93,084	57,289	8,105	35,795

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2011 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	\$ 2,397,366				
Home equity loans	1,084,786				
Other consumer loans	245,689				
Total Personal Banking	3,727,841				
Business Banking:					
Commercial real estate loans	1,395,634	40,133	15,576	3,025	24,557
Commercial loans	361,033	26,878	5,897	1,519	20,981
Total Business Banking	1,756,667	67,011	21,473	4,544	45,538
Total	\$ 5,484,508	67,011	21,473	4,544	45,538

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Our loan portfolios include certain loans that have been modified in a troubled debt restructuring (TDR) where concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities and could include: extending the note's maturity date, permitting interest only payments, reducing the interest rate to a rate lower than current market rates for new debt with similar risk, reducing the principal payment, principal forbearance or other actions. These concessions are applicable to all loan segments and classes. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period of at least six months.

When we modify loans in a TDR, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, the loan's observable market price or the current fair value of the collateral, less selling costs, for collateral dependent loans. If we determine that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, we evaluate all TDRs, including those that have payment defaults, for possible impairment. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan.

Loans modified in a TDR are closely monitored for delinquency as an early indicator of possible future default. If loans modified in a TDR subsequently default, we evaluate the loan for possible further impairment. The allowance may be increased, adjustments may be made in the allocation of the allowance, partial charge-offs may be taken to further write-down the carrying value of the loan, or the loan may be charged-off completely.

During the nine months ended September 30, 2012, two commercial real estate loan TDRs with combined balances of \$554,000 were charged off and three commercial loan TDRs with combined balances of \$787,000 were paid off.

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The following table provides information related to troubled debt restructurings by portfolio segment and by class of financing receivable for the periods indicated (dollars in thousands):

	Number of contracts	For the quarter ended September 30, 2012			Number of contracts	For the nine months ended September 30, 2012		
		Recorded investment at the time of modification	Current recorded investment	Current allowance		Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans								
	19	\$ 3,422	2,739	729	19	\$ 3,422	2,739	729
Home equity loans	7	724	630	174	7	724	630	174
Other consumer loans								
Total Personal Banking	26	4,146	3,369	903	26	4,146	3,369	903
Business Banking:								
Commercial real estate loans								
	25	6,294	6,102	716	35	9,267	9,014	910
Commercial loans	28	7,008	6,778	228	41	20,586	19,159	746
Total Business Banking	53	13,302	12,880	944	76	29,853	28,173	1,656
Total	79	\$ 17,448	16,249	1,847	102	\$ 33,999	31,542	2,559
Troubled debt restructurings that subsequently defaulted:								
Personal Banking:								
Residential mortgage loans								
		\$			1	\$ 449	361	117
Home equity loans								
Other consumer loans								
Total Personal Banking					1	449	361	117
Business Banking:								
Commercial real estate loans								
	1	230	230	23	4	1,381	1,313	81
Commercial loans	8	1,830	819	82	8	1,830	819	82
Total Business Banking	9	2,060	1,049	105	12	3,211	2,132	163
Total	9	\$ 2,060	1,049	105	13	\$ 3,660	2,493	280

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The following table provides information related to troubled debt restructurings by portfolio segment and by class of financing receivable for the periods indicated (dollars in thousands):

	Number of contracts	For the quarter ended September 30, 2011			Number of contracts	For the nine months ended September 30, 2011		
		Recorded investment at the time of modification	Current recorded investment	Current allowance		Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	1	\$ 445	445	127	2	\$ 894	806	244
Home equity loans								
Other consumer loans								
Total Personal Banking	1	445	445	127	2	894	806	244
Business Banking:								
Commercial real estate loans	4	10,168	10,126	1,013	12	13,642	13,331	1,279
Commercial loans	2	2,382	2,382	211	19	20,944	11,380	393
Total Business Banking	6	12,550	12,508	1,224	31	34,586	24,711	1,672
Total	7	\$ 12,995	12,953	1,351	33	\$ 35,480	25,517	1,916
Troubled debt restructurings that subsequently defaulted:								
Personal Banking:								
Residential mortgage loans		\$				\$		
Home equity loans								
Other consumer loans								
Total Personal Banking								
Business Banking:								
Commercial real estate loans	1	500	496	50	4	1,501	960	251
Commercial loans	1	437	255		2	9,740	9,123	887
Total Business Banking	2	937	751	50	6	11,241	10,083	1,138
Total	2	\$ 937	751	50	6	\$ 11,241	10,083	1,138

The following table provides information related to loan delinquencies at September 30, 2012 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	\$ 5,971	7,621	24,476	38,068	2,386,208	2,424,276
Home equity loans	5,027	2,116	9,365	16,508	1,084,371	1,100,879
Other consumer loans	4,470	1,424	1,494	7,388	228,305	235,693
Total Personal Banking	15,468	11,161	35,335	61,964	3,698,884	3,760,848

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Business Banking:							
Commercial real estate loans		18,512	2,544	35,230	56,286	1,504,680	1,560,966
Commercial loans		791	1,855	9,864	12,510	394,309	406,819
Total Business Banking		19,303	4,399	45,094	68,796	1,898,989	1,967,785
Total	\$	34,771	15,560	80,429	130,760	5,597,873	5,728,633

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The following table provides information related to loan delinquencies at December 31, 2011 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	\$ 33,671	8,629	28,221	70,521	2,326,845	2,397,366
Home equity loans	7,426	1,953	9,560	18,939	1,065,847	1,084,786
Other consumer loans	4,854	1,787	2,667	9,308	236,381	245,689
Total Personal Banking	45,951	12,369	40,448	98,768	3,629,073	3,727,841
Business Banking:						
Commercial real estate loans	10,680	3,122	44,603	58,405	1,377,362	1,435,767
Commercial loans	2,027	4,958	10,785	17,770	370,141	387,911
Total Business Banking	12,707	8,080	55,388	76,175	1,747,503	1,823,678
Total	\$ 58,658	20,449	95,836	174,943	5,376,576	5,551,519

Credit quality indicators: The primary indicator of credit quality for Personal Banking loans is delinquency status and the primary indicators of credit quality for Business Banking loans are delinquency status and our internal loan risk rating. We categorize Business Banking loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. We analyze Business Banking loans individually by classifying the loans by credit risk. Loans designated as special mention or classified substandard are reviewed quarterly for further deterioration or improvement to determine if the loan is appropriately classified. We use the following definitions for risk ratings other than pass:

Special mention Loans designated as special mention have specific, well-defined risk issues, which create a high level of uncertainty regarding the long-term viability of the business. Loans in this class are considered to have high-risk characteristics. A special mention loan exhibits material negative financial trends due to company-specific or systemic conditions. If these potential weaknesses are not mitigated, they threaten the borrower's capacity to meet its debt obligations. Special mention loans still demonstrate sufficient financial flexibility to react to and positively address the root cause of the adverse financial trends without significant deviations from their current business strategy. Their potential weaknesses deserve our close attention and warrant enhanced monitoring.

Substandard Loans classified as substandard are inadequately protected by the current net worth and payment capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected.

Doubtful Loans classified as doubtful have all the weaknesses inherent in those classified as substandard. In addition, those weaknesses make collection or liquidation in full highly questionable and improbable. A loan classified as doubtful exhibits discernible loss potential, but a complete loss seems very unlikely. The possibility of a loss on a doubtful loan is high, but because

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of certain important and reasonably specific pending factors that may strengthen the loan, its classification as an estimated loss is deferred until a more exact status can be determined.

Loss Loans classified as loss are considered uncollectible and of such value that the continuance as a loan is not warranted. A loss classification does not mean that the loan has no recovery or salvage value; instead, it means that it is not practical or desirable to defer writing off all or a portion of a basically worthless loan even though partial recovery may be affected in the future.

The following table sets forth information about credit quality indicators, which were updated during the quarter ended September 30, 2012 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	\$ 2,403,993		18,910	16	1,357	2,424,276
Home equity loans	1,091,530		9,349			1,100,879
Other consumer loans	234,765		928			235,693
Total Personal Banking	3,730,288		29,187	16	1,357	3,760,848
Business Banking:						
Commercial real estate loans	1,327,799	81,854	147,063	4,250		1,560,966
Commercial loans	326,229	15,415	61,747	3,428		406,819
Total Business Banking	1,654,028	97,269	208,810	7,678		1,967,785
Total	\$ 5,384,316	97,269	237,997	7,694	1,357	5,728,633

The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2011 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	\$ 2,373,275		22,843	11	1,237	2,397,366
Home equity loans	1,074,512		10,274			1,084,786
Other consumer loans	244,491		1,198			245,689
Total Personal Banking	3,692,278		34,315	11	1,237	3,727,841
Business Banking:						
Commercial real estate loans	1,211,583	75,981	144,947	3,256		1,435,767
Commercial loans	298,597	23,887	62,753	2,674		387,911
Total Business Banking	1,510,180	99,868	207,700	5,930		1,823,678
Total	\$ 5,202,458	99,868	242,015	5,941	1,237	5,551,519

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(5) **Goodwill and Other Intangible Assets**

The following table provides information for intangible assets subject to amortization at the dates indicated (in thousands):

	September 30, 2012	December 31, 2011
Amortizable intangible assets:		
Core deposit intangibles gross	\$ 30,578	30,578
Acquisitions		
Less: accumulated amortization	(30,056)	(29,549)
Core deposit intangibles net	522	1,029
Customer and Contract intangible assets gross	3,779	3,779
Less: accumulated amortization	(2,971)	(2,685)
Customer and Contract intangible assets net	\$ 808	1,094

The following table shows the actual aggregate amortization expense for the quarter ended and nine months ended September 30, 2012 and 2011, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

For the quarter ended September 30, 2012	\$ 219
For the quarter ended September 30, 2011	475
For the nine months ended September 30, 2012	793
For the nine months ended September 30, 2011	1,445
For the year ending December 31, 2012	1,013
For the year ending December 31, 2013	605
For the year ending December 31, 2014	296
For the year ending December 31, 2015	140
For the year ending December 31, 2016	69
For the year ending December 31, 2017	

The following table provides information for the changes in the carrying amount of goodwill (in thousands):

	Community Banks	Consumer Finance	Total
Balance at December 31, 2010	\$ 170,269	1,613	171,882
Goodwill acquired			
Impairment losses			
Balance at December 31, 2011	170,269	1,613	171,882
Goodwill acquired			
Impairment losses			
Balance at September 30, 2012	\$ 170,269	1,613	171,882

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We performed our annual goodwill impairment test as of June 30, 2012 and concluded that goodwill was not impaired. At September 30, 2012, there were no changes in our operations that would cause us to update the goodwill impairment test performed as of June 30, 2012.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management's credit assessment of the customer. At September 30, 2012, the maximum potential amount of future payments we could be required to make under these standby letters of credit was \$70.2 million, of which \$69.2 million is fully collateralized. At September 30, 2012, we had a liability, which represents deferred income, of \$973,000 related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

(7) Earnings Per Share

Basic earnings per common share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without considering any dilutive items. Diluted EPS reflects the potential dilution that could occur if stock options or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Stock options to purchase 3,119,002 shares of common stock with a weighted average exercise price of \$12.28 per share were outstanding during the quarter and nine months ended September 30, 2012 but were not included in the computation of diluted earnings per share for these periods because the options' exercise price was greater than the average market price of the common shares of \$11.98 and \$12.17, respectively. Stock options to purchase 2,636,398 shares of common stock with a weighted average exercise price of \$12.32 per share were outstanding during the quarter and nine months ended September 30, 2011 but were not included in the computation of diluted earnings per share for these periods because the options' exercise price was greater than the average market price of the common shares of \$12.06 and \$12.15, respectively.

The computation of basic and diluted earnings per share follows (in thousands, except share data and per share amounts):

		Quarter ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
Reported net income	\$	15,693	16,720	47,235	48,976
Weighted average common shares outstanding		94,422,878	96,918,016	94,277,362	101,866,461
Dilutive potential shares due to effect of stock options		187,778	206,312	314,040	402,466
Total weighted average common shares and dilutive potential shares		94,610,656	97,124,328	94,591,402	102,268,927

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Basic earnings per share:	\$	0.17	0.17	0.50	0.48
Diluted earnings per share:	\$	0.17	0.17	0.50	0.48

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Components of net periodic benefit cost

		Quarter ended September 30,			
		Pension benefits		Other post-retirement benefits	
		2012	2011	2012	2011
Service cost	\$	1,858	1,429		
Interest cost		1,432	1,363	16	21
Expected return on plan assets		(1,948)	(1,502)		
Amortization of prior service cost		(40)	(40)		
Amortization of the net loss		690	169	13	13
Net periodic benefit cost	\$	1,992	1,419	29	34

Components of net periodic benefit cost

		Nine months ended September 30,			
		Pension benefits		Other post-retirement benefits	
		2012	2011	2012	2011
Service cost	\$	5,573	4,285		
Interest cost		4,297	4,089	49	72
Expected return on plan assets		(5,844)	(4,506)		
Amortization of prior service cost		(120)	(120)		
Amortization of the net loss		2,070	507	38	39
Net periodic benefit cost	\$	5,976	4,255	87	111

We made no contribution to our pension or other post-retirement benefit plans during the nine months ended September 30, 2012. Once determined, we anticipate making a tax-deductible contribution to our defined benefit pension plan for the year ending December 31, 2012.

(9) Disclosures About Fair Value of Financial Instruments

Fair value information about financial instruments, whether or not recognized in the consolidated statement of financial condition, is required to be disclosed. These requirements exclude certain financial instruments and all nonfinancial instruments. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Financial assets and liabilities recognized or disclosed at fair value on a recurring basis and certain financial assets and liabilities on a non-recurring basis are accounted for using a three-level hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to quoted prices with readily available independent data in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable market inputs (Level 3). When various inputs for measurement fall within different levels of the fair value hierarchy, the lowest level input that has a significant impact on fair value

measurement is used.

Financial assets and liabilities are categorized based upon the following characteristics or inputs to the valuation techniques:

- Level 1 Financial assets and liabilities for which inputs are observable and are obtained from reliable quoted prices for identical assets or liabilities in actively traded markets. This is the most reliable fair value measurement and includes, for example, active exchange-traded equity securities.

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- Level 2 Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets or liabilities that are actively traded. Level 2 also includes pricing models in which the inputs are corroborated by market data, for example, matrix pricing.
- Level 3 Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:
 - Quotes from brokers or other external sources that are not considered binding;
 - Quotes from brokers or other external sources where it cannot be determined that market participants would in fact transact for the asset or liability at the quoted price;
 - Quotes and other information from brokers or other external sources where the inputs are not deemed observable.

We are responsible for the valuation process and as part of this process may use data from outside sources in establishing fair value. We perform due diligence to understand the inputs used or how the data was calculated or derived. We also corroborate the reasonableness of external inputs in the valuation process.

The carrying amounts reported in the consolidated statement of financial condition approximate fair value for the following financial instruments: cash on hand, interest-earning deposits in other institutions, federal funds sold and other short-term investments, accrued interest receivable, accrued interest payable, and marketable securities available-for-sale.

Marketable Securities

Where available, market values are based on quoted market prices, dealer quotes, and prices obtained from independent pricing services.

Debt securities available for sale - Generally, debt securities are valued using pricing for similar securities, recently executed transactions and other pricing models utilizing observable inputs. The valuation for most debt securities is classified as level 2. Securities within level 2 include corporate bonds, municipal bonds, mortgage-backed securities and US government obligations. Certain corporate debt securities do not have an active market and as such the broker pricing received uses alternative methods. The fair value of these corporate debt securities is determined by using a discounted cash flow model using market assumptions, which generally include cash flow, collateral and other market assumptions. As such, these securities are included herein as level 3 assets.

Equity securities available for sale - Level 1 securities include publicly traded securities valued using quoted market prices. We consider the financial condition of the issuer to determine if the securities have indicators of impairment.

Debt securities held to maturity - The fair value of debt securities held to maturity is determined in the same manner as debt securities available for sale.

Loans Receivable

Loans with comparable characteristics including collateral and re-pricing structures are segregated for valuation purposes. Each loan pool is separately valued utilizing a discounted cash flow analysis. Projected monthly cash flows are discounted to present value using a market rate for comparable loans, which is not considered an exit price. Characteristics of comparable loans include remaining term, coupon interest, and estimated prepayment speeds. Delinquent loans are separately evaluated given the impact delinquency has on the projected future cash flow of the loan and the approximate discount or market rate.

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FHLB Stock

Due to the restrictions placed on the transferability of FHLB stock it is not practical to determine the fair value.

Deposit Liabilities

The estimated fair value of deposits with no stated maturity, which includes demand deposits, money market, and other savings accounts, is the amount payable on demand. Although market premiums paid for depository institutions reflect an additional value for these low-cost deposits, adjusting fair value for any value expected to be derived from retaining those deposits for a future period of time or from the benefit that results from the ability to fund interest-earning assets with these deposit liabilities is prohibited. The fair value estimates of deposit liabilities do not include the benefit that results from the low-cost funding provided by these deposits compared to the cost of borrowing funds in the market. Fair values for time deposits are estimated using a discounted cash flow calculation that applies contractual cost currently being offered in the existing portfolio to current market rates being offered locally for deposits of similar remaining maturities. The valuation adjustment for the portfolio consists of the present value of the difference of these two cash flows, discounted at the assumed market rate of the corresponding maturity.

Borrowed Funds

Fixed rate advances are valued by comparing their contractual cost to the prevailing market cost. The carrying amount of repurchase agreements approximates fair value.

Junior Subordinated Debentures

The fair value of junior subordinated debentures is calculated using the discounted cash flows at the prevailing rate of interest.

Cash flow hedges Interest rate swap agreements (swaps)

The fair value of the swaps is the amount we would have expected to pay to terminate the agreements and is based upon the present value of the expected future cash flows using the LIBOR swap curve, the basis for the underlying interest rate.

Off-Balance Sheet Financial Instruments

These financial instruments generally are not sold or traded, and estimated fair values are not readily available. However, the fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. Commitments to extend credit are generally short-term in nature and, if drawn upon, are issued under current market terms. At September 30, 2012 and December 31, 2011, there was no significant unrealized appreciation or depreciation on these financial instruments.

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The following table sets forth the carrying amount and estimated fair value of financial instruments included in the consolidated statement of financial condition at September 30, 2012 and December 31, 2011:

	Carrying amount	September 30, 2012			December 31, 2011		
		Estimated fair value	Level 1	Level 2	Level 3	Carrying amount	Estimated fair value
Financial assets:							
Cash and cash equivalents	\$ 638,068	638,068	638,068			688,297	688,297
Securities available-for-sale	951,879	951,879	20,068	922,981	8,830	908,349	908,349
Securities held-to-maturity	167,739	174,821		174,821		231,389	239,412
Loans receivable, net	5,657,456	5,982,671	14,152		5,968,519	5,480,381	5,839,674
Accrued interest receivable	25,324	25,324	25,324			24,599	24,599
FHLB Stock	46,834	46,834				48,935	48,935
Total financial assets	\$ 7,487,300	7,819,597	697,612	1,097,802	5,977,349	7,381,950	7,749,266
Financial liabilities:							
Savings and checking accounts	\$ 3,862,772	3,862,772	3,862,772			3,495,508	3,495,508
Time deposits	1,961,984	2,004,067			2,004,067	2,284,817	2,329,451
Borrowed funds	855,552	914,459	160,019		754,440	827,925	899,547
Junior subordinated debentures	103,094	117,059			117,059	103,094	116,725
Cash flow hedges - swaps	13,932	13,932		13,932		13,637	13,637
Accrued interest payable	1,111	1,111	1,111			1,104	1,104
Total financial liabilities	\$ 6,798,445	6,913,400	4,023,902	13,932	2,875,566	6,726,085	6,855,972

Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both September 30, 2012 and December 31, 2011. There were no transfers of financial instruments between Level 1 and Level 2 during the nine months ended September 30, 2012.

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The following table represents assets and liabilities measured at fair value on a recurring basis at September 30, 2012 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	\$ 20,068			20,068
Debt securities:				
U.S. government and agencies		41		41
Government sponsored enterprises		124,354		124,354
States and political subdivisions		141,863		141,863
Corporate		11,465	8,830	20,295
Total debt securities		277,723	8,830	286,553
Residential mortgage-backed securities:				
GNMA		42,438		42,438
FNMA		117,605		117,605
FHLMC		58,844		58,844
Non-agency		703		703
Collateralized mortgage obligations:				
GNMA		28,960		28,960
FNMA		161,442		161,442
FHLMC		211,657		211,657
SBA		16,421		16,421
Non-agency		7,188		7,188
Total mortgage-backed securities		645,258		645,258
Interest rate swaps		(13,932)		(13,932)
Total assets	\$ 20,068	909,049	8,830	937,947

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The following table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2011 (in thousands):

Total