

Northwest Bancshares, Inc.
Form 10-Q
November 05, 2012
[Table of Contents](#)

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

Table of Contents

NORTHWEST BANCSHARES, INC.

INDEX

	PAGE
PART I	
	FINANCIAL INFORMATION
<u>Item 1.</u>	<u>Financial Statements (unaudited)</u>
	<u>Consolidated Statements of Financial Condition as of September 30, 2012 and December 31, 2011</u>
	1
	<u>Consolidated Statements of Income for the quarter ended and nine months ended September 30, 2012 and 2011</u>
	2
	<u>Consolidated Statements of Comprehensive Income for the quarter ended and nine months ended September 30, 2012 and 2011</u>
	3
	<u>Consolidated Statements of Changes in Shareholders' Equity for the quarter ended September 30, 2012 and 2011</u>
	4
	<u>Consolidated Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2012 and 2011</u>
	5
	<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011</u>
	6
	<u>Notes to Consolidated Financial Statements - Unaudited</u>
	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	44
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>
	63
<u>Item 4.</u>	<u>Controls and Procedures</u>
	64
PART II	<u>OTHER INFORMATION</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>
	65
<u>Item 1A.</u>	<u>Risk Factors</u>
	65
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	65
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	66
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	66
<u>Item 5.</u>	<u>Other information</u>
	66
<u>Item 6.</u>	<u>Exhibits</u>
	66

Signature

67

Certifications

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

Table of Contents**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

Table of Contents

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

Table of Contents**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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) &#