

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

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

FORM 10-Q

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

or
 Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 001-34582

Northwest Bancshares, Inc.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation or organization)

27-0950358
(I.R.S. Employer Identification No.)

100 Liberty Street, Warren, Pennsylvania
(Address of principal executive offices)

16365
(Zip Code)

(814) 726-2140
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller reporting company

Indicate by check mark whether the registrant is a Shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock (\$0.01 par value) 103,279,692 shares outstanding as of July 31, 2011

NORTHWEST BANCSHARES, INC.
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ITEM 1. FINANCIAL STATEMENTS

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

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

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Advances by borrowers for taxes and insurance	30,371	22,868
Accrued interest payable	1,155	1,716
Other liabilities	58,828	57,398
Total liabilities	6,860,204	6,840,705
Shareholders' equity:		
Preferred stock, \$0.01 par value: 50,000,000 authorized, no shares issued	-	-
Common stock, \$0.01 par value: 500,000,000 shares authorized, 103,266,045 and 110,295,117 shares issued, respectively	1,033	1,103
Paid-in capital	726,207	824,164
Retained earnings	533,229	523,089
Unallocated common stock of employee stock ownership plan	(26,639)	(27,409)
Accumulated other comprehensive loss	(6,689)	(13,497)
	1,227,141	1,307,450
Total liabilities and shareholders' equity	\$8,087,345	8,148,155

See accompanying notes to consolidated financial statements - unaudited

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

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

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

See accompanying notes to unaudited consolidated financial statements

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

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

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

See accompanying notes to unaudited consolidated financial statements

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

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

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Ending balance at June 30, 2010	110,775,014	\$ 1,108	829,686	516,005	(7,225)	(28,851)	1,310,723
	Accumulated						
Six months ended June 30, 2011	Common Stock		Paid-in	Retained	Comprehensive	Unallocated	Total
	Shares	Amount	Capital	Earnings	Income/ (loss)	common stock of ESOP	Shareholders' Equity
Beginning balance at December 31, 2010	110,295,117	\$ 1,103	824,164	523,089	(13,497)	(27,409)	1,307,450
Comprehensive income:							
Net income	-	-	-	32,256	-	-	32,256
Change in fair value of interest rate swaps, net of tax of \$223	-	-	-	-	(415)	-	(415)
Change in unrealized loss on securities, net of tax of \$(3,889)	-	-	-	-	6,443	-	6,443
Reclassification of previously recognized OTTI on investment securities recorded in OCI to net income, net of tax of \$(273)	-	-	-	-	780	-	780
Total comprehensive income	-	-	-	32,256	6,808	-	39,064
Exercise of stock options	128,968	2	738	-	-	-	740
Stock-based compensation expense	1,273,949	12	3,867	-	-	770	4,649
Share repurchases	(8,431,989)	(84)	(102,562)	-	-	-	(102,646)
Dividends paid (\$0.21 per share)	-	-	-	(22,116)	-	-	(22,116)
Ending balance at June 30, 2011	103,266,045	\$ 1,033	726,207	533,229	(6,689)	(26,639)	1,227,141

See accompanying notes to unaudited consolidated financial statements

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

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

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

	Six months ended June 30,	
	2011	2010
FINANCING ACTIVITIES:		
Increase in deposits, net	\$54,970	104,555
Repayments of long-term borrowings	(50,033)	(1,532)
Net increase in short-term borrowings	6,190	1,769
Increase in advances by borrowers for taxes and insurance	7,503	8,669
Cash dividends paid	(22,116)	(22,131)
Purchase of common stock for employee stock ownership plan	-	(17,200)
Purchase of common stock for retirement	(102,646)	-
Proceeds from stock options exercised	740	1,168
Net cash (used in)/provided by financing activities	(105,392)	75,298
Net decrease in cash and cash equivalents	\$(5,632)	(300,730)
Cash and cash equivalents at beginning of period	\$719,111	1,107,790
Net decrease in cash and cash equivalents	(5,632)	(300,730)
Cash and cash equivalents at end of period	\$713,479	807,060
Cash and cash equivalents:		
Cash and due from banks	\$80,889	60,647
Interest-earning deposits in other financial institutions	631,957	745,781
Federal funds sold and other short-term investments	633	632
Total cash and cash equivalents	\$713,479	807,060
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$26,828 and \$35,291, respectively)	\$48,075	59,941
Income taxes	\$10,135	8,042
Non-cash activities:		
Loans transferred to real estate owned	\$5,824	7,463
Sale of real estate owned financed by the Company	\$266	895

See accompanying notes to unaudited consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) **Basis of Presentation and Informational Disclosures**
Northwest Bancshares, Inc. (the “Company”)(“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. Prior to July 21, 2011 the Company was regulated by the Office of Thrift Supervision. The Company was incorporated to be the successor to Northwest Bancorp, Inc. (“NWSB”) upon the completion of the mutual-to-stock conversion of Northwest Bancorp, MHC. As a result of the conversion, all share information for periods prior to December 31, 2009, has been revised to reflect the 2.25-to-one conversion rate. 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 June 30, 2011, Northwest operated 169 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland. On June 30, 2011 we closed three offices located in southern Florida.

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, 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, 2010 updated, as required, for any new pronouncements or changes. The following sections of our Summary of Significant Accounting Principals have been updated since the filing of our form 10-K and are included herein.

(e) Loans Receivable

Our loan portfolio segments consist of Personal Banking and Business Banking. Personal Banking loans are further disaggregated into the following classes: residential mortgage loans, home equity loans and other consumer loans. Business Banking loans are further disaggregated into the following classes: commercial real estate loans and commercial loans. All classes of loans are carried at their unpaid principal balance net of any deferred origination fees or costs and the allowance for estimated loan losses. Interest income on loans is credited to income as earned. Interest earned on loans for which no payments were received during the month is accrued at month end. Accrued interest on loans more than 90 days delinquent is reversed, and such loans are placed on nonaccrual status.

All classes of loans are placed on nonaccrual status when principal or interest is 90 days or more delinquent, or when there is reasonable doubt that interest or principal will not be collected in accordance with the contractual terms. Interest receipts on all classes of nonaccrual and impaired loans are recognized as interest revenue when it has been determined that all principal and interest will be collected or are applied to principal when collectability of principal is in doubt. Nonaccrual loans generally are restored to an accrual basis when principal and interest become current (and a period of performance has been established in accordance with the contractual terms, typically six months).

A loan (from any class) is considered to be a troubled debt restructured loan (“TDR”) when the terms have been renegotiated to a below market condition to provide a reduction or deferral of principal or interest as a result of the deteriorating financial position of the borrower. Troubled debt restructurings are determined on the contractual terms as specified by the original loan agreement of the most recent modification.

For all classes of loans, delinquency is measured based on number of days since payment due date. For all classes of loans, past due status is measured using the loan’s contractual maturity date.

We have identified certain residential mortgage loans, which will be sold prior to maturity, as loans held for sale. These loans are recorded at the lower of amortized cost or fair value less estimated cost to sell and at June 30, 2011 and December 31, 2010 and were \$8.0 million and \$11.4 million, respectively.

Loan fees and certain direct loan origination costs are deferred, and the net deferred fee or cost is then recognized using the level-yield method over the contractual life of the loan as an adjustment to interest income.

(f) Allowance for Loan Losses and Provision for Loan Losses

Provisions for estimated loan losses and the amount of the allowance for loan losses are based on losses inherent in the loan portfolio that are both probable and reasonably estimable at the date of the financial statements. We believe, to the best of our knowledge, that all known losses as of the statement of condition dates have been recorded.

For all classes of loans, we consider a loan to be impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. In evaluating whether a loan is impaired, we consider not only the amount that we expect to collect but also the timing of collection. Generally, if a delay in payment is insignificant (e.g., less than 30 days), a loan is not deemed to be impaired.

When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan’s effective interest rate, the loan’s market price, or fair value of the collateral, less cost to sell, if the loan is collateral dependent. Larger loans are evaluated individually for impairment. Smaller balance, homogeneous loans (e.g., primarily consumer and residential mortgages) are evaluated collectively for impairment. Impairment losses are included in the allowance for loan losses. Impaired loans are charged-off or charged down when we believe that the ultimate collectability of a loan is not likely or the collateral value no longer supports the carrying value of the loan.

Interest income on impaired loans is recognized using the cash basis method. For impaired loans interest collected is credited to income in the period of recovery or applied to reduce principal if there is sufficient doubt about the collectability of principal.

The allowance for loan losses is shown as a valuation allowance to loans. The accounting policy for the determination of the adequacy of the allowance by portfolio segment requires us to make numerous complex and subjective estimates and assumptions relating to amounts which are inherently uncertain. The allowance for loan losses is maintained to absorb losses inherent in the loan portfolio as of the balance sheet date based on our judgment. The methodology used to determine the allowance for loan losses is designed to provide procedural discipline in assessing the appropriateness of the allowance for loan losses. Losses are charged against the allowance for loan losses and recoveries are added to the allowance for loan losses.

The allowance for loan losses for all classes of Business Banking loans consists of three elements:

- An allowance for impaired loans;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on judgmental factors.

The first element, impaired loans, is based on individual analysis of all nonperforming loans over \$1.0 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral, less cost to sell.

The second element is a rolling three-year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics.

The third element augments the historical loss factors for changes in economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral and concentrations of credit.

The allowance for loan losses for all classes of Personal Banking loans consists of three elements:

- An allowance for loans 90 days or more delinquent;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on judgmental factors.

The first element, loans 90 days or more delinquent is based on the loss history of loans that have become 90 days or more delinquent. We apply a historical loss factor for loans that have been 90 days or more delinquent.

The second element is a rolling three-year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics.

The third element augments the historical loss factors for changes in economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral and concentrations of credit.

We also have an unallocated allowance which is based on our judgment regarding economic conditions, collateral values, specific loans and industry conditions and results of bank regulatory and internal credit exams.

The allocation of the allowance for loan losses is inherently judgmental, and the entire allowance for loan losses is available to absorb loan losses regardless of the nature of the loss.

We have not made any changes to our methodology for the calculation of the allowance for loan losses during the current year.

Personal Banking loans are charged-off or charged down when they become no more than 180 days delinquent, unless that borrower has filed for bankruptcy. Business Banking loans are charged-off or charged down when, in our opinion, they are no longer collectible, for commercial loans, or when it has been determined that the collateral value no longer supports the carrying value of the loan, for commercial real estate loans.

Certain items previously reported have been reclassified to conform to the current period's format. The reclassifications had no material effect on the Company's financial condition or results of operations.

The results of operations for the three months ended and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

Stock-Based Compensation

On April 20, 2011, we awarded a director 30,000 stock options with an exercise price of \$12.17 and a grant date fair value of \$1.96 per stock option and 12,000 Recognition and Retention Plan ("RRP") shares with a grant date fair price of \$12.33 per share. On May 18, 2011, we awarded employees 2,331,898 stock options and directors 270,000 stock options with an exercise price of \$12.32 and a grant date fair value of \$2.21 per stock option. On May 18, 2011, we awarded employees 1,165,949 RRP shares and directors 108,000 RRP shares with a grant date fair value of \$12.34 per share. Awarded stock options and RRP shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of \$3.8 million and \$225,000 for the three months ended June 30, 2011 and 2010, respectively, and \$4.6 million and \$1.0 million for the six months ended June 30, 2011 and 2010, respectively, was recognized in compensation expense relating to our stock benefit plans. Included in compensation expense was \$1.6 million from our RRP which vested May 18, 2011. At June 30, 2011 there was compensation expense of \$6.4 million to be recognized for awarded but unvested stock options and \$13.9 million for unvested RRP shares.

Income Taxes- Uncertain Tax Positions

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 June 30, 2011 the Company had no liability for unrecognized tax benefits.

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 June 30, 2011. We are subject to audit by the Internal Revenue Service for the tax periods ended December 31, 2009 and 2008 and subject to audit by any state in which we conduct business for the tax periods ended December 31, 2009, 2008 and 2007.

Recently Issued Accounting Standards to be Adopted in Future Periods

In April 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-02, "Receivable (Topic 310): A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." This guidance is designed to assist creditors with determining whether or not a restructuring constitutes a troubled debt restructuring. Additional guidance has been added to help creditors determine whether a concession has been granted and whether a debtor is experiencing financial difficulty. Both of these conditions are required to be met for a restructuring to constitute a troubled debt restructuring. This guidance is effective for the first interim period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The adoption of the provisions of this standard is not expected to have a material impact on our Consolidated Financial Statements.

In May 2011, the Financial Accounting Standards Board (FASB) issued ASU No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This guidance eliminates the concepts of in-use and in-exchange when measuring fair value of all financial instruments. The fair value of a financial asset should be measured on a standalone basis and cannot be measured as part of a group. The ASU requires several new disclosures including the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy and additional disclosures regarding Level 3 assets. This guidance is effective for interim and annual periods beginning on or after December 15, 2011, and should be applied prospectively. The adoption of the provisions of this standard is not expected to have a material impact on our Consolidated Financial Statements.

In June 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-05, "Presentation of Comprehensive Income" an accounting pronouncement that requires all non-owner changes in stockholders' equity to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The pronouncement should be applied retrospectively effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this pronouncement is not expected to have a material impact on our consolidated financial statements.

(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 commercial and individual demand, savings and time deposit accounts and commercial, mortgage and consumer loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, which is comprised of Northwest Consumer Discount Company, a subsidiary of Northwest, operates 52 offices in Pennsylvania and 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., a subsidiary of Northwest. 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.

As of or for the three months ended:

	Community Banking	Consumer Finance	All Other *	Consolidated
June 30, 2011 (\$ in 000's)				
External interest income	\$84,520	5,385	236	90,141
Intersegment interest income	766	-	(766)	-
Interest expense	22,243	766	453	23,462
Provision for loan losses	7,650	717	-	8,367
Noninterest income	14,677	572	13	15,262
Noninterest expense	49,332	3,005	153	52,490
Income tax expense (benefit)	5,865	611	(395)	6,081
Net income	14,873	858	(728)	15,003
Total assets	\$7,944,536	115,428	27,381	8,087,345

	Community Banking	Consumer Finance	All Other *	Consolidated
June 30, 2010 (\$ in 000's)				
External interest income	\$87,182	5,219	3	92,404
Intersegment interest income	807	-	(807)	-
Interest expense	27,822	807	48	28,677
Provision for loan losses	7,000	896	-	7,896
Noninterest income	14,988	544	13	15,545
Noninterest expense	45,004	3,045	108	48,157
Income tax expense (benefit)	6,986	422	(330)	7,078
Net income	16,165	593	(617)	16,141
Total assets	\$7,996,270	115,991	23,872	8,136,133

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

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As of or for the six months ended:

	Community Banking	Consumer Finance	All Other *	Consolidated
June 30, 2011 (\$ in 000's)				
External interest income	\$ 170,136	10,632	465	181,233
Intersegment interest income	1,536	-	(1,536)	-
Interest expense	45,203	1,536	775	47,514
Provision for loan losses	14,150	1,461	-	15,611
Noninterest income	28,537	1,025	26	29,588
Noninterest expense	95,433	6,042	393	101,868
Income tax expense (benefit)	13,261	1,088	(777)	13,572
Net income	32,162	1,530	(1,436)	32,256
Total assets	\$ 7,944,536	115,428	27,381	8,087,345

	Community Banking	Consumer Finance	All Other *	Consolidated
June 30, 2010 (\$ in 000's)				
External interest income	\$ 173,148	10,386	8	183,542
Intersegment interest income	1,614	-	(1,614)	-
Interest expense	58,267	1,614	(100)	59,781
Provision for loan losses	15,000	1,697	-	16,697
Noninterest income	30,435	941	26	31,402
Noninterest expense	90,470	6,070	221	96,761
Income tax expense (benefit)	12,197	809	(595)	12,411
Net income	29,263	1,137	(1,106)	29,294
Total assets	\$ 7,996,270	115,991	23,872	8,136,133

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

(3) Investment securities and impairment of investment securities
The following table shows the portfolio of investment securities available-for-sale at June 30, 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	\$ 63	-	-	63
Debt issued by government sponsored enterprises:				
Due in one year or less	1,995	46	-	2,041
Due in one year - five years	64,298	350	-	64,648
Due in five years - ten years	35,200	612	(107)	35,705
Due after ten years	9,952	-	(56)	9,896
Equity securities	6,218	395	(1)	6,612
Municipal securities:				
Due in one year - five years	7,122	258	-	7,380
Due in five years - ten years	30,210	1,124	-	31,334
Due after ten years	164,405	2,317	(1,520)	165,202
Corporate debt issues:				
Due in one year or less	500	-	-	500
Due after ten years	25,384	338	(4,933)	20,789
Residential mortgage-backed securities:				
Fixed rate pass-through	115,138	7,275	(6)	122,407
Variable rate pass-through	150,022	6,837	(4)	156,855
Fixed rate non-agency CMOs	11,329	178	(639)	10,868
Fixed rate agency CMOs	135,274	3,095	(1)	138,368
Variable rate non-agency CMOs	1,577	-	(136)	1,441
Variable rate agency CMOs	265,142	1,750	(454)	266,438
Total residential mortgage-backed securities	678,482	19,135	(1,240)	696,377
Total marketable securities available-for-sale	\$ 1,023,829	24,575	(7,857)	1,040,547

The following table shows the Company's portfolio of investment securities available-for-sale at December 31, 2010 (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	\$ 67	-	-	67
Debt issued by government sponsored enterprises:				
Due in one year - five years	1,989	93	-	2,082
Due in five years - ten years	6,495	347	-	6,842
Due after ten years	9,948	-	(53)	9,895
Equity securities	641	86	(1)	726
Municipal securities:				
Due in one year - five years	3,382	125	-	3,507
Due in five years - ten years	37,898	1,023	-	38,921
Due after ten years	173,255	1,158	(8,548)	165,865
Corporate debt issues:				
Due in one year or less	100	-	-	100
Due in one year - five years	500	-	-	500
Due after ten years	25,417	196	(7,353)	18,260
Residential mortgage-backed securities:				
Fixed rate pass-through	111,581	7,153	(12)	118,722
Variable rate pass-through	167,685	7,260	(8)	174,937
Fixed rate non-agency CMOs	13,825	91	(843)	13,073
Fixed rate CMOs	112,483	1,067	(759)	112,791
Variable rate non-agency CMOs	3,274	-	(379)	2,895
Variable rate CMOs	277,031	4,525	(276)	281,280
Total residential mortgage-backed securities	685,879	20,096	(2,277)	703,698
Total marketable securities available-for-sale	\$ 945,571	23,124	(18,232)	950,463

The following table shows the portfolio of investment securities held-to-maturity at June 30, 2011 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due in fiveyears - ten years	\$ 1,086	16	-	1,102
Due after ten years	76,735	477	(270)	76,942
Residential mortgage-backed securities:				
Fixed rate pass-through	27,564	743	-	28,307
Variable rate pass-through	9,530	69	-	9,599
Fixed rate agency CMOs	147,066	2,614	(65)	149,615
Variable rate agency CMOs	18,801	319	-	19,120
Total residential mortgage-backed securities	202,961	3,745	(65)	206,641
Total marketable securities held-to-maturity	\$ 280,782	4,238	(335)	284,685

The following table shows the portfolio of investment securities held-to-maturity at December 31, 2010 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by government sponsored enterprises:				
Due in one year - five years	26,500	36	-	26,536
Municipal securities:				
Due after ten years	80,020	7	(3,940)	76,087
Residential mortgage-backed securities:				
Fixed rate pass-through	29,820	410	(4)	30,226
Variable rate pass-through	9,853	79	-	9,932
Fixed rate agency CMOs	186,948	924	(1,701)	186,171
Variable rate agency CMOs	24,781	393	-	25,174
Total residential mortgage-backed securities	251,402	1,806	(1,705)	251,503
Total marketable securities held-to-maturity	\$ 357,922	1,849	(5,645)	354,126

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 the fair value has been lower than the cost, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, the delinquency or default rates of the underlying collateral, and the intent to hold the investments for a period of time sufficient to allow for a recovery in value. Other investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows determines that it is expected an adverse change has occurred, other-than-temporary impairment would be recognized for the credit loss.

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The following table shows the fair value 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 June 30, 2011 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government and agencies	\$ 24,359	(162)	33	(1)	24,392	(163)
Municipal securities	72,973	(1,262)	8,814	(528)	81,787	(1,790)
Corporate issues	-	-	14,941	(4,933)	14,941	(4,933)
Equity securities	44	(1)	-	-	44	(1)
Residential mortgage-backed securities - non-agency	-	-	5,820	(775)	5,820	(775)
Residential mortgage-backed securities - agency	171,770	(490)	4,946	(40)	176,716	(530)
Total temporarily impaired securities	\$ 269,146	(1,915)	34,554	(6,277)	303,700	(8,192)

The following table shows the fair value 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, 2010 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government and agencies	\$ 9,896	(52)	35	(1)	9,931	(53)
Municipal securities	188,659	(11,107)	8,181	(1,381)	196,840	(12,488)
Corporate issues	-	-	13,700	(7,353)	13,700	(7,353)
Equities	44	(1)	-	-	44	(1)
Residential mortgage-backed securities - non-agency	303	(302)	10,093	(921)	10,396	(1,223)
Residential mortgage-backed securities - agency	212,261	(2,632)	4,949	(127)	217,210	(2,759)
Total temporarily impaired securities	\$ 411,163	(14,094)	36,958	(9,783)	448,121	(23,877)

Corporate issues

As of June 30, 2011, we had seven investments with a total book value of \$19.9 million and total fair value of \$14.9 million, where the book value exceeded the carrying value for more than 12 months. These investments were two

single issuer trust preferred investments and five 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 each case, 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, nor have any been downgraded. 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. We concluded the impairment of these two investments was considered temporary. 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 we 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 are projecting a cash flow disruption nor have any experienced a cash flow disruption. After evaluation, the impairment in the five investments was considered temporary.

The following table provides class, book value, fair value and ratings information for our portfolio of corporate securities that have an unrealized loss as of June 30, 2011 (in thousands):

Description	Class	Book Value	Total Fair Value	Unrealized Losses	Moody's/ Fitch Ratings
Bank Boston Capital Trust (1)	N/A	988	807	(181)	Baa3/ BBB
Huntington Capital Trust	N/A	1,425	1,125	(300)	Ba1/ BBB-
MM Community Funding II	Mezzanine	329	139	(190)	Baa2/ BB
I-PreTSL I	Mezzanine	1,500	605	(895)	Not rated/ CCC
I-PreTSL II	Mezzanine	1,500	598	(902)	Not rated/ B
PreTSL XIX	Senior A-1	8,709	6,977	(1,732)	Baa2/ BBB
PreTSL XX	Senior A-1	5,423	4,690	(733)	Ba2/ BB
		\$ 19,874	14,941	(4,933)	

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

The following table provides collateral information on the entire pool for trust preferred securities included in the previous table as of June 30, 2011 (in thousands):

Description *	Total Collateral	Current deferrals and defaults	Performing Collateral	Additional Immediate defaults before causing an interest shortfall
I-PreTSL I	\$ 193,500	32,500	161,000	88,893
I-PreTSL II	358,500	17,500	341,000	143,843
PreTSL XIX	699,806	192,400	507,406	170,000
PreTSL XX	576,238	188,500	387,738	99,000

* - similar information for the MM Community Funding II is not available.

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 agency mortgage-backed securities quarterly for impairment. As of June 30, 2011, we believe that the impairment within its portfolio of agency mortgage-backed securities is temporary. As of June 30, 2011, we had ten non-agency CMOs with a total book value of \$12.9 million and a total fair value of \$12.3 million.

The following table shows issuer specific information, book value, fair value, unrealized gain or loss and other-than-temporary impairment recorded in earnings for the portfolio of non-agency CMOs as of June 30, 2011 (in thousands):

Description	Book Value	Total Fair Value	Unrealized Gain/ (loss)	Impairment recorded in current quarter earnings	Total impairment recorded in earnings
AMAC 2003-6 2A2	\$ 464	477	13	-	-
AMAC 2003-6 2A8	960	989	29	-	-
AMAC 2003-7 A3	571	586	15	-	-
BOAMS 2005-11 1A8	2,522	2,614	92	-	(146)
CWALT 2005-J14 A3	5,312	4,673	(639)	-	(411)
CFSB 2003-17 2A2	872	890	18	-	-
WAMU 2003-S2 A4	628	639	11	-	-
CMLTI 2005-10 1A5B	294	294	-	(414)	(3,366)
SARM 2005-21 4A2	253	183	(70)	(93)	(3,193)
WFMBS 2003-B A2	1,030	964	(66)	-	-
	\$ 12,906	12,309	(597)	(507)	(7,116)

Municipal Securities

As of June 30, 2011, we had 12 investments in municipal securities with a total book value of \$9.3 million and a total fair value of \$8.8 million, where book value exceeded fair value for more than 12 months. We initially evaluate investments in municipal securities for other-than-temporary impairment by comparing the fair value, provided to us by a third party pricing source using quoted prices for similar assets that are actively traded, to the carrying value. When an investment’s fair value is below 80% of the carrying value 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 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. As of June 30, 2011, we have determined that all of the impairment in our municipal securities portfolio is noncredit related and therefore temporary. The 12 investments in municipal securities discussed above represent six Pennsylvania municipalities.

The following table provides information for our portfolio of municipal securities that have unrealized losses for greater than 12 months as of June 30, 2011 (in thousands):

Description	State	Book Value	Total Fair Value	Unrealized Losses	Rating
Cambria & Somerset Counties Revenue	PA	\$ 611	610	(1)	BBB
Ohio Township Sewer Revenue	PA	307	278	(29)	Not rated
North Allegheny School District General Obligation	PA	3,029	3,028	(1)	AA+
Plum Boro Water Authority Revenue	PA	835	823	(12)	Not rated
Cambridge Area JT Revenue	PA	595	527	(68)	Not rated
Ohio Township Sewer Revenue	PA	490	466	(24)	Not rated
West Reading General Obligation	PA	423	376	(47)	BBB
Cambria & Somerset Counties Revenue	PA	470	460	(10)	Not rated
West Reading General Obligation	PA	492	431	(61)	BBB
Kutztown General Obligation	PA	799	705	(94)	BBB
Ohio Township Sewer Revenue	PA	305	298	(7)	Not rated
West Reading General Obligation	PA	986	812	(174)	BBB
		\$ 9,342	8,814	(528)	

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 all debt securities held and not intended to be sold (in thousands):

	June 30,	
	2011	2010
Beginning balance as of January 1, 2011 (a)	\$ 15,445	13,998
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	507	315
Ending balance as of June 30, 2011	\$ 15,952	14,313

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

(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 June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Personal Banking:		
Residential mortgage loans	\$ 2,377,273	2,432,421
Home equity loans	1,083,301	1,095,953
Other consumer loans	247,182	255,776
Total Personal banking	3,707,756	3,784,150
Business Banking:		
Commercial real estate	1,428,757	1,423,021
Commercial loans	458,934	463,006
Total Business Banking	1,887,691	1,886,027
Total loans receivable, gross	5,595,447	5,670,177
Deferred loan fees	(7,250)	(7,165)
Allowance for loan losses	(75,455)	(76,412)
Undisbursed loan proceeds (real estate loans)	(99,019)	(129,007)
Total loans receivable, net	\$ 5,413,723	5,457,593

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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 three months ended June 30, 2011 (in thousands):

	Balance March 31, 2011	Current period provision	Charge-offs	Recoveries	Balance June 30, 2011
Personal Banking:					
Residential mortgage loans	\$8,006	1,197	(829)	89	8,463
Home equity loans	6,840	1,718	(893)	34	7,699
Other consumer loans	5,556	557	(1,277)	308	5,144
Total Personal Banking	20,402	3,472	(2,999)	431	21,306
Business Banking:					
Commercial real estate loans	34,040	(374)	(2,269)	293	31,690
Commercial loans	17,710	5,071	(4,874)	56	17,963
Total Business Banking	51,750	4,697	(7,143)	349	49,653
Unallocated	4,298	198	-	-	4,496
Total	\$76,450	8,367	(10,142)	780	75,455

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the three months ended June 30, 2010 (in thousands):

	Balance March 31, 2010	Current period provision	Charge-offs	Recoveries	Balance June 30, 2010
Personal Banking:					
Residential mortgage loans	\$8,907	(1,944)	(513)	50	6,500
Home equity loans	5,666	1,448	(1,288)	8	5,834
Other consumer loans	6,372	762	(1,593)	346	5,887
Total Personal Banking	20,945	266	(3,394)	404	18,221
Business Banking:					
Commercial real estate loans	32,340	4,446	(1,900)	53	34,939
Commercial loans	17,240	2,794	(2,518)	40	17,556
Total Business Banking	49,580	7,240	(4,418)	93	52,495
Unallocated	4,311	390	-	-	4,701
Total	\$74,836	7,896	(7,812)	497	75,417

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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 six months ended June 30, 2011 (in thousands):

	Balance December 31, 2010	Current period provision	Charge-offs	Recoveries	Balance June 30, 2011
Personal Banking:					
Residential mortgage loans	\$ 6,854	3,483	(2,034)	160	8,463
Home equity loans	7,675	3,121	(3,148)	51	7,699
Other consumer loans	5,810	1,138	(2,509)	705	5,144
Total Personal Banking	20,339	7,742	(7,691)	916	21,306
Business Banking:					
Commercial real estate loans	35,832	(96)	(4,545)	499	31,690
Commercial loans	15,770	7,940	(5,915)	168	17,963
Total Business Banking	51,602	7,844	(10,460)	667	49,653
Unallocated	4,471	25	-	-	4,496
Total	\$ 76,412	15,611	(18,151)	1,583	75,455

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the six months ended June 30, 2010 (in thousands):

	Balance December 31, 2009	Current period provision	Charge-offs	Recoveries	Balance June 30, 2010
Personal Banking:					
Residential mortgage loans	\$ 9,349	(1,679)	(1,275)	105	6,500
Home equity loans	6,293	1,222	(1,721)	40	5,834
Other consumer loans	6,554	1,608	(2,934)	659	5,887
Total Personal Banking	22,196	1,151	(5,930)	804	18,221
Business Banking:					
Commercial real estate loans	23,942	14,022	(3,135)	110	34,939
Commercial loans	20,073	1,015	(3,617)	85	17,556
Total Business Banking	44,015	15,037	(6,752)	195	52,495
Unallocated	4,192	509	-	-	4,701
Total	\$ 70,403	16,697	(12,682)	999	75,417

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable as of June 30, 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	\$ 2,350,939	8,463	30,594	-	362
Home equity loans	1,083,301	7,699	9,069	-	-
Other consumer loans	247,182	5,144	1,825	-	-
Total Personal Banking	3,681,422	21,306	41,488	-	362
Business Banking:					
Commercial real estate loans	1,375,090	31,690	73,278	-	20,125
Commercial loans	432,666	17,963	46,349	-	37,628
Total Business Banking	1,807,756	49,653	119,627	-	57,753
Total	\$ 5,489,178	70,959	161,115	-	58,115

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable as of December 31, 2010 (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	\$ 2,398,304	6,854	29,751	-	-
Home equity loans	1,095,953	7,675	10,263	-	-
Other consumer loans	255,776	5,810	2,565	-	-
Total Personal Banking	3,750,033	20,339	42,579	-	-
Business Banking:					
Commercial real estate loans	1,350,319	35,832	67,306	1,067	24,966
Commercial loans	433,653	15,770	38,506	-	27,639
Total Business Banking	1,783,972	51,602	105,812	1,067	52,605
Total	\$ 5,534,005	71,941	148,391	1,067	52,605

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The following table provides information related to impaired loans by portfolio segment and by class of financing receivable as of and for the six months ended June 30, 2011 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve	Average recorded investment impaired loans	Interest income unrecognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 2,350,939	-	-	-	-	29,789	-
Home equity loans	1,083,301	-	-	-	-	9,671	-
Other consumer loans	247,182	-	-	-	-	2,514	-
Total Personal Banking	3,681,422	-	-	-	-	41,974	-
Business Banking:							
Commercial real estate loans	1,282,266	92,824	70,158	9,573	22,666	75,073	134
Commercial loans	386,141	46,525	33,201	10,852	13,324	41,768	368
Total Business Banking	1,668,407	139,349	103,359	20,425	35,990	116,841	502
Total	\$ 5,349,829	139,349	103,359	20,425	35,990	158,815	502

The following table provides information related to impaired loans by portfolio segment and by class of financing receivable as of and for the year ended December 31, 2010 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve	Average recorded investment impaired loans	Interest income unrecognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 2,398,304	-	-	-	-	27,544	-
Home equity loans	1,095,953	-	-	-	-	8,333	-
Other consumer loans	255,776	-	-	-	-	4,543	-
Total Personal Banking	3,750,033	-	-	-	-	40,420	-
Business Banking:							
Commercial real estate loans	1,244,884	105,435	78,849	13,291	26,586	60,923	171

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Commercial loans	389,614	44,039	37,758	9,103	6,281	35,452	629
Total Business Banking	1,634,498	149,474	116,607	22,394	32,867	96,375	800
Total	\$ 5,384,531	149,474	116,607	22,394	32,867	136,795	800

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The following table provides information related to loan delinquencies as of June 30, 2011 (in thousands):

	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or Greater Delinquent	Total Delinquency	Current	Total Loans	Recorded investment > 90 days past due and still accruing
Personal Banking:							
Residential mortgage loans	\$ 4,627	8,044	30,594	43,265	2,307,674	2,350,939	-
Home equity loans	5,763	2,602	9,069	17,434	1,065,867	1,083,301	-
Other consumer loans	3,816	1,195	1,825	6,836	240,346	247,182	-
Total Personal Banking	14,206	11,841	41,488	67,535	3,613,887	3,681,422	-
Business Banking:							
Commercial real estate loans	7,902	3,348	55,512	66,762	1,308,328	1,375,090	-
Commercial loans	2,264	3,887	18,802	24,953	407,713	432,666	-
Total Business Banking	10,166	7,235	74,314	91,715	1,716,041	1,807,756	-
Total	\$ 24,372	19,076	115,802	159,250	5,329,928	5,489,178	-

The following table provides information related to loan delinquencies as of December 31, 2010 (in thousands):

	30-59 Days Delinquent	60-89 Days Delinquent	90 Days or Greater Delinquent	Total Delinquency	Current	Total Loans	Recorded investment > 90 days past due and still accruing
Personal Banking:							
Residential mortgage loans	\$ 35,329	9,848	29,751	74,928	2,323,376	2,398,304	-
Home equity loans	7,317	3,249	10,263	20,829	1,075,124	1,095,953	-
Other consumer loans	5,318	1,331	2,565	9,214	246,562	255,776	-
Total Personal Banking	47,964	14,428	42,579	104,971	3,645,062	3,750,033	-
Business Banking:							
Commercial real estate loans	16,287	14,365	44,965	75,617	1,274,702	1,350,319	1,067
Commercial loans	6,590	1,678	12,877	21,145	412,508	433,653	-
Total Business Banking	22,877	16,043	57,842	96,762	1,687,210	1,783,972	1,067
Total	\$ 70,841	30,471	100,421	201,733	5,332,272	5,534,005	1,067

Credit quality indicators: 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 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 June 30, 2011 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Personal Banking:						
Residential mortgage loans	\$2,324,036	-	25,812	-	1,091	2,350,939
Home equity loans	1,073,851	-	9,450	-	-	1,083,301
Other consumer loans	245,875	-	1,307	-	-	247,182
Total Personal Banking	3,643,762	-	36,569	-	1,091	3,681,422
Business Banking:						
Commercial real estate loans	1,149,584	79,165	143,529	2,799	13	1,375,090
Commercial loans	349,875	20,790	57,969	4,032	-	432,666
Total Business Banking	1,499,459	99,955	201,498	6,831	13	1,807,756
Total	\$5,143,221	99,955	238,067	6,831	1,104	5,489,178

The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2010 (in thousands):

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
Personal Banking:						
Residential mortgage loans	\$2,368,776	-	28,763	56	709	2,398,304
Home equity loans	1,084,605	-	11,348	-	-	1,095,953
Other consumer loans	254,072	-	1,704	-	-	255,776
Total Personal Banking	3,707,453	-	41,815	56	709	3,750,033
Business Banking:						
Commercial real estate loans	1,112,955	70,638	163,050	3,346	330	1,350,319
Commercial loans	349,232	25,710	58,266	436	9	433,653
Total Business Banking	1,462,187	96,348	221,316	3,782	339	1,783,972
Total	\$5,169,640	96,348	263,131	3,838	1,048	5,534,005

(5) Goodwill and Other Intangible Assets

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

	June 30, 2011	December 31, 2010
Amortizable intangible assets:		
Core deposit intangibles – gross	\$ 30,578	30,578
Acquisitions	-	-
Less: accumulated amortization	(28,985)	(28,301)
Core deposit intangibles – net	1,593	2,277
Customer and Contract intangible assets – gross	3,779	1,731
Acquisitions	-	2,048
Less: accumulated amortization	(2,400)	(2,114)
Customer and Contract intangible assets – net	\$ 1,379	1,665

The following table shows the actual aggregate amortization expense for the three and six months ended June 30, 2011 and the three and six months ended June 30, 2010, 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 three months ended June 30, 2011	\$479
For the three months ended June 30, 2010	759
For the six months ended June 30, 2011	970
For the six months ended June 30, 2010	1,541
For the year ending December 31, 2011	1,730
For the year ending December 31, 2012	1,019
For the year ending December 31, 2013	647
For the year ending December 31, 2014	296
For the year ending December 31, 2015	140
For the year ending December 31, 2016	110

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, 2009	\$ 170,050	1,313	171,363
Goodwill acquired	219	300	519
Impairment losses	-	-	-
Balance at December 31, 2010	170,269	1,613	171,882
Goodwill acquired	-	-	-
Impairment losses	-	-	-
Balance at June 30, 2011	\$ 170,269	1,613	171,882

We performed our annual goodwill impairment test as of June 30, 2011 and concluded that goodwill was not impaired.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by us 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 June 30, 2011, the maximum potential amount of future payments we could be required to make under these standby letters of credit was \$61.9 million, of which \$60.7 million is fully collateralized. At June 30, 2011, we had a liability, which represents deferred income, of \$939,000 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 securities 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 2,636,398 shares of common stock with a weighted average exercise price of \$12.32 per share were outstanding during the three months and six months ended June 30, 2011 but were not included in the computation of diluted earnings per share for this period because the options' exercise price was greater than the average market price of the common shares. Stock options to purchase 4,500 shares of common stock with a weighted average exercise price of \$12.48 per share were outstanding during the three months and six months ended June 30, 2010 but were not included in the computation of diluted earnings per share for this period because the options' exercise price was greater than the average market price of the common shares.

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Reported net income	\$ 15,003	16,141	32,256	29,294
Weighted average common shares outstanding	102,216,892	108,227,678	104,381,955	108,278,912
Dilutive potential shares due to effect of stock options	319,310	732,655	502,168	704,069
Total weighted average common shares and dilutive potential shares	102,536,202	108,960,333	104,884,123	108,982,981
Basic earnings per share:	\$ 0.15	0.15	0.31	0.27
Diluted earnings per share:	\$ 0.15	0.15	0.31	0.27

(8) Pension and Other Post-retirement Benefits (in thousands):

Components of Net Periodic Benefit Cost

	Three months ended June 30,			
	Pension Benefits		Other Post-retirement Benefits	
	2011	2010	2011	2010
Service cost	\$ 1,428	1,397	-	-
Interest cost	1,363	1,333	22	24
Expected return on plan assets	(1,502)	(1,379)	-	-
Amortization of prior service cost	(40)	(40)	-	-
Amortization of the net loss	169	218	13	13
Net periodic benefit cost	\$ 1,418	1,529	35	37

Components of Net Periodic Benefit Cost

	Six months ended June 30,			
	Pension Benefits		Other Post-retirement Benefits	
	2011	2010	2011	2010
Service cost	\$ 2,856	2,794	-	-
Interest cost	2,726	2,666	43	48
Expected return on plan assets	(3,004)	(2,758)	-	-
Amortization of prior service cost	(80)	(80)	-	-
Amortization of the net loss	338	436	26	26
Net periodic benefit cost	\$ 2,836	3,058	69	74

We made no contribution to our pension or other post-retirement benefit plans during the six-month period ended June 30, 2011. Once determined, we anticipate making a tax-deductible contribution to our defined benefit pension plan for the year ending December 31, 2011.

(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. 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. See the Fair Value Measurements section of this footnote for further detail on how fair values of marketable securities are determined.

Loans Receivable

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

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

The fixed rate advances were valued by comparing their contractual cost to the prevailing market cost.

Trust-Preferred Securities

The fair value of trust-preferred investments is calculated using the discounted cash flows at the prevailing rate of interest on similar investments.

Cash flow hedges – Interest rate swap agreements (“swaps”)

The fair value of the swaps is the amount the Company 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 June 30, 2011 and December 31, 2010, there was no significant unrealized appreciation or depreciation on these financial instruments.

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition as of June 30, 2011 and December 31, 2010:

	June 30, 2011		December 31, 2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:				
Cash and cash equivalents	\$ 713,479	713,479	719,111	719,111
Securities available-for-sale	1,040,547	1,040,547	950,463	950,463
Securities held-to-maturity	280,782	284,685	357,922	354,126
Loans receivable, net	5,413,723	5,752,463	5,457,593	5,837,866
Accrued interest receivable	25,647	25,647	26,216	26,216
FHLB Stock	54,222	54,222	60,080	60,080
Total financial assets	7,528,400	7,871,043	7,571,605	7,948,082
Financial liabilities:				
Savings and checking accounts	3,453,818	3,453,818	3,306,420	3,306,420
Time deposits	2,365,488	2,407,735	2,457,916	2,504,527
Borrowed funds	847,450	858,008	891,293	903,569
Junior subordinated debentures	103,094	113,126	103,094	112,463
Cash flow hedges - swaps	9,988	9,988	9,349	9,349
Accrued interest payable	1,155	1,155	1,716	1,716
Total financial liabilities	\$ 6,780,993	6,843,830	6,769,788	6,838,044

Fair value estimates are made at a point in time, based on relevant market data and information about the instrument. The following methods and assumptions were used in estimating the fair value of financial instruments at both June 30, 2011 and December 31, 2010.

Fair Value Measurements

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 valuation technique 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.
- 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:
 - o Quotes from brokers or other external sources that are not considered binding;
 - o 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;
 - o 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 values. 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.

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The following table represents assets measured at fair value on a recurring basis as of June 30, 2011 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	\$ 6,612	-	-	6,612
Debt securities:				
U.S. government and agencies	-	63	-	63
Government sponsored enterprises	-	112,290	-	112,290
States and political subdivisions	-	203,916	-	203,916
Corporate	-	12,249	9,040	21,289
Total debt securities	-	328,518	9,040	337,558
Residential mortgage-backed securities:				
GNMA	-	52,066	-	52,066
FNMA	-	144,109	-	144,109
FHLMC	-	82,357	-	82,357
Non-agency	-	730	-	730
Collateralized mortgage obligations:				
GNMA	-	39,770	-	39,770
FNMA	-	114,418	-	114,418
FHLMC	-	229,861	-	229,861
SBA	-	20,757	-	20,757
Non-agency	-	12,309	-	12,309
Total mortgage-backed securities	-	696,377	-	696,377
Interest rate swaps	-	(9,988)	-	(9,988)
Total assets	\$ 6,612	1,014,907	9,040	1,030,559

The following table represents assets measured at fair value on a recurring basis as of December 31, 2010 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	\$ 726	-	-	726
Debt securities:				
U.S. government and agencies	-	67	-	67
Government sponsored enterprises	-	18,819	-	18,819
States and political subdivisions	-	208,293	-	208,293
Corporate	-	9,651	9,209	18,860
Total debt securities	-	236,830	9,209	246,039
Residential mortgage-backed securities:				
GNMA	-	56,266	-	56,266
FNMA	-	141,414	-	141,414
FHLMC	-	95,239	-	95,239
Non-agency	-	740	-	740
Collateralized mortgage obligations:				
GNMA	-	47,143	-	47,143
FNMA	-	108,617	-	108,617
FHLMC	-	215,216	-	215,216
Non-agency	-	39,063	-	39,063
Total mortgage-backed securities	-	703,698	-	703,698
Interest rate swaps	-	(9,349)	-	(9,349)
Total assets	\$ 726	931,179	9,209	941,114

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 debt securities do not have an active market and as such the broker pricing received by the Company uses alternative methods, including use of cash flow estimates. Accordingly, these securities are included herein as level 3 assets. The fair value of certain corporate debt securities are determined by using a discounted cash flow model and 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. The Company considers the financial condition of the issuer to determine if the securities have indicators of impairment.

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Interest rate swap agreements (Swaps) – The fair value of the swaps is the amount we would be 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.

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six-month periods ended June 30, 2011 (in thousands):

	Three months ended June 30, 2011		Six months ended June 30, 2011	
	Equity securities	Debt securities	Equity securities	Debt securities
Beginning balance	\$ -	9,311	\$ -	9,209
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):				
Included in net income as OTTI	-	(507)	-	(507)
Included in other comprehensive income	-	236	-	338
Purchases	-	-	-	-
Sales	-	-	-	-
Transfers in to Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Ending balance	\$ -	9,040	\$ -	9,040

The table below presents a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and six-month periods ended June 30, 2010 (in thousands):

	Three months ended June 30, 2010		Six months ended June 30, 2010	
	Equity securities	Debt securities	Equity securities	Debt securities
Beginning balance	\$ -	9,316	\$ -	7,385
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):				
Included in net income as OTTI	-	(218)	-	(315)
Included in other comprehensive income	-	309	-	2,337
Purchases	-	-	-	-
Sales	-	-	-	-
Transfers in to Level 3	-	-	-	-
Transfers out of Level 3	-	-	-	-
Ending balance	\$ -	9,407	\$ -	9,407

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets as of June 30, 2011 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	\$ -	-	82,934	82,934
Real estate owned	-	-	21,389	21,389
Total assets	\$ -	-	104,323	104,323

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment, real estate owned and mortgage servicing rights. The following table represents the fair value measurement for nonrecurring assets as of December 31, 2010 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	\$ -	-	94,213	94,213
Real estate owned	-	-	20,780	20,780
Mortgage servicing rights	-	-	1,219	1,219
Total assets	\$ -	-	116,212	116,212

Impaired loans – A loan is considered to be impaired when it is probable that all of the principal and interest due under the terms of the loan may not be collected. Impairment is measured based on the fair value of the underlying collateral, the loan’s market price or discounted cash flows when collateral does not exist. We measure impairment on all nonaccrual commercial and commercial real estate loans for which we have established specific reserves as part of the specific allocated allowance component of the allowance for loan losses. We classify impaired loans as nonrecurring Level 3.

Real Estate Owned – Real estate owned is comprised of property acquired through foreclosure or voluntarily conveyed by delinquent borrowers. These assets are recorded on the date acquired at the lower of the related loan balance or fair value, less estimated disposition costs, with the fair value being determined by appraisal. Subsequently, foreclosed assets are valued at the lower of the amount recorded at acquisition date or fair value, less estimated disposition costs. We classify real estate owned as nonrecurring Level 3.

Mortgage servicing rights – Mortgage servicing rights represent the value of servicing residential mortgage loans, when the mortgage loans have been sold into the secondary market and the associated servicing has been retained. The value is determined through a discounted cash flow analysis, which uses interest rates, prepayment speeds and delinquency rate assumptions as inputs. All of these assumptions require a significant degree of management judgment. Servicing rights and the related mortgage loans are segregated into categories or homogeneous pools based upon common characteristics. Adjustments are only made when the estimated discounted future cash flows are less than the carrying value, as determined by individual pool. As such, mortgage servicing rights are classified as nonrecurring Level 3.

(10)Mortgage Loan Servicing

Mortgage servicing assets are recognized as separate assets when servicing rights are recorded through loan originations when the underlying loan is sold. Upon sale, the mortgage servicing right (“MSR”) is established, which represents the then-fair value of future net cash flows expected to be realized for performing the servicing activities. The fair value of the MSRs are estimated by calculating the present value of estimated future net servicing cash flows, taking into consideration actual and expected mortgage loan prepayment rates, discount rates, servicing costs and other economic factors, which are determined based on current market conditions. In determining the fair value of the MSRs, mortgage interest rates, which are used to determine prepayment rates and discount rates, are held constant over the estimated life of the portfolio. MSRs are amortized against mortgage banking income in proportion to, and over the period of, the estimated future net servicing income of the underlying mortgage loans.

Capitalized MSRs are evaluated for impairment based on the estimated fair value of those rights. The MSRs are stratified by certain risk characteristics, primarily loan term and note rate. If temporary impairment exists within a risk stratification tranche, a valuation allowance is established through a charge to income equal to the amount by which the carrying value exceeds the fair value. If it is later determined all or a portion of the temporary impairment no longer exists for a particular tranche, the valuation allowance is reduced.

The following table shows changes in MSRs as of and for the three months ended June 30, 2011 (in thousands):

	Servicing Rights	Valuation Allowance	Net Carrying Value
Balance at March 31, 2011	\$ 5,332	-	5,332
Additions/ (reductions)	349	-	349
Amortization	(839)	-	(839)
Balance at June 30, 2011	\$ 4,842	-	4,842

The following table shows changes in MSR as of and for the six months ended June 30, 2011 (in thousands):

	Servicing Rights	Valuation Allowance	Net Carrying Value
Balance at December 31, 2010	\$ 5,969	-	5,969
Additions/ (reductions)	635	-	635
Amortization	(1,762)	-	(1,762)
Balance at June 30, 2011	\$ 4,842	-	4,842

The following table shows changes in MSR as of and for the three months ended June 30, 2010 (in thousands):

	Servicing Rights	Valuation Allowance	Net Carrying Value and Fair Value
Balance at March 31, 2010	\$ 7,492	(295)	7,197
Additions/ (reductions)	129	120	249
Amortization	(1,064)	-	(1,064)
Balance at June 30, 2010	\$ 6,557	(175)	6,382

The following table shows changes in MSR as of and for the six months ended June 30, 2010 (in thousands):

	Servicing Rights	Valuation Allowance	Net Carrying Value and Fair Value
Balance at December 31, 2009	\$ 8,570	(540)	8,030
Additions/ (reductions)	154	365	519
Amortization	(2,167)	-	(2,167)
Balance at June 30, 2010	\$ 6,557	(175)	6,382

MSRs are recorded in other assets on the consolidated statement of financial condition.

(11) Guaranteed Preferred Beneficial Interests in the Company's Junior Subordinated Deferrable Interest Debentures (Trust Preferred Securities) and Interest Rate Swaps

The Company has two statutory business trusts: Northwest Bancorp Capital Trust III, a Delaware statutory business trust and Northwest Bancorp Statutory Trust IV, a Connecticut statutory business trust ("Trusts"). These trusts exist solely to issue preferred securities to third parties for cash, issue common securities to the Company in exchange for capitalization of the Trusts, invest the proceeds from the sale of the trust securities in an equivalent amount of debentures of the Company, and engage in other activities that are incidental to those previously listed.

Northwest Bancorp Capital Trust III (Trust III) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 5, 2006 (liquidation value of \$1,000 per preferred security or \$50,000,000) with a stated maturity of December 30, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. Northwest Bancorp Statutory Trust IV (Trust IV) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 15, 2006 (liquidation value of \$1,000 per preferred security or \$50,000,000) with a stated maturity of December 15, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. The Trusts have invested the proceeds of the offerings in junior subordinated deferrable interest debentures issued by the Company. The structure of these debentures mirrors the structure of the trust-preferred securities. Trust III holds \$51,547,000 of the Company's junior subordinated debentures and Trust IV holds \$51,547,000 of the Company's junior subordinated debentures. These subordinated debentures are the sole assets of the Trusts. Cash distributions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts. The Company has the right to defer payment of interest on the subordinated debentures at any time, or from time-to-time, for periods not exceeding five years. If interest payments on the subordinated debentures are deferred, the distributions on the trust preferred are also deferred. Interest on the subordinated debentures and distributions on the trust securities is cumulative. The Company's obligation constitutes a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the trust under the preferred securities.

The Company entered into four interest rate swap agreements (swaps), designating the swaps as cash flow hedges. The swaps are intended to protect against the variability of cash flows associated with Trust III and Trust IV. The first two swaps modify the re-pricing characteristics of Trust III, wherein (i) the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.20% to the same counterparty calculated on a notional amount of \$25.0 million and (ii) the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.61% to the same counterparty calculated on a notional amount of \$25.0 million. The original terms of these two swaps are five years and ten years, respectively. The second two swaps modify the re-pricing characteristics of Trust IV, wherein (i) the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 3.85% to the same counterparty calculated on a notional amount of \$25.0 million and (ii) the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.09% to the same counterparty calculated on a notional amount of \$25.0 million. The original terms of these two swaps are seven years and ten years, respectively. The swap agreements were entered into with a counterparty that met the Company's credit standards and the agreements contain collateral provisions protecting the at-risk party. The Company believes that the credit risk inherent in the contracts is not significant. At June 30, 2011, \$10.0 million was pledged as collateral to the counterparty.

At June 30, 2011, the fair value of the swap agreements was \$(10.0) million and was the amount the Company would have expected to pay if the contracts were terminated. There was no material hedge ineffectiveness for these swaps.

The following table shows liability derivatives, included in other liabilities, as of June 30, 2011 and December 31, 2010 (in thousands):

	June 30, 2011	December 31, 2010
Fair value	\$ 9,988	9,349
Notional amount	\$ 100,000	100,000
Collateral posted	\$ 9,988	9,349

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements:

In addition to historical information, this document may contain certain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, as they reflect management's analysis only as of the date of this report. We have no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the date of this report.

Important factors that might cause such a difference include, but are not limited to:

- Changes in interest rates which could impact our net interest margin;
- Adverse changes in our loan portfolio or investment securities portfolio and the resulting credit risk-related losses and/ or market value adjustments;
- The impact of uncertain economic conditions on our loan portfolio (including cash flow and collateral values), investment portfolio, customers and capital market activities;
- The impact of changing from the Office of Thrift Supervision to the Federal Reserve System as the holding company regulator.
- Possible impairments of securities held by us, including those issued by government entities and government sponsored enterprises;
- Our ability to continue to increase and manage our commercial and residential real estate, multifamily and commercial and industrial loans;
 - The adequacy of the allowance for loan losses;
 - Changes in the financial performance and/ or condition of our borrowers;
- Changes in general economic or business conditions resulting in changes in demand for credit and other services, among other things;
- Changes in consumer confidence, spending and savings habits relative to the bank and non-bank financial services we provide;
 - Compliance with laws and regulatory requirements of federal and state agencies;
 - New legislation affecting the financial services industry;
 - The impact of the current governmental effort to restructure the U.S. financial and regulatory system;
 - The level of future deposit premium assessments;
 - Competition from other financial institutions in originating loans and attracting deposits;
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the SEC, Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standards setters;
 - Our ability to effectively implement technology driven products and services;
 - Sources of liquidity; and
 - Our success in managing the risks involved in the foregoing.

Overview of Critical Accounting Policies Involving Estimates

Critical accounting policies involve accounting estimates that: a) require assumptions about highly uncertain matters, and b) could vary sufficiently enough to have a material effect on our financial condition and/ or results of operations.

Allowance for Loan Losses. Provisions for estimated loan losses and the amount of the allowance for loan losses are based on losses inherent in the loan portfolio that are both probable and reasonably estimable at the date of the financial statements. We believe, to the best of our knowledge, that all known losses as of the statement of condition dates have been recorded.

For all classes of loans, we consider a loan to be impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. In evaluating whether a loan is impaired, we consider not only the amount that we expect to collect but also the timing of collection. Generally, if a delay in payment is insignificant (e.g., less than 30 days), a loan is not deemed to be impaired.

When a loan is considered to be impaired, the amount of impairment is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's market price, or fair value of the collateral, less cost to sell, if the loan is collateral dependent. Larger loans are evaluated individually for impairment. Smaller balance, homogeneous loans (e.g., primarily consumer and residential mortgages) are evaluated collectively for impairment. Impairment losses are included in the allowance for loan losses. Impaired loans are charged-off or charged down when we believe that the ultimate collectability of a loan is not likely or the collateral value no longer supports the carrying value of the loan.

Interest income on impaired loans is recognized using the cash basis method. For impaired loans interest collected is credited to income in the period of recovery or applied to reduce principal if there is sufficient doubt about the collectability of principal.

The allowance for loan losses is shown as a valuation allowance to loans. The accounting policy for the determination of the adequacy of the allowance by portfolio segment requires us to make numerous complex and subjective estimates and assumptions relating to amounts which are inherently uncertain. The allowance for loan losses is maintained to absorb losses inherent in the loan portfolio as of the balance sheet date based on our judgment. The methodology used to determine the allowance for loan losses is designed to provide procedural discipline in assessing the appropriateness of the allowance for loan losses. Losses are charged against the allowance for loan losses and recoveries are added to the allowance for loan losses.

The allowance for loan losses for all classes of Business Banking loans consists of three elements:

- An allowance for impaired loans;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on judgmental factors.

The first element, impaired loans, is based on individual analysis of all nonperforming loans over \$1.0 million. The allowance is measured by the difference between the recorded value of impaired loans and their impaired value. Impaired value is either the present value of the expected future cash flows from the borrower, the market value of the loan, or the fair value of the collateral, less cost to sell.

The second element is a rolling three-year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics.

The third element augments the historical loss factors for changes in economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral and concentrations of credit.

The allowance for loan losses for all classes of Personal Banking loans consists of three elements:

- An allowance for loans 90 days or more delinquent;
- An allowance for homogenous loans based on historical losses; and
- An allowance for homogenous loans based on judgmental factors.

The first element, loans 90 days or more delinquent, is based on the loss history of loans that have become 90 days or more delinquent. We apply a historical loss factor for loans that have been 90 days or more delinquent.

The second element is a rolling three-year average of actual losses incurred, adjusted for a loss realization period (the period of time from the event of loss to loss realization), applied to homogenous pools of loans categorized by similar risk characteristics.

The third element augments the historical loss factors for changes in economic conditions, lending policies and procedures, the nature and volume of the loan portfolio, management, delinquency trends, loan administration, underlying collateral and concentrations of credit.

We also have an unallocated allowance which is based on our judgment regarding economic conditions, collateral values, specific loans and industry conditions and results of bank regulatory and internal credit exams.

The allocation of the allowance for loan losses is inherently judgmental, and the entire allowance for loan losses is available to absorb loan losses regardless of the nature of the loss.

We have not made any changes to our methodology for the calculation of the allowance for loan losses during the current year.

Personal Banking loans are charged-off or charged down when they become no more than 180 days delinquent, unless that borrower has filed for bankruptcy. Business Banking loans are charged-off or charged down when, in our opinion, they are no longer collectible, for commercial loans, or when it has been determined that the collateral value no longer supports the carrying value of the loan, for commercial real estate loans.

Valuation of Investment Securities. Unrealized gains or losses, net of deferred taxes, on available for sale securities are reported in other comprehensive income as a separate component of shareholders' equity. In general, fair value is based upon quoted market prices of identical assets, when available. If quoted market prices are not available, fair value is based upon valuation models that use cash flow, security structure and other observable information. Where sufficient data is not available to produce a fair valuation, fair value is based on broker quotes for similar assets. Broker quotes may be adjusted to ensure that financial instruments are recorded at fair value. Adjustments may include unobservable parameters, among other things.

We conduct a quarterly review and evaluation of our investment securities to determine if any declines in fair value are other than temporary. In making this determination, we consider the period of time the securities were in a loss position, the percentage decline in comparison to the securities' amortized cost, the financial condition of the issuer, if applicable, and the delinquency or default rates of underlying collateral. In addition, we consider our intent to sell the investment securities currently in an unrealized loss position and whether it is more likely than not that we will be required to sell the security before recovery of its cost basis. Other investments are evaluated using the Company's best estimate of future cash flows. Any valuation decline that we determine to be other than temporary would require us to write down the security to fair value through a charge to earnings for the credit loss component.

Goodwill. Goodwill is not subject to amortization but is tested for impairment at least annually, and possibly more frequently if certain events or changes in circumstances arise. Impairment testing requires that the fair value of each reporting unit be compared to its carrying amount, including goodwill. Reporting units are identified based upon analyzing each of the Company's individual operating segments. A reporting unit is defined as any distinct, separately identifiable component of an operating segment for which complete, discrete financial information is available that management regularly reviews. Determining the fair value of a reporting unit requires a high degree of subjective management judgment. We have established June 30th of each year as the date for conducting the annual goodwill impairment assessment. As of June 30, 2011, we, through the assistance of an external third party, performed an impairment test on goodwill. We valued each reporting unit by using a weighted average of four valuation methodologies; comparable transaction approach, control premium approach, public market peers approach and discounted cash flow approach. Declines in fair value could result in impairment being identified. At June 30, 2011, we did not identify any individual reporting unit where the fair value was less than the carrying value. Future changes in the economic environment or the operations of the operating units could cause changes to the variables used, which could give rise to declines in the estimated fair value of the reporting units.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Using this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. Management exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets. These judgments require us to make projections of future taxable income. The judgments and estimates made in determining our deferred tax assets, which are inherently subjective, are reviewed on an ongoing basis as regulatory and business factors change. A reduction in estimated future taxable income could require us to record a valuation allowance. Changes in levels of valuation allowances could result in increased income tax expense, and could negatively affect earnings.

Other Intangible Assets. Using the purchase method of accounting for acquisitions, we are required to record the assets acquired, including identified intangible assets, and liabilities assumed at their fair values. These fair values often involve estimates based on third party valuations, including appraisals, or internal valuations based on discounted cash flow analyses or other valuation techniques, which are inherently subjective. Core deposit and other intangible assets are recorded in purchase accounting. Intangible assets, which are determined to have finite lives, are amortized based on the period of estimated economic benefits received, primarily on an accelerated basis. If it is subsequently determined that the period of economic benefit has decreased or no longer exists, accelerated amortization or impairment may occur.

Executive Summary and Comparison of Financial Condition

Total assets at June 30, 2011 were \$8.087 billion, a decrease of \$60.8 million, or 0.7%, from \$8.148 billion at December 31, 2010. This decrease in assets is primarily attributed to a decrease in total loans receivable of \$44.8 million and other assets of \$16.6 million, which was partially offset by an increase in cash and investments of \$7.1 million. The net decrease in total assets resulted from a net decrease in shareholder's equity of \$80.3 million and borrowed funds of \$43.8 million, which was partially offset by an increase in deposits of \$55.0 million.

Total cash and investments increased by \$7.1 million, or 0.3%, to \$2.035 billion at June 30, 2011, from \$2.028 billion at December 31, 2010. This increase is a result of increased deposits and a decrease in loan demand.

Loans receivable decreased by \$44.8 million, or 0.8%, to \$5.489 billion at June 30, 2011, from \$5.534 billion at December 31, 2010. Loan demand remained soft during the six months ended June 30, 2011, as originations of \$847.6 million were more than offset by loan payments. All loan categories decreased except for commercial real estate loans which increased by \$24.8 million, or 1.8%, to \$1.375 billion at June 30, 2011 from \$1.350 billion at December 31, 2010. Continued weak loan demand and the sale of \$49.7 million of residential mortgage loans into the secondary market lead to a decrease in residential mortgage loans of \$47.4 million, while lower than expected consumer loan demand lead to a decrease of \$11.9 million.

Deposits increased by \$55.0 million, or 1.0%, to \$5.819 billion at June 30, 2011 from \$5.764 billion at December 31, 2010. Noninterest-bearing demand deposits increased by \$39.4 million, or 6.9%, to \$614.7 million at June 30, 2011 from \$575.3 million at December 31, 2010; interest-bearing demand deposits increased by \$14.2 million, or 1.8%, to \$796.5 million at June 30, 2011 from \$782.3 million at December 31, 2010; savings deposits, including insured money fund accounts, increased by \$93.7 million, or 4.8%, to \$2.043 billion at June 30, 2011 from \$1.949 billion at December 31, 2010; while time deposits decreased by \$92.4 million, or 3.8%, to \$2.365 billion at June 30, 2011 from \$2.458 billion at December 31, 2010. We believe this continued movement of funds by our deposit customers from time deposits to more liquid types of deposit accounts reflects our depositors concerns regarding potentially higher inflation and higher interest rates.

Borrowed funds decreased by \$43.8 million, or 4.9%, to \$847.5 million at June 30, 2011, from \$891.3 million at December 31, 2010 due to the scheduled maturity of FHLB advances. The next scheduled maturity is in 2015.

Total shareholders' equity at June 30, 2011 was \$1.227 billion, or \$11.88 per share, a decrease of \$80.3 million, or 6.1%, from \$1.307 billion, or \$11.85 per share, at December 31, 2010. The decrease in shareholders' equity was primarily attributable to the payment of cash dividends of \$22.1 million and the purchase and retirement of 8.4 million shares of common stock for \$102.6 million, partially offset by net income of \$32.3 million.

Financial institutions are subject to various regulatory capital requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by the regulators that, if undertaken, could have a direct material effect on a company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, financial institutions must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments made by the regulators about components, risk-weighting and other factors.

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Quantitative measures, established by regulation to ensure capital adequacy, require financial institutions to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital to average assets (as defined). Capital ratios for Northwest are presented in the tables below. Dollar amounts in the accompanying tables are in thousands.

	June 30, 2011								
	Actual			Minimum Capital Requirements			Well Capitalized Requirements		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
Total Capital (to risk weighted assets)	\$1,072,222	21.37	%	401,474	8.00	%	501,842	10.00	%
Tier I Capital (to risk weighted assets)	1,010,987	20.15	%	200,737	4.00	%	301,106	6.00	%
Tier I Capital (leverage) (to average assets)	1,010,987	12.67	%	239,432	3.00	%*	399,053	5.00	%

	December 31, 2010								
	Actual			Minimum Capital Requirements			Well Capitalized Requirements		
	Amount	Ratio		Amount	Ratio		Amount	Ratio	
Total Capital (to risk weighted assets)	\$1,033,450	21.10	%	391,796	8.00	%	489,745	10.00	%
Tier I Capital (to risk weighted assets)	972,044	19.85	%	195,897	4.00	%	293,847	6.00	%
Tier I Capital (leverage) (to average assets)	972,044	12.19	%	239,265	3.00	%*	398,774	5.00	%

* The FDIC has indicated that the most highly rated institutions which meet certain criteria will be required to maintain a ratio of 3%, and all other institutions will be required to maintain an additional capital cushion of 100 to 200 basis points. As of June 30, 2011, the Company had not been advised of any additional requirements in this regard.

Northwest is required to maintain a sufficient level of liquid assets, as determined by management and reviewed for adequacy by the FDIC and the Pennsylvania Department of Banking during their regular examinations. Northwest monitors its liquidity position primarily using the ratio of unencumbered liquid assets as a percentage of deposits and borrowings ("liquidity ratio"). Northwest's liquidity ratio at June 30, 2011 was 24.2%. We adjust liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes and insurance on mortgage loan escrow accounts, repayment of borrowings and loan commitments. As of June 30, 2011 Northwest had \$1.6 billion of additional borrowing capacity available with the FHLB, including \$150.0 million on an overnight line of credit, as well as \$203.0 million of borrowing capacity available with the Federal Reserve Bank and \$80.0 million with two correspondent banks.

We paid \$11.4 million and \$11.1 million in cash dividends during the quarters ended June 30, 2011 and 2010, respectively, and \$22.1 million during each of the six-month periods ended June 30, 2011 and 2010. The increased dividend payout for the most recent quarter is the result of increasing the dividend by \$0.01 when compared to the same period last year. This increase was partially offset by the repurchase and retirement of 5,813,566 shares of

common stock during the quarter. Dividends paid for the six months ending June 30, 2011 remained unchanged compared to June 30, 2010 due to an increase in dividends per share of \$0.01, offset by the repurchase and retirement of 8,431,989 shares of common stock. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 73.3% and 66.7% on dividends of \$0.11 and \$0.10 for the quarters ended June 30, 2011 and 2010, respectively. The common stock dividend payout ratio for the six-month periods ended June 30, 2011 and 2010 was 67.7% and 74.1%, respectively, on dividends of \$0.21 and \$0.20 per share, respectively. We have declared a dividend of \$0.11 per share payable on August 18, 2011 to shareholders of record as of August 4, 2011. This represents the 67th consecutive quarter we have paid a cash dividend.

Nonperforming Assets

The following table sets forth information with respect to nonperforming assets. Nonaccrual loans are those loans for which the accrual of interest has ceased. Loans are automatically placed on nonaccrual status when they are 90 days or more contractually delinquent and may also be placed on nonaccrual status even if not 90 days or more delinquent but other conditions exist. Other nonperforming assets represent real estate acquired through foreclosure or repossession. Foreclosed property is carried at the lower of its fair value less estimated costs to sell, or the principal balance of the related loan.

	June 30, 2011	December 31, 2010
	(Dollars in Thousands)	
Loans accounted for on a nonaccrual basis		
Personal Banking:		
Residential mortgage loans	\$ 30,594	29,751
Home equity loans	9,069	10,263
Other consumer loans	1,825	2,565
Total Personal Banking	41,488	42,579
Business Banking:		
Commercial real estate loans	73,278	67,306
Commercial loans	46,349	38,506
Total Business Banking	119,627	105,812
Total	161,115	148,391
Total nonaccrual loans as a percentage of loans	2.94 %	2.68 %
Total real estate acquired through foreclosure and other real estate owned ("REO")		
	21,389	20,780
Total nonperforming assets	\$ 182,504	169,171
Total nonperforming assets as a percentage of total assets	2.26 %	2.08 %

A loan is considered to be impaired, when, based on current information and events it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement including both contractual principal and interest payments. The amount of impairment is required to be measured using one of three methods: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market price; or (3) the fair value of collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, a specific allowance is allocated for the impairment. Impaired loans at June 30, 2011 and December 31, 2010 were \$183.9 million and \$205.5 million, respectively. Specific allowances allocated to impaired loans were \$27.9 million and \$22.4 million at June 30, 2011 and December 31, 2010, respectively.

Allowance for Loan Losses

Our Board of Directors has adopted an "Allowance for Loan Losses" (ALL) policy designed to provide management with a systematic methodology for determining and documenting the ALL each reporting period. This methodology was developed to provide a consistent process and review procedure to ensure that the ALL is in conformity with GAAP, our internal policies and procedures and other supervisory and regulatory guidelines.

On an ongoing basis, the Loan Review department, as well as loan officers, branch managers and department heads, review and monitor the loan portfolio for problem loans. This portfolio monitoring includes a review of the monthly delinquency reports as well as historical comparisons and trend analysis. In addition, a meeting is held every quarter with each of our seven regions to monitor the performance and status of loans on an internal watch list. On an on-going basis the loan officer along with the Loan Review department grades or classifies problem loans or potential problem loans based upon their knowledge of the lending relationship and other information previously accumulated. Our loan grading system for problem loans is consistent with industry regulatory guidelines which classify loans as “substandard”, “doubtful” or “loss.” Loans that do not exhibit risk sufficient to warrant classification in one of the subsequent categories, but which possess some weaknesses, are designated as “special mention”. A “substandard” loan is any loan that is more than 90 days contractually delinquent or is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as “doubtful” have all the weaknesses inherent in those classified as “substandard” with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions or values, highly questionable and improbable. Loans classified as “loss” are considered uncollectible so that their continuance as assets without the establishment of a specific loss allowance is not warranted.

The loans that have been classified as substandard or doubtful are reviewed by the Loan Review department for possible impairment. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including both contractual principal and interest payments.

If an individual loan is deemed to be impaired, the Loan Review department determines the proper measure of impairment for each loan based on one of three methods: (1) the present value of expected future cash flows discounted at the loan’s effective interest rate; (2) the loan’s observable market price; or (3) the fair value of the collateral if the loan is collateral dependent. If the measurement of the impaired loan is more or less than the recorded investment in the loan, the Loan Review department adjusts the specific allowance associated with that individual loan accordingly.

If a substandard or doubtful loan is not considered individually for impairment, it is grouped with other loans that possess common characteristics for impairment evaluation and analysis. This segmentation is accomplished by grouping loans of similar product types, risk characteristics and industry concentration into homogeneous pools. Historical loss ratios are analyzed and adjusted based on delinquency trends as well as the current economic, political, regulatory and interest rate environment and used to estimate the current measure of impairment.

The individual impairment measures along with the estimated loss for each homogeneous pool are consolidated into one summary document. This summary schedule along with the support documentation used to establish this schedule is presented to the Credit Committee on a quarterly basis. The Credit Committee reviews the processes and documentation presented, reviews the concentration of credit by industry and customer, lending products, activity, competition and collateral values, as well as economic conditions in general and in each of our market areas. Based on this review and discussion the appropriate amount of ALL is estimated and any adjustments to reconcile the actual ALL with this estimate are determined. In addition, the Credit Committee considers if any changes to the methodology are needed. The Credit Committee also reviews and discusses delinquency trends, nonperforming asset amounts and ALL levels and ratios compared to its peer group as well as state and national statistics. Similarly, following the Credit Committee’s review and approval, a review is performed by the Risk Management Committee of the Board of Directors.

In addition to the reviews by management's Credit Committee and the Board of Directors' Risk Management Committee, regulators from either the FDIC or the Pennsylvania Department of Banking perform a review on an annual basis for the adequacy of the ALL and its conformity with regulatory guidelines and pronouncements. Any recommendations or enhancements from these independent parties are considered by management and the Credit Committee and implemented accordingly.

We acknowledge that this is a dynamic process and consists of factors, many of which are external and out of our control that can change often, rapidly and substantially. The adequacy of the ALL is based upon estimates using all the information previously discussed as well as current and known circumstances and events. There is no assurance that actual portfolio losses will not be substantially different than those that were estimated.

We utilize a consistent methodology each period when analyzing the adequacy of the allowance for loan losses and the related provision for loan losses. As part of the analysis as of June 30, 2011, we considered the economic conditions in our markets, such as the unemployment and bankruptcy levels as well as the changes in real estate collateral values. In addition, we considered the overall trends in asset quality, loan charge-offs and the allowance for loan losses as a percentage of nonperforming loans. We also consider the specific reserves already established for criticized loans and loans charged-off during the period. As a result of this analysis, the allowance for loan losses decreased during the six-month period ended June 30, 2011 by \$957,000, or 1.3%, to \$75.5 million, or 1.37% of total loans from \$76.4 million, or 1.38% of total loans, at December 31, 2010. The decrease in the allowance for loan losses is partially attributable to changes in specific reserves for business banking loans discussed further in the comparison of operating results for the six months ended June 30, 2011 section which follows. Additionally, our personal banking loan portfolio balance decreased by \$68.6 million, or 1.8% compared to December 31, 2010. In addition to these factors, the decrease in the allowance for loan losses is also partially attributed to an improvement in criticized loans. As of June 30, 2011 criticized loans decreased by \$18.2 million, or 5.0%, to \$346.0 million, from \$364.2 million at December 31, 2010. We believe all known losses as of the balance sheet dates have been recorded.

We also have considered how the level of nonperforming loans and historical charge-offs have influenced the required amount of allowance for loan losses. Nonperforming loans of \$161.1 million, or 2.94% of total loans, at June 30, 2011 increased by \$12.7 million, or 8.6%, from \$148.4 million, or 2.68% of total loans, at December 31, 2010. As a percentage of average loans, annualized net charge-offs increased to 0.60% for the six months ended June 30, 2011 compared to 0.43% for the six months ended June 30, 2010.

Comparison of Operating Results for the Quarters Ended June 30, 2011 and 2010

Net income for the quarter ended June 30, 2011 was \$15.0 million, or \$0.15 per diluted share, a decrease of \$1.1 million, or 7.1%, from \$16.1 million, or \$0.15 per diluted share, for the same quarter last year. The decrease in net income resulted primarily from an increase in noninterest expense of \$4.3 million and a decrease in interest income of \$2.3 million. Partially offsetting these factors were a decrease in interest expense of \$5.2 million and income taxes of \$1.0 million. A discussion of significant changes follows. Annualized, net income for the quarter ended June 30, 2011 represents a 4.81% and 0.74% return on average equity and return on average assets, respectively, compared to 4.95% and 0.79% for the same quarter last year.

Interest Income

Total interest income decreased by \$2.3 million, or 2.4%, to \$90.1 million for the quarter ended June 30, 2011, from \$92.4 million for the quarter ended June 30, 2010 due to a decrease in the average yield earned on interest earning assets, which was partially offset by an increase in the average balance of interest earning assets. The average yield on interest earning assets decreased to 4.80% for the quarter ended June 30, 2011 from 4.91% for the quarter ended June 30, 2010. The average yield on all categories of interest earning assets decreased from the previous period, except for the yield on interest earning deposits, which increased slightly. Average interest earning assets increased by \$12.4 million, or 0.2%, to \$7.556 billion for the quarter ended June 30, 2011 from \$7.543 billion for the quarter ended June 30, 2010.

Interest income on loans decreased by \$1.7 million, or 2.1%, to \$80.0 million for the quarter ended June 30, 2011 from \$81.7 million for the quarter ended June 30, 2010. Average loans receivable increased by \$18.8 million, or 0.3%, to \$5.484 billion for the quarter ended June 30, 2011 from \$5.465 billion for the quarter ended June 30, 2010. This increase is primarily attributable to growth in our commercial real estate loan portfolio. The average yield on loans receivable decreased to 5.83% for the quarter ended June 30, 2011 from 6.00% for the quarter ended June 30, 2010. The decrease in average yield is primarily attributable to the interest rates on variable rate loans adjusting downward as market rates decreased, as well as the origination of new loans in a generally lower interest rate environment, and an increase in competition for credit relationships.

Interest income on mortgage-backed securities decreased by \$633,000, or 9.4%, to \$6.1 million for the quarter ended June 30, 2011 from \$6.7 million for the quarter ended June 30, 2010. This decrease is the result of a decrease in the average yield to 2.65% for the quarter ended June 30, 2011 from 3.39% for the quarter ended June 30, 2010. The decrease in average yield primarily resulted from the purchase of mortgage-backed securities during this period of generally lower market interest rates. The decrease in average yield was partially offset by an increase in average balance of \$125.3 million, or 15.8%, to \$917.7 million for the quarter ended June 30, 2011 from \$792.4 million for the quarter ended June 30, 2010. The increase in average balance is a result of deploying the excess funds which have resulted from increased deposits and low loan demand.

Interest income on investment securities increased by \$134,000, or 3.9%, to \$3.6 million for the quarter ended June 30, 2011 from \$3.5 million for the quarter ended June 30, 2010. This increase is due to an increase in the average balance of investment securities of \$16.8 million, or 4.5%, to \$393.0 million for the quarter ended June 30, 2011 from \$376.2 million for the quarter ended June 30, 2010. The increase in average balance is a result of deploying the excess funds accumulated from our growth in deposits and a reduction in loan demand. Partially offsetting this increase was a decrease in average yield to 3.65% for the quarter ended June 30, 2011 from 3.67% for the quarter ended June 30, 2010. The average yield decreased as a result of the purchase of investment securities during a period of generally lower market interest rates.

Interest income on interest-earning deposits decreased by \$23,000, or 4.5%, to \$489,000 for the quarter ended June 30, 2011 from \$512,000 for the quarter ended June 30, 2010. This decrease is due to the average balance decreasing by \$140.4 million, or 16.6%, to \$705.6 million for the quarter ended June 30, 2011 from \$845.9 million for the quarter ended June 30, 2010. The average balance decreased due to the repurchase of common stock during the quarter. Partially offsetting this decrease was a slight increase in the average yield to 0.27% for the quarter ended June 30, 2011, from 0.24% for the quarter ended June 30, 2010.

Interest Expense

Interest expense decreased by \$5.2 million, or 18.2%, to \$23.5 million for the quarter ended June 30, 2011 from \$28.7 million for the quarter ended June 30, 2010. The decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities to 1.53% for the quarter ended June 30, 2011 from 1.86% for the quarter ended June 30, 2010. In addition, average interest-bearing liabilities decreased by \$33.2 million, or 0.5%, to \$6.157 billion for the quarter ended June 30, 2011 from \$6.190 billion for the quarter ended June 30, 2010. The decrease in the cost of funds resulted primarily from a decrease in the level of market interest rates which enabled us to reduce the rate of interest paid on all deposit products. In addition, customers redeployed approximately \$90.0 million of certificates of deposit into shorter-term, lower cost deposit products. The decrease in liabilities resulted from the decrease in the average balance of borrowed funds of \$53.8 million, due to the scheduled maturity of FHLB advances.

Net Interest Income

Net interest income increased by \$3.0 million, or 4.6%, to \$66.7 million for the quarter ended June 30, 2011 from \$63.7 million for the quarter ended June 30, 2010. This increase in net interest income was primarily attributable to the change in the mix of our deposits with a greater weighting of low-cost transaction accounts and fewer high-cost time deposits. As a result our net interest rate spread increased to 3.27% for the quarter ended June 30, 2011 from 3.05% for the quarter ended June 30, 2010, and our net interest margin increased to 3.53% for the quarter ended June 30, 2011 from 3.38% for the quarter ended June 30, 2010.

Provision for Loan Losses

The provision for loan losses increased by \$471,000, or 6.0%, to \$8.4 million for the quarter ended June 30, 2011 from \$7.9 million for the quarter ended June 30, 2010. The increase is primarily the result of an increase in loans greater than 90 days delinquent and nonperforming loans, as well as an increase in historical loss factors and an overall decrease in collateral values, offset by a \$7.8 million decrease in criticized loans when compared to the previous quarter.

In determining the amount of the current quarter's provision, we considered many factors including the length of the current economic malaise and the increase in loan charge-offs over the past year. Net charge-offs for the quarter ended June 30, 2011 were \$9.4 million compared to \$7.3 million for the quarter ended June 30, 2010. Annualized net charge-offs to average loans was 0.68% for the quarter ended June 30, 2011 compared to 0.54% for the same period last year. We also considered the impact of unemployment levels, bankruptcy filings and changes in real estate values. Management analyzes the allowance for loan losses as described in the section entitled "Allowance for Loan Losses." The provision that is recorded is sufficient, in management's judgment, to bring the reserve for loan losses to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. Management believes, to the best of their knowledge, that all known losses as of the balance sheet dates have been recorded.

Noninterest Income

Noninterest income decreased by \$283,000, or 1.8%, to \$15.3 million for the quarter ended June 30, 2011, from \$15.5 million for the quarter ended June 30, 2010. Contributing to the decrease was an increase in losses on real estate owned of \$338,000, or 132.5%, to \$593,000 for the quarter ended June 30, 2011 from \$255,000 for the quarter ended June 30, 2010 as a result of further write-downs on real estate owned in Maryland. Service charges and fees decreased by \$581,000, or 5.9%, to \$9.3 million for the quarter ended June 30, 2011, from \$9.9 million for the quarter ended June 30, 2010 primarily as a result of lower deposit overdraft revenue. Other-than-temporary impairment losses on securities were \$507,000 for the quarter ended June 30, 2011, compared to \$218,000 for the quarter ended June 30, 2010 as we recognized further deterioration in the values of two non-agency CMO investment securities. Partially offsetting these decreases in noninterest income were an increase in insurance commission income of \$497,000, or 38.4%, to \$1.8 million for the quarter ended June 30, 2011, from \$1.3 million for the quarter ended June 30, 2010 due to increased insurance revenues, and increases in trust services income and mortgage banking income of \$273,000 and

\$261,000, respectively.

Noninterest Expense

Noninterest expense increased by \$4.3 million, or 9.0%, to \$52.5 million for the quarter ended June 30, 2011, from \$48.2 million for the quarter ended June 30, 2010. This increase is primarily a result of increases in compensation and employee benefits and professional services expenses, which were partially offset by decreases in marketing and other real estate owned expenses. Compensation and employee benefits expenses increased by \$4.7 million, or 18.8%, to \$29.7 million for the quarter ended June 30, 2011, from \$25.0 million for the quarter ended June 30, 2010 primarily due to a \$2.8 million charge for the initial 10% vesting of awards issued from the stock benefit plans approved by shareholders this quarter related to our second step conversion and stock offering. In addition, compensation and health insurance expenses have increased due to the addition of 42 full-time equivalent employees since the beginning of the current year, with staffing increases primarily in commercial lending, compliance and loan servicing. Professional services expenses increased by \$706,000, or 121.1%, to \$1.3 million for the quarter ended June 30, 2011, from \$583,000 for the quarter ended June 30, 2010 as a result of the outsourcing of our internal audit function and the continued engagement of compliance consultants. Marketing expense decreased by \$1.2 million, or 36.0%, to \$2.1 million for the quarter ended June 30, 2011 due to the timing of various campaigns and initiatives. Other real estate owned expense decreased by \$463,000, or 65.0%, to \$249,000 for the quarter ended June 30, 2011.

Income Taxes

The provision for income taxes for the quarter ended June 30, 2011 decreased by \$1.0 million, or 14.1%, to \$6.1 million for the quarter ended June 30, 2011 from \$7.1 million for the quarter ended June 30, 2010. This decrease in income tax is primarily a result of a decrease in income before income taxes of \$2.1 million, or 9.2%. Our effective tax rate for the quarter ended June 30, 2011 was 28.8% compared to 30.5% in the same quarter last year as tax-free income from our investment in municipal securities and BOLI comprised a larger percentage of earnings in the current quarter compared to the same period last year. We do not anticipate that our effective tax rate will change substantially during the year.

Comparison of operating results for the six months ended June 30, 2011 and 2010

Net income for the six months ended June 30, 2011 was \$32.3 million, or \$0.31 per diluted share, an increase of \$3.0 million, or 10.1%, from \$29.3 million, or \$0.27 per diluted share, for the same period last year. The increase in net income resulted primarily from an increase in net interest income of \$9.9 million and a decrease in the provision for loan losses of \$1.1 million. These were partially offset by a decrease in noninterest income of \$1.8 million, an increase in noninterest expense of \$5.1 million and an increase in income taxes of \$1.2 million. A discussion of significant changes follows. Annualized, net income for the six months ended June 30, 2011 represents a 5.07% and 0.79% return on average equity and return on average assets, respectively, compared to 4.49% and 0.73% for the same period last year.

Interest Income

Total interest income decreased by \$2.3 million, or 1.3%, to \$181.2 million for the six months ended June 30, 2011 due to a decrease in the average yield earned on interest earning assets, which was partially offset by an increase in the average balance of interest earning assets. The average yield on interest earning assets decreased to 4.81% for the six months ended June 30, 2011 from 4.92% for the six months ended June 30, 2010. The average yield on loans and mortgage-backed securities decreased from the previous period, and the yield on investment securities and interest earning deposits increased slightly. Average interest earning assets increased by \$50.1 million, or 0.7%, to \$7.549 billion for the six months ended June 30, 2011 from \$7.499 billion for the six months ended June 30, 2010.

Interest income on loans decreased by \$2.0 million, or 1.2%, to \$160.5 million for the six months ended June 30, 2011 from \$162.5 million for the six months ended June 30, 2010. Average loans receivable increased by \$93.7 million, or 1.7%, to \$5.500 billion for the six months ended June 30, 2011 from \$5.406 billion for the six months ended June 30, 2010. This increase is primarily attributable to growth in the commercial real estate loan portfolio. The average yield on loans receivable decreased to 5.85% for the six months ended June 30, 2011 from 6.04% for the six months ended June 30, 2010. The decrease in average yield is primarily attributable to the interest rates on variable rate loans adjusting downward as market interest rates decreased, as well as the origination of new loans in a generally lower market and competitive interest rate environment.

Interest income on mortgage-backed securities decreased slightly by \$22,000, or 0.2%, to \$12.8 million for the six months ended June 30, 2011 from \$12.9 million for the six months ended June 30, 2010. This decrease is the result of a decrease in the average yield to 2.78% for the six months ended June 30, 2011 from 3.36% for the six months ended June 30, 2010. The decrease in average yield resulted primarily from the purchase of mortgage-backed securities during this period of generally lower market interest rates. The decrease in average yield was offset by an increase in average balance of \$157.3 million, or 20.6%, to \$922.0 million for the six months ended June 30, 2011 from \$764.7 million for the six months ended June 30, 2010. The increase in average balance is a result of deploying the excess funds which have resulted from an increase in deposits coupled with low loan demand.

Interest income on investment securities decreased by \$76,000, or 1.1%, to \$7.1 million for the six months ended June 30, 2011 from \$7.1 million for the six months ended June 30, 2010. This decrease is due to a decrease in average yield to 3.78% for the six months ended June 30, 2011 from 3.88% for the six months ended June 30, 2010. The average yield decreased as a result of the purchase of investment securities during a period of generally lower market interest rates. The average balance of investment securities increased by \$6.0 million, or 1.6%, to \$373.9 million for the six months ended June 30, 2011 from \$367.9 million for the six months ended June 30, 2010.

Interest income on interest-earning deposits decreased by \$181,000, or 16.8%, to \$896,000 for the six months ended June 30, 2011 from \$1.1 million for the six months ended June 30, 2010. This decrease is due to the average balance decreasing by \$200.6 million, or 22.4%, to \$695.7 million for the six months ended June 30, 2011 from \$896.3 million for the six months ended June 30, 2010. The average balance decreased due to the purchase of mortgage-backed securities and the repurchase of common stock.

Interest Expense

Interest expense decreased by \$12.3 million, or 20.5%, to \$47.5 million for the six months ended June 30, 2011 from \$59.8 million for the six months ended June 30, 2010. This decrease in interest expense was due to a decrease in the average cost of interest-bearing liabilities to 1.56% for the six months ended June 30, 2011 from 1.96% for the six months ended June 30, 2010, in addition to a decrease in the average balance of interest-bearing liabilities of \$19.2 million, or 0.3%, to \$6.146 billion for the six months ended June 30, 2011 from \$6.165 billion for the six months ended June 30, 2010. The decrease in the cost of funds resulted primarily from a decrease in the level of market interest rates. The decrease in liabilities resulted from a decrease in the average balance of borrowed funds of \$53.4 million, or 5.9%, due to the scheduled maturity of FHLB advances.

Net Interest Income

Net interest income increased by \$9.9 million, or 8.0%, to \$133.7 million for the six months ended June 30, 2011 from \$123.8 million for the six months ended June 30, 2010. This increase in net interest income was attributable to the factors discussed above. Our net interest rate spread increased to 3.25% for the six months ended June 30, 2011 from 2.96% for the six months ended June 30, 2010, and our net interest margin increased to 3.54% for the six months ended June 30, 2011 from 3.30% for the six months ended June 30, 2010.

Provision for Loan Losses

The provision for loan losses decreased by \$1.1 million, or 6.5%, to \$15.6 million for the six months ended June 30, 2011 from \$16.7 million for the six months ended June 30, 2010. Facilitating this decrease was the reduction of specific reserves for several large criticized business banking loans including the payoff of a hotel loan in Maryland with a balance of \$6.0 million and a reserve of \$3.5 million. In addition, we eliminated the specific reserves of \$3.0 million for a hotel loan in Maryland which is under a sales agreement and \$1.1 million for a vacation property loan in West Virginia based on our most recent analysis. Also we received two large payments on criticized loans which resulted in a reduction of \$900,000 to the specific reserves related to these loans. These changes were partially offset by increases in historical charge-offs and increased levels of nonperforming loans.

In determining the amount of the current period provision, we considered economic conditions, including unemployment levels, bankruptcy filings and changes in real estate values and the impact of these factors on the quality of our loan portfolio. Net charge-offs for the six months ended June 30, 2011 were \$16.6 million, compared to \$11.7 million for the six months ended June 30, 2010. Annualized net charge-offs to average loans was 0.60% for the six months ended June 30, 2011 compared to 0.43% for the six months ended June 30, 2010. However, eight loans comprised \$6.6 million, or 36.5% of the charge-offs during the first half of the current year. Management analyzes the allowance for loan losses as described in the section entitled "Allowance for Loan Losses." The provision that is recorded is sufficient, in management's judgment, to bring this reserve to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience. Management believes, to the best of their knowledge, that all known losses as of the balance sheet dates have been recorded.

Noninterest Income

Noninterest income decreased by \$1.8 million, or 5.8%, to \$29.6 million for the six months ended June 30, 2011 from \$31.4 million for the six months ended June 30, 2010. Gain on sale of investments decreased by \$2.1 million, to \$49,000 for the six months ended June 30, 2010. The decrease is attributable to a gain of \$2.1 million recognized on the sale of \$55.0 million of securities during the first half of 2010. Service charges and fees decreased by \$555,000, or 3.0%, to \$18.2 million for the six months ended June 30, 2011 from \$18.8 million for the six months ended June 30, 2010 primarily as a result of lower deposit overdraft revenue. Partially offsetting these decreases was an increase in insurance commission income of \$735,000, or 30.2%, to \$3.2 million for the six months ended June 30, 2011 from \$2.4 million for the six months ended June 30, 2010 due to increased insurance revenues. In addition, mortgage banking income increased by \$466,000 to \$487,000 for the six months ended June 30, 2011 as we significantly increased the amount of residential mortgages we sold into the secondary market compared to the same period last year.

Noninterest Expense

Noninterest expense increased by \$5.1 million, or 5.3%, to \$101.9 million for the six months ended June 30, 2011 from \$96.8 million for the same period in the prior year. Compensation and employee benefits expense increased by \$4.3 million, or 8.5%, to \$55.1 million for the six months ended June 30, 2011 from \$50.8 million for the six months ended June 30, 2010 primarily due to a \$2.8 million charge for the initial 10% vesting of awards issued from the stock benefit plans established this year related to our second step conversion and stock offering. In addition, full-time equivalent employees have increased by 42 since the beginning of the current year resulting in increased compensation and employee benefits expenses. Professional services expenses increased by \$1.2 million, or 94.1%, to \$2.5 million for the six months ended June 30, 2011 from \$1.3 million for the six months ended June 30, 2010 as a result of the outsourcing our internal audit function and the continued engagement of compliance consultants. Marketing expense decreased by \$670,000, or 14.1%, to \$4.1 million for the six months ended June 30, 2011 from \$4.7 million for the six months ended June 30, 2010 due to the timing of various campaigns and initiatives. Other real estate owned expense decreased by \$931,000, or 57.8%, to \$680,000 for the six months ended June 30, 2011 from \$1.6 million for the six months ended June 30, 2010 as we paid delinquent real estate taxes due on REO property we acquired during the prior year period.

Income Taxes

The provision for income taxes for the six months ended June 30, 2011 increased by \$1.2 million, or 9.4%, to \$13.6 million for the six months ended June 30, 2011 from \$12.4 million for the six months ended June 30, 2010. This increase in income tax is primarily a result of an increase in income before income taxes of \$4.1 million, or 9.9%. Our effective tax rate for the six months ended June 30, 2011 was 29.6% compared to 29.8% experienced in the same period last year.

Average Balance Sheet
(Dollars in Thousands)

The following table sets forth certain information relating to the Company's average balance sheet and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods presented. Average balances are calculated using daily averages.

	Three months ended June 30,					
	2011			2010		
	Average Balance	Interest	Avg. Yield/ Cost (f)	Average Balance	Interest	Avg. Yield/ Cost (f)
ASSETS:						
Interest earning assets:						
Loans (a) (b) (includes FTE adjustments of \$396 and \$132, respectively)	\$ 5,484,194	80,389	5.86 %	5,465,373	81,866	6.03 %
Mortgage-backed securities (c)	917,748	6,073	2.65 %	792,412	6,706	3.39 %
Investment securities (c) (includes FTE adjustments of \$1,610 and \$1,537 respectively)	392,963	5,196	5.29 %	376,206	4,989	5.30 %
FHLB stock	55,100	-	-	63,242	-	-
Other interest earning deposits	705,568	489	0.27 %	845,947	512	0.24 %
Total interest earning assets (includes FTE adjustments of \$2,006 and \$1,669, respectively)	7,555,573	92,147	4.87 %	7,543,180	94,073	5.02 %
Noninterest earning assets (d)	556,085			584,203		
TOTAL ASSETS	8,111,658			8,127,383		
LIABILITIES AND SHAREHOLDERS' EQUITY:						
Interest bearing liabilities:						
Savings accounts	1,093,539	1,275	0.47 %	1,033,707	2,236	0.87 %
Now accounts	813,179	246	0.12 %	785,619	319	0.16 %
Money market demand accounts	933,288	1,059	0.46 %	901,439	1,630	0.73 %
Certificate accounts	2,372,039	12,893	2.18 %	2,470,706	14,788	2.40 %
Borrowed funds (e)	841,835	6,569	3.13 %	895,650	8,283	3.71 %
Debentures	103,094	1,420	5.45 %	103,094	1,421	5.45 %
Total interest bearing liabilities	6,156,974	23,462	1.53 %	6,190,215	28,677	1.86 %
Noninterest bearing liabilities	708,310			632,037		
Total liabilities	6,865,284			6,822,252		
Shareholders' equity	1,246,374			1,305,131		
	\$ 8,111,658			\$ 8,127,383		

TOTAL LIABILITIES AND
EQUITY

Net interest income/ Interest rate spread	68,685	3.34 %	65,396	3.16 %
Net interest earning assets/ Net interest margin	\$ 1,398,599	3.64 %	1,352,965	3.47 %
Ratio of interest earning assets to interest bearing liabilities	1.23X		1.22X	

- (a) Average gross loans include loans held as available-for-sale and loans placed on nonaccrual status.
- (b) Interest income includes accretion/ amortization of deferred loan fees/ expenses, which were not material.
- (c) Average balances do not include the effect of unrealized gains or losses on securities held as available-for-sale.
- (d) Average balances include the effect of unrealized gains or losses on securities held as available-for-sale.
- (e) Average balances include FHLB borrowings and securities sold under agreements to repurchase.
- (f) Annualized. Shown on a fully tax-equivalent basis ("FTE"). The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory rate of 35% for each period presented. We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts. GAAP basis yields were: Loans – 5.83% and 6.00%; respectively, Investment securities – 3.65% and 3.67%; respectively, interest-earning assets – 4.80% and 4.91%; respectively. GAAP basis net interest rate spreads were 3.27% and 3.05%, respectively and GAAP basis net interest margins were 3.53% and 3.38%, respectively.

Rate/ Volume Analysis
(Dollars in Thousands)

The following table represents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) net change. Changes that cannot be attributed to either rate or volume have been allocated to both rate and volume.

Three months ended June 30, 2011 and 2010

	Rate	Volume	Net Change
Interest earning assets:			
Loans	\$(2,377)	900	(1,477)
Mortgage-backed securities	(1,694)	1,061	(633)
Investment securities	(15)	222	207
FHLB stock	-	-	-
Other interest-earning deposits	74	(97)	(23)
Total interest-earning assets	(4,012)	2,086	(1,926)
Interest-bearing liabilities:			
Savings accounts	(1,090)	129	(961)
Now accounts	(84)	11	(73)
Money market demand accounts	(628)	57	(571)
Certificate accounts	(1,332)	(563)	(1,895)
Borrowed funds	(1,255)	(459)	(1,714)
Debentures	(1)	-	(1)
Total interest-bearing liabilities	(4,390)	(825)	(5,215)
Net change in net interest income	\$378	2,911	3,289

Average Balance Sheet
(Dollars in Thousands)

The following table sets forth certain information relating to the Company's average balance sheet and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods presented. Average balances are calculated using daily averages.

	Six months ended June 30,					
	2011			2010		
	Average Balance	Interest	Avg. Yield/ Cost (f)	Average Balance	Interest	Avg. Yield/ Cost (f)
ASSETS:						
Interest earning assets:						
Loans (a) (b) (includes FTE adjustments of \$787 and \$708, respectively)	\$ 5,500,134	161,237	5.88 %	5,406,464	163,188	6.07 %
Mortgage-backed securities (c)	922,024	12,829	2.78 %	764,690	12,851	3.36 %
Investment securities (c) (includes FTE adjustments of \$3,266 and \$2,982, respectively)	373,870	10,324	5.52 %	367,856	10,116	5.50 %
FHLB stock	56,962	-	-	63,242	-	-
Other interest earning deposits	695,717	896	0.26 %	896,321	1,077	0.24 %
Total interest earning assets (includes FTE adjustments of \$4,053 and \$3,690, respectively)	7,548,707	185,286	4.92 %	7,498,573	187,232	5.02 %
Noninterest earning assets (d)	574,662			576,136		
TOTAL ASSETS	8,123,369			8,074,709		
LIABILITIES AND SHAREHOLDERS' EQUITY:						
Interest bearing liabilities:						
Savings accounts	1,078,700	2,704	0.51 %	997,126	4,269	0.86 %
Now accounts	793,526	478	0.12 %	769,531	718	0.19 %
Money market demand accounts	924,383	2,214	0.48 %	871,291	3,467	0.80 %
Certificate accounts	2,401,829	26,140	2.19 %	2,526,314	31,923	2.55 %
Borrowed funds (e)	844,793	13,153	3.14 %	898,169	16,578	3.72 %
Debentures	103,094	2,825	5.45 %	103,094	2,826	5.45 %
Total interest bearing liabilities	6,146,325	47,514	1.56 %	6,165,525	59,781	1.96 %
Noninterest bearing liabilities	705,098			604,859		
Total liabilities	6,851,423			6,770,384		
Shareholders' equity	1,271,946			1,304,325		

TOTAL LIABILITIES AND EQUITY	\$ 8,123,369			\$ 8,074,709	
Net interest income/ Interest rate spread		137,772	3.36 %	127,451	3.06 %
Net interest earning assets/ Net interest margin	\$ 1,402,382		3.65 %	1,333,048	3.40 %
Ratio of interest earning assets to interest bearing liabilities	1.23X			1.22X	

- (a) Average gross loans include loans held as available-for-sale and loans placed on nonaccrual status.
- (b) Interest income includes accretion/ amortization of deferred loan fees/ expenses, which were not material.
- (c) Average balances do not include the effect of unrealized gains or losses on securities held as available-for-sale.
- (d) Average balances include the effect of unrealized gains or losses on securities held as available-for-sale.
- (e) Average balances include FHLB borrowings and securities sold under agreements to repurchase.
- (f) Annualized. Shown on a fully tax-equivalent basis ("FTE"). The FTE basis adjusts for the tax benefit of income on certain tax-exempt loans and investments using the federal statutory rate of 35% for each period presented. The Company believes this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts. GAAP basis yields were: Loans – 5.85% and 6.04%; respectively, Investment securities – 3.78% and 3.88%; respectively, interest-earning assets – 4.81% and 4.92%; respectively. GAAP basis net interest rate spreads were 3.25% and 2.96%, respectively and GAAP basis net interest margins were 3.54% and 3.30%, respectively.

Rate/ Volume Analysis
(Dollars in Thousands)

The following table represents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate), (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) net change. Changes that cannot be attributed to either rate or volume have been allocated to both rate and volume.

Six months ended June 30, 2011 and 2010

	Rate	Volume	Net Change
Interest earning assets:			
Loans	\$(5,271)	3,320	(1,951)
Mortgage-backed securities	(2,666)	2,644	(22)
Investment securities	43	165	208
FHLB stock	-	-	-
Other interest-earning deposits	77	(258)	(181)
Total interest-earning assets	(7,817)	5,871	(1,946)
Interest-bearing liabilities:			
Savings accounts	(1,914)	349	(1,565)
Now accounts	(262)	22	(240)
Money market demand accounts	(1,464)	211	(1,253)
Certificate accounts	(4,319)	(1,464)	(5,783)
Borrowed funds	(2,517)	(908)	(3,425)
Debentures	(1)	-	(1)
Total interest-bearing liabilities	(10,477)	(1,790)	(12,267)
Net change in net interest income	\$2,660	7,661	10,321

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As the holding company for a savings bank, one of our primary market risks is interest rate risk. Interest rate risk is the sensitivity of net interest income to variations in interest rates over a specified time period. The sensitivity results from differences in the time periods in which interest rate sensitive assets and liabilities mature or re-price. We attempt to control interest rate risk by matching, within acceptable limits, the re-pricing periods of our assets and liabilities. We have attempted to limit our exposure to interest sensitivity by increasing core deposits, enticing customers to extend certificates of deposit maturities, borrowing funds with fixed-rates and longer maturities and by shortening the maturities of our assets by emphasizing the origination of more short-term fixed rate loans and adjustable rate loans. We also continue to sell a portion of the long-term, fixed-rate mortgage loans that we originate. In addition, we purchase shorter term or adjustable-rate investment securities and adjustable-rate mortgage-backed securities.

We have an Asset/ Liability Committee consisting of several members of management which meets monthly to review market interest rates, economic conditions, the pricing of interest earning assets and interest bearing liabilities and our balance sheet structure. On a quarterly basis, this Committee also reviews our interest rate risk position and the Bank's cash flow projections.

Our Board of Directors has a Risk Management Committee which meets quarterly and reviews interest rate risks and trends, our interest sensitivity position, our liquidity position and the market risk inherent in our investment portfolio.

In an effort to assess market risk, we utilize a simulation model to determine the effect of immediate incremental increases and decreases in interest rates on net income and the market value of our equity. Certain assumptions are made regarding loan prepayments and decay rates of passbook and NOW accounts. Because it is difficult to accurately project the market reaction of depositors and borrowers, the effect of actual changes in interest rates on these assumptions may differ from simulated results. We have established the following guidelines for assessing interest rate risk:

Net income simulation. Given a parallel shift of 2% in interest rates, the estimated net income may not decrease by more than 20% within a one-year period.

Market value of equity simulation. The market value of equity is the present value of our assets and liabilities. Given a parallel shift of 2% in interest rates, the market value of equity may not decrease by more than 35% of total shareholders' equity.

The following table illustrates the simulated impact of a 1% or 2% upward or 1% or 2% downward movement in interest rates on net income, return on average equity, earnings per share and market value of equity. This analysis was prepared assuming that interest-earning asset levels at June 30, 2011 remain constant. The impact of the rate movements was computed by simulating the effect of an immediate and sustained shift in interest rates over a twelve-month period from June 30, 2011 levels.

	Increase				Decrease			
Parallel shift in interest rates over the next 12 months	1.0	%	2.0	%	1.0	%	2.0	%
Projected percentage increase/ (decrease) in net income	4.2	%	7.2	%	(1.8)%	(8.2)%
Projected increase/ (decrease) in return on average equity	4.1	%	7.0	%	(1.7)%	(8.0)%
Projected increase/ (decrease) in earnings per share	\$ 0.03		\$ 0.05		\$ (0.01)	\$ (0.05)
Projected percentage increase/ (decrease) in market value of equity	(8.5)%	(18.4)%	(4.3)%	(9.1)%

The figures included in the table above represent projections that were computed based upon certain assumptions including prepayment rates and decay rates. These assumptions are inherently uncertain and, as a result, we cannot precisely predict the impact of changes in interest rates. Actual results may differ significantly due to timing, magnitude and frequency of interest rate changes and changes in market conditions.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of management, including the Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective.

There were no changes in internal controls over financial reporting during the period covered by this report or in other factors that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to a number of asserted and unasserted claims encountered in the normal course of business. Management believes that the aggregate liability, if any, that may result from such potential litigation will not have a material adverse effect on our financial statements.

Item 1A. Risk Factors

In addition to the risk factors discussed in Item 1A, to Part I of our 2010 Annual Report on Form 10-K, the following are factors that could adversely affect our future results of operations and financial condition.

Our exposure to municipalities may lead to operating losses.

Our municipal bond portfolio may be impacted by the effects of economic stress on state and local governments. At June 30, 2011, we had \$281.7 million invested in obligations of states, municipalities and political subdivisions (collectively referred to as our municipal bond portfolio). We also had \$80.1 million of loans outstanding and \$71.0 million of unfunded commitments, open lines of credit and letters of credit to municipalities and political subdivisions. Widespread concern currently exists regarding the stress on state and local governments emanating from: (i) declining revenues; (ii) large unfunded liabilities to government workers; and (iii) entrenched cost structures. Debt-to-gross domestic product ratios for the majority of states have been deteriorating due to, among other factors: (i) declines in federal monetary assistance provided as the United States is currently experiencing the largest deficit in its history; and (ii) lower levels of sales and property tax revenue as unemployment remains elevated and the housing market continues to remain unstable. This concern has led to speculation about the potential for a significant deterioration in the municipal bond market, which could materially affect our results of operations, financial condition and liquidity. We may not be able to mitigate the exposure in our municipal portfolio if state and local governments are unable to fulfill their obligations. The risk of widespread issuer defaults may also increase if there are changes in legislation that permit states, or additional municipalities and political subdivisions, to file for bankruptcy protection or if there are judicial interpretations that, in a bankruptcy or other proceeding, lessen the value of any structural protections.

The Standard & Poor's downgrade in the U.S. government's sovereign credit rating, and in the credit ratings of instruments issued, insured or guaranteed by certain related institutions, agencies and instrumentalities, could result in risks to the Company and general economic conditions that we are not able to predict.

On August 5, 2011, Standard & Poor's downgraded the United States long-term debt rating from its AAA rating to AA+. On August 8, 2011, Standard & Poor's downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. Instruments of this nature are key assets on the balance sheets of financial institutions, including the Bank. These downgrades could adversely affect the market value of such instruments, and could adversely impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. We cannot predict if, when or how these changes to the credit ratings will affect economic conditions. These ratings downgrades could result in a significant adverse impact to the Company, and could exacerbate the other risks to which the Company is subject, including those described under Risk Factors in the Company's 2010 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

a.) Not applicable.

b.) Not applicable.

c.) The following table discloses information regarding the repurchase of shares of common stock during the quarter ending June 30, 2011:

Month	Number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced repurchase plan (1)	Maximum number of shares yet to be purchased under the plan (1)
April	1,674,300	\$ 12.31	1,674,300	6,152,277
May	2,709,130	12.25	2,709,130	3,443,147
June	1,430,136	12.12	1,430,136	2,013,011
	5,813,566	\$ 12.23		

(1) Reflects program for 11,000,000 shares announced December 2010. This plan does not have an expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Removed and Reserved

Item 5. Other Information

Not applicable.

Item 6. Exhibits

31.1 Certification of the Company's Chief Executive Officer pursuant to Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Company's Chief Financial Officer pursuant to Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial statements from Northwest Bancshares, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed on August 9, 2011, formatted in XBRL: (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Income, (iii) Consolidated Statements of Changes in Shareholder's Equity, (iv) Consolidated Statements of Cash Flows, (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text.

101.INS	Interactive datafile	XBRL Instance Document
101.SCH	Interactive datafile	XBRL Taxonomy Extension Schema Document
101.CAL	Interactive datafile	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Interactive datafile	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Interactive datafile	XBRL Taxonomy Extension Label Linkbase
101.PRE	Interactive datafile	XBRL Taxonomy Extension Presentation Linkbase Document

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed by the undersigned thereunto duly authorized.

NORTHWEST BANCSHARES, INC.
(Registrant)

Date: August 9, 2011

By: /s/ William J. Wagner
William J. Wagner
President and Chief Executive Officer
(Duly Authorized Officer)

Date: August 9, 2011

By: /s/ Gerald J. Ritzert
Gerald J. Ritzert
Controller
(Principal Accounting Officer of the Registrant)