

Edgar Filing: Northwest Bancshares, Inc. - Form 10-Q

Northwest Bancshares, Inc.
Form 10-Q
November 08, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2018

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-34582

NORTHWEST BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Maryland 27-0950358
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

100 Liberty Street, Warren, Pennsylvania 16365
(Address of principal executive offices) (Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

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- Non-accelerated filer Smaller reporting company
- Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Common Stock (\$0.01 par value), 103,300,768 shares outstanding as of October 31, 2018

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ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2018	December 31, 2017
Assets		
Cash and due from banks	\$ 73,946	77,710
Marketable securities available-for-sale (amortized cost of \$829,345 and \$800,094)	811,556	792,535
Marketable securities held-to-maturity (fair value of \$23,534 and \$29,667)	24,222	29,678
Total cash and cash equivalents and marketable securities	909,724	899,923
Personal Banking loans:		
Residential mortgage loans held-for-sale	—	3,128
Residential mortgage loans	2,846,834	2,773,075
Home equity loans	1,272,345	1,310,355
Consumer loans	776,049	671,389
Total Personal Banking loans	4,895,228	4,757,947
Commercial Banking loans:		
Commercial real estate loans	2,518,066	2,454,726
Commercial loans	582,768	580,736
Total Commercial Banking loans	3,100,834	3,035,462
Total loans	7,996,062	7,793,409
Allowance for loan losses	(55,975)	(56,795)
Total loans, net	7,940,087	7,736,614
Federal Home Loan Bank stock, at cost		
Accrued interest receivable	25,798	23,352
Real estate owned, net	2,486	5,666
Premises and equipment, net	144,612	151,944
Bank owned life insurance	170,042	171,547
Goodwill	307,420	307,420
Other intangible assets	21,167	25,669
Other assets	38,543	30,066
Total assets	\$ 9,575,331	9,363,934
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing checking deposits	\$ 1,724,202	1,610,409
Interest-bearing checking deposits	1,499,344	1,442,928
Money market deposit accounts	1,676,845	1,707,450
Savings deposits	1,650,357	1,653,579
Time deposits	1,403,205	1,412,623
Total deposits	7,953,953	7,826,989
Borrowed funds		
Junior subordinated debentures	179,117	108,238
Advances by borrowers for taxes and insurance	111,213	111,213
	23,297	40,825

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Accrued interest payable	627	460
Other liabilities	66,448	68,485
Total liabilities	8,334,655	8,156,210
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, 103,293,480 shares and 102,394,828 shares issued, respectively	1,033	1,027
Paid-in capital	742,863	730,719
Retained earnings	541,469	508,058
Accumulated other comprehensive loss	(44,689	) (32,080)
Total shareholders' equity	1,240,676	1,207,724
Total liabilities and shareholders' equity	\$ 9,575,331	9,363,934
See accompanying notes to unaudited consolidated financial statements		

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

	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Interest income:				
Loans receivable	\$90,733	85,373	264,059	252,838
Mortgage-backed securities	3,572	3,118	9,839	8,327
Taxable investment securities	814	957	2,140	2,944
Tax-free investment securities	205	476	908	1,574
FHLB dividends	119	63	301	172
Interest-earning deposits	162	244	766	1,440
Total interest income	95,605	90,231	278,013	267,295
Interest expense:				
Deposits	8,233	5,795	22,000	17,086
Borrowed funds	1,555	1,199	4,203	3,664
Total interest expense	9,788	6,994	26,203	20,750
Net interest income	85,817	83,237	251,810	246,545
Provision for loan losses	6,982	3,027	16,540	13,226
Net interest income after provision for loan losses	78,835	80,210	235,270	233,319
Noninterest income:				
Gain on sale of investments	—	1,497	153	1,517
Service charges and fees	13,158	12,724	37,965	37,190
Trust and other financial services income	4,254	4,793	12,335	13,697
Insurance commission income	2,046	1,992	6,885	7,139
Loss on real estate owned, net	(247)	(193)	(617)	(490)
Income from bank owned life insurance	1,460	1,078	4,783	3,798
Mortgage banking income	82	519	383	1,193
Gain on sale of offices	—	—	—	17,186
Other operating income	1,804	2,184	6,567	6,345
Total noninterest income	22,557	24,594	68,454	87,575
Noninterest expense:				
Compensation and employee benefits	37,535	36,556	113,076	113,003
Premises and occupancy costs	6,821	6,951	20,952	21,570
Office operations	3,508	3,939	10,684	12,331
Collections expense	483	568	1,429	1,670
Processing expenses	9,620	9,650	28,886	29,198
Marketing expenses	1,949	2,488	6,103	7,482
Federal deposit insurance premiums	721	771	2,109	2,794
Professional services	2,368	2,321	7,464	7,348
Amortization of intangible assets	1,462	1,691	4,502	5,189
Real estate owned expense	205	310	630	809
Restructuring/ acquisition expense	186	1,398	579	4,255
Other expenses	1,759	2,156	7,411	8,058
Total noninterest expense	66,617	68,799	203,825	213,707
Income before income taxes	34,775	36,005	99,899	107,187
Federal and state income taxes expense	7,035	12,414	20,875	34,868
Net income	\$27,740	23,591	79,024	72,319

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Basic earnings per share	\$0.27	0.23	0.78	0.72
Diluted earnings per share	\$0.27	0.23	0.76	0.71

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(in thousands)

	Quarter ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net income	\$27,740	23,591	79,024	72,319
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of \$788, \$164, \$2,869, and \$(995), respectively	(1,970)	(264)	(7,169)	1,684
Reclassification adjustment for gains included in net income, net of tax of \$17, \$369, \$54 and \$416, respectively	(44)	(674)	(138)	(741)
Net unrealized holding gains/ (losses) on marketable securities	(2,014)	(938)	(7,307)	943
Change in fair value of interest rate swaps, net of tax of \$(51), \$(138), \$(204), and \$(419), respectively	192	258	766	779
Defined benefit plan:				
Reclassification adjustments for prior period service costs and net losses included in net income, net of tax of \$(90), \$(153), \$(271) and \$(460), respectively	226	221	678	662
Other comprehensive income/ (loss)	(1,596)	(459)	(5,863)	2,384
Total comprehensive income	\$26,144	23,132	73,161	74,703

See accompanying notes to unaudited consolidated financial statements

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

Quarter ended September 30, 2017

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 30, 2017	102,478,146	\$ 1,025	726,036	495,017	(25,148)	1,196,930
Comprehensive income:						
Net income	—	—	—	23,591	—	23,591
Other comprehensive income, net of tax of \$242	—	—	—	—	(459)	(459)
Total comprehensive income	—	—	—	23,591	(459)	23,132
Exercise of stock options	87,521	1	1,033	—	—	1,034
Stock-based compensation expense	—	—	1,094	—	—	1,094
Dividends paid (\$0.16 per share)	—	—	—	(16,343)	—	(16,343)
Balance at September 30, 2017	102,565,667	\$ 1,026	728,163	502,265	(25,607)	1,205,847

Quarter ended September 30, 2018

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 30, 2018	103,122,890	\$ 1,031	739,673	531,269	(43,093)	1,228,880
Comprehensive income:						
Net income	—	—	—	27,740	—	27,740
Other comprehensive loss, net of tax of \$664	—	—	—	—	(1,596)	(1,596)
Total comprehensive income/ (loss)	—	—	—	27,740	(1,596)	26,144
Exercise of stock options	178,109	2	1,918	—	—	1,920
Stock-based compensation expense	—	—	1,272	—	—	1,272
Stock-based compensation forfeited	(7,519)	—	—	—	—	—

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Dividends paid (\$0.17 per share)	—	—	—	(17,540)	—	(17,540)
Balance at September 30, 2018	103,293,480	\$ 1,033	742,863	541,469	(44,689)	1,240,676

See accompanying notes to unaudited consolidated financial statements

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

Nine months ended September 30, 2017

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Beginning balance at December 31, 2016	101,699,406	\$ 1,017	718,834	478,803	(27,991)	1,170,663
Comprehensive income:						
Net income	—	—	—	72,319	—	72,319
Other comprehensive income, net of tax of \$(1,458)	—	—	—	—	2,384	2,384
Total comprehensive income	—	—	—	72,319	2,384	74,703
Exercise of stock options	488,211	5	5,611	—	—	5,616
Stock-based compensation expense	378,050	4	3,718	—	—	3,722
Dividends paid (\$0.48 per share)	—	—	—	(48,857)	—	(48,857)
Ending balance at September 30, 2017	102,565,667	\$ 1,026	728,163	502,265	(25,607)	1,205,847

Nine months ended September 30, 2018

	Common Stock Shares	Common Stock Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Beginning balance at December 31, 2017	102,394,828	\$ 1,027	730,719	508,058	(32,080)	1,207,724
Reclassification due to adoption of ASU No. 2018-02	—	—	—	6,746	(6,746)	—
Comprehensive income:						
Net income	—	—	—	79,024	—	79,024
Other comprehensive loss, net of tax of \$2,448	—	—	—	—	(5,863)	(5,863)
Total comprehensive income/ (loss)	—	—	—	85,770	(12,609)	73,161
Exercise of stock options	674,538	7	7,595	—	—	7,602
Stock-based compensation expense	414,330	4	4,544	—	—	4,548

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Stock-based compensation forfeited	(190,216)	(5)	5	—	—	—
Dividends paid (\$0.51 per share)	—	—	—	(52,359)	—	(52,359)
Ending balance at September 30, 2018	103,293,480	\$1,033	742,863	541,469	(44,689)	1,240,676

See accompanying notes to unaudited consolidated financial statements

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

	Nine months ended September 30,	
	2018	2017
OPERATING ACTIVITIES:		
Net Income	\$79,024	72,319
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	16,540	13,226
Net (gain)/ loss on sale of assets	1,758	(1,443)
Net gain on sale of offices	—	(17,186)
Net depreciation, amortization and accretion	7,598	10,951
(Increase)/ decrease in other assets	(8,952)	20,968
Decrease in other liabilities	48	1,761
Net amortization on marketable securities	1,317	1,535
Noncash write-down of real estate owned	1,281	980
Deferred income tax expense	22	—
Origination of loans held for sale	(1,297)	(59,401)
Proceeds from sale of loans held for sale	4,501	68,041
Noncash compensation expense related to stock benefit plans	4,548	3,722
Net cash provided by operating activities	106,388	115,473
INVESTING ACTIVITIES:		
Purchase of marketable securities held-to-maturity	—	(23,621)
Purchase of marketable securities available-for-sale	(215,242)	(210,111)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	5,439	11,625
Proceeds from maturities and principal reductions of marketable securities available-for-sale	179,640	144,846
Proceeds from sale of marketable securities available-for-sale	5,206	23,501
Proceeds from bank-owed life insurance	357	1,550
Loan originations	(2,256,146)	(2,050,885)
Proceeds from loan maturities and principal reductions	2,036,656	2,002,816
Net purchase of Federal Home Loan Bank stock	(3,719)	(594)
Proceeds from sale of real estate owned	5,082	3,687
Sale of real estate owned for investment, net	455	456
Purchase of premises and equipment	(3,438)	(1,242)
Net cash used in investing activities	(245,710)	(97,972)

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

	Nine months ended September 30,	
	2018	2017
FINANCING ACTIVITIES:		
Increase/ (decrease) in deposits, net	\$126,964	(155,925)
Net increase/ (decrease) in short-term borrowings	70,879	(27,511)
Decrease in advances by borrowers for taxes and insurance	(17,528)	(15,015)
Cash dividends paid	(52,359)	(48,857)
Proceeds from stock options exercised	7,602	5,616
Net cash provided by/ (used in) financing activities	135,558	(241,692)
Net decrease in cash and cash equivalents	\$(3,764)	(224,191)
Cash and cash equivalents at beginning of period	\$77,710	389,867
Net decrease in cash and cash equivalents	(3,764)	(224,191)
Cash and cash equivalents at end of period	\$73,946	165,676
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$20,927 and \$16,644, respectively)	\$26,036	20,875
Income taxes	\$19,299	20,705
Non-cash activities:		
Loan foreclosures and repossessions	\$5,034	6,392
Sale of real estate owned financed by the Company	\$183	168

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the “Company”) or (“NWBI”), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (“Northwest”). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. Northwest operates 172 community-banking offices throughout Pennsylvania, western New York, and eastern Ohio.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest’s subsidiaries Northwest Capital Group, Inc., Allegheny Services, Inc., Great Northwest Corporation, and The Bert Company. 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 or 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, 2017 updated, as required, for any new pronouncements or changes.

Certain items previously reported have been reclassified to conform to the current year's reporting format.

The results of operations for the quarter and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or any other period.

Stock-Based Compensation

On May 14, 2018, the Company awarded employees 831,160 stock options and directors 64,800 stock options with an exercise price of \$16.59 and grant date fair value of \$1.49 per stock option, and the Company awarded employees 390,030 restricted common shares and directors 24,300 restricted common shares with a grant date fair value of \$16.59. Awarded stock options and common shares vest over a seven-year period with the first vesting occurring on the grant date. Stock-based compensation expense of \$1.3 million and \$1.1 million for the quarters ended September 30, 2018 and 2017, and \$4.5 million and \$3.7 million for the nine months ended September 30, 2018 and 2017, respectively, was recognized in compensation expense relating to our stock benefit plans. At September 30, 2018 there was compensation expense of \$4.3 million to be recognized for awarded but unvested stock options and \$18.6 million for unvested common 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. At September 30, 2018 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in other expenses and (2) refund claims in other operating income. We recognize penalties (if any) in other expenses. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2017, 2016 and 2015.

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Recently Adopted Accounting Standards

In May 2014 the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers (Topic 606)”. Effective January 1, 2018, we adopted the ASU and all related amendments to all contracts using the modified retrospective approach, with the cumulative effect recorded as an adjustment to opening retained earnings. Due to immateriality, we had no cumulative effect to record. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. We expect the impact of the adoption of the new standard to be immaterial to our net income on an ongoing basis.

Our revenue is comprised of net interest income on financial assets and financial liabilities, which is explicitly excluded from the scope of ASU 2014-09, and non-interest income. The services that fall within the scope of ASC 606 include service charges and fees, trust and other financial services income, insurance commission income, sale of OREO and other operating income.

Revenue is recognized when performance obligations under the terms of a contract with our customers are satisfied. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The majority of our revenue continues to be recognized at the point in time when the services are provided to our customers.

Service charges and fees represents income earned on both loan and deposit accounts as well as interchange income. Service charges on deposit accounts primarily consist of overdraft, non-sufficient funds, ATM transaction fees and account management fees. Revenue is recognized at the point in time the transaction occurs or the service is provided to the customer. We earn interchange income from debit and credit cardholder transactions processed through payment networks. Interchange fees represent a percentage of the underlying transaction value and are generally set by the credit card associations. Interchange fees are recognized as transactions occur.

We provide trust management services and investment management services to our customers and recognize revenue as these management services are provided. Trust and investment management services are billed and paid on a monthly or quarterly basis. Additionally, we earn commissions on investment products that are sold to our customers. These commissions are recognized at the time of the sale of the third party’s product or services to our customers.

Our insurance subsidiary is an employee benefits and property and casualty insurance agency specializing in commercial and personal insurance as well as retirement benefit plans. Insurance commission income is earned at the time of sale of the third party’s product or service to our customers.

Loss on real estate owned represents gains and losses on real estate acquired by Northwest through the foreclosure process. Proceeds from the sale of these properties are recognized when control of the property transfers to the buyer. In certain instances the Bank may finance a portion of the purchase price paid by the buyer and an additional evaluation of whether all of the contract criteria are met is required. If it is not probable that we will collect substantially all of the consideration expected, the transaction would not be accounted for as a sale until the concerns about collectability are resolved.

Other operating income consists primarily of revenues earned for providing transaction services to our deposit customers. The revenue is earned at the point in time the transaction occurs.

We have evaluated the nature of our contracts with customers and determined that further disaggregation of revenue from contracts with customers into more granular categories beyond what is presented in the Consolidated Statements of Income was not necessary.

In January 2016 the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10)". This guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. This guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We adopted this guidance as of January 1, 2018 which did not have a material impact on our results of operations and financial position. Additionally, this guidance requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. Accordingly, we refined the calculation used to determine the disclosed fair value of our loans held for investment portfolio as part of adopting this standard. The refined calculation did not have a significant impact on our fair value disclosures. Refer to note 9, "Disclosures About Fair Value of Financial Instruments".

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In August 2016, the FASB issued ASU No. 2016-15, "Classification of Certain Cash Receipts and Cash Payments". The main objective of this ASU is to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The amendments in this Update provide guidance on the following eight specific cash flow issues: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of bank-owned life insurance (BOLI) policies, distributions received from equity method investments, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. This guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2017. We adopted this guidance as of January 1, 2018 and applied it on a retrospective basis. No material reclassifications were made for the nine months ended September 30, 2017 and we do not expect the reclassifications to be material for the full year.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". This guidance eliminates the requirement to determine the fair value of individual assets and liabilities of a reporting unit to measure goodwill impairment. Under this guidance goodwill impairment testing will be performed by comparing the fair value of the reporting unit with its carrying amount and recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This guidance is effective for annual and interim goodwill impairment tests in fiscal years beginning after December 15, 2019, and should be applied on a prospective basis. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. We have elected to early adopt this standard as of January 1, 2018 and the amendments were applied on a prospective basis. The adoption did not have a material impact on the consolidated financial statements.

In March 2017, the FASB issued ASU No. 2017-07, "Compensation Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Costs and Net Periodic Postretirement Benefit Costs". This guidance provides financial statement users with clearer and disaggregated information related to the components of net periodic benefit cost and improve transparency of the presentation of net periodic benefit cost in the financial statements. Employers will present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line items that includes the service cost outside of any subtotal of operating income, if one is presented. This guidance is effective for annual and interim periods beginning after December 15, 2017 and should be applied retrospectively. We adopted this standard as of January 1, 2018. The other components of the net periodic benefit cost for the quarter and nine months ended September 30, 2017 totaled \$517,000 and \$1.6 million, respectively, and were reclassified from compensation and employee benefits to other expense.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income." This guidance permits a reclassification from accumulated other comprehensive income to retained earnings of the stranded tax effects resulting from the Tax Cuts and Jobs Act. This guidance is effective for annual or interim reporting periods beginning after December 15, 2018 but permits early adoption in a period for which financial statements have not been issued. We have elected to early adopt the ASU as of January 1, 2018. The reclassification from accumulated other comprehensive income to retained earnings was \$6.7 million for the release of stranded income tax benefits relating to the unrealized net gains and losses on available for sale securities and the change in fair value of our interest rate swaps and our pension plan. Our policy for releasing income tax effects from accumulated other comprehensive income is to release them when investments are sold or matured and liabilities are extinguished.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-2, "Leases". This guidance requires a lessee to recognize in the statement of financial condition a liability to make lease payments and a right-of-use asset representing the right to use the underlying asset for the term of the lease. Optional periods should only be recognized if the lessee is reasonably certain to exercise the option. For leases with a term of twelve months or less, the lessee is permitted not to recognize lease assets and lease liabilities and should recognize lease expense for such leases generally on a straight-line basis over the term of the lease. This guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those years and early adoption is permitted. We lease certain branch and office facilities or land under operating leases. While we are currently evaluating the impact this guidance will have on our results of operations and financial position, we expect the primary impact on the consolidated statement of financial position will be the recognition of right-of-use assets and lease obligations under the ASU as a result of our minimum commitments under non-cancellable operating leases. Our current minimum commitments under non-cancellable operating leases are disclosed in Note 7, "Premises and Equipment" in our Annual Report on Form 10-K for the year ended December 31, 2017. We expect to apply the package of practical expedients included therein, as well as utilize the transition method included in ASU 2018-11. By applying ASU 2016-02 at the adoption date, as opposed to at the beginning of the earliest period presented, our reporting for periods prior to January 1, 2019 will continue to be in accordance with Leases (Topic 840).

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In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326) - Measurement of Credit Losses on Financial Instruments", which eliminates the probable initial recognition threshold for credit losses and instead requires that all financial assets (or group of financial assets) measured at amortized cost be presented at the net amount expected to be collected inclusive of the entity's current estimate of all lifetime expected credit losses. This guidance also applies to certain off-balance-sheet credit exposures such as unfunded commitments and non-derivative financial guarantees. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets in order to present the net carrying value at the amount expected to be collected on the financial asset. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The income statement under this guidance will reflect the initial recognition of current expected credit losses for newly recognized assets, as well as any increases or decreases of expected credit losses that have occurred during the period. This guidance retains many currently-existing disclosures related to the credit quality of an entity's assets and the related allowance for credit losses amended to reflect the change to an expected credit loss methodology, as well as enhanced disclosures to provide information to users at a more disaggregated level. Upon adoption, ASU 2016-13 provides for a modified retrospective transition by means of a cumulative-effect adjustment to equity as of the beginning of the period in which the guidance is effective, except for debt securities for which other-than-temporary impairment has previously been recognized. For these debt securities, a prospective transition is provided in order to maintain the same amortized cost prior to and subsequent to the effective date of the ASU. This guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within those annual periods with early adoption permitted for fiscal years beginning after December 15, 2018, and interim periods within those annual periods. Management created a formal working group to govern the implementation of these amendments consisting of key stakeholders from finance, risk, credit and accounting. We are currently in the process of designing current expected credit loss estimation methodologies and systems, and collecting data to be able to comply with the standard. We have partnered with a third-party to assist in the development of certain portfolio-level estimation methodologies and have chosen a third-party software platform provider. We are also evaluating the effect this guidance will have on our results of operations, financial position and related disclosures. The impact of the ASU will depend upon the state of the economy and the nature of our portfolios, among other items, at the date of adoption.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820) - Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement." This guidance removes, modifies and adds disclosure requirements for fair value measurements. This guidance is effective for annual periods beginning after December 15, 2019, including interim periods within those years, with early adoption permitted for any removed or modified disclosure requirements. Transition is on a prospective basis for the new and modified disclosures, and on a retrospective basis for disclosures that have been eliminated. We do not expect this guidance to have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) - Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans." This guidance removes and adds disclosure requirements for defined benefit pension or other post-retirement plans. This guidance is effective for annual periods beginning after December 15, 2020, with early adoption permitted, and requires retrospective adoption for all periods presented. We do not expect this guidance to have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)-Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." This guidance aligns the requirements for capitalization of implementation costs incurred in a hosting arrangement that is a service contract with the existing guidance for internal-use software. This guidance is

effective for annual periods beginning after December 15, 2019, including interim periods within those years, with early adoption permitted. Transition can either be on a retrospective basis or a prospective basis on all implementation costs incurred after the date of adoption. We are evaluating the impact this new accounting guidance will have on our financial statements.

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(2) Investment securities and impairment of investment securities

The following table shows the portfolio of investment securities available-for-sale at September 30, 2018 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Debt issued by the U.S. government and agencies:				
Due after one year through five years	\$ 14,707	—	(12	) 14,695
Debt issued by government sponsored enterprises:				
Due in one year or less	70,096	—	(895	) 69,201
Due after one year through five years	116,097	—	(2,560	) 113,537
Due after ten years	3,822	—	(115	) 3,707
Municipal securities:				
Due in one year or less	2,351	3	(7	) 2,347
Due after one year through five years	3,553	43	(11	) 3,585
Due after five years through ten years	11,714	46	(23	) 11,737
Due after ten years	7,073	31	(29	) 7,075
Corporate debt issues:				
Due after five years through ten years	912	—	—	912
Residential mortgage-backed securities:				
Fixed rate pass-through	131,255	514	(5,689	) 126,080
Variable rate pass-through	26,374	1,064	(5	) 27,433
Fixed rate non-agency CMOs	—	—	—	—
Fixed rate agency CMOs	374,900	5	(10,595	) 364,310
Variable rate agency CMOs	66,491	467	(21	) 66,937
Total residential mortgage-backed securities	599,020	2,050	(16,310	) 584,760
Total marketable securities available-for-sale	\$ 829,345	2,173	(19,962) 811,556

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2017 (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	\$ 1	—	—	1
Debt issued by government sponsored enterprises:				
Due in one year or less	66,566	14	(289)	66,291
Due after one year through five years	140,624	—	(2,402)	138,222
Due after ten years	4,833	—	(77)	4,756
Equity securities	551	29	(6)	574
Municipal securities:				
Due in one year or less	2,492	7	(1)	2,498
Due after one year through five years	7,072	82	(6)	7,148
Due after five years through ten years	14,576	171	—	14,747
Due after ten years	26,371	292	—	26,663
Corporate debt issues:				
Due after ten years	909	—	—	909
Residential mortgage-backed securities:				
Fixed rate pass-through	144,411	1,108	(2,817)	142,702
Variable rate pass-through	33,079	1,464	(6)	34,537
Fixed rate non-agency CMOs	15	—	—	15
Fixed rate agency CMOs	284,320	37	(5,271)	279,086
Variable rate agency CMOs	74,274	249	(137)	74,386
Total residential mortgage-backed securities	536,099	2,858	(8,231)	530,726
Total marketable securities available-for-sale	\$ 800,094	3,453	(11,012)	792,535

The following table shows the portfolio of investment securities held-to-maturity at September 30, 2018 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Residential mortgage-backed securities:				
Fixed rate pass-through	\$ 3,027	44	—	3,071
Variable rate pass-through	1,778	39	—	1,817
Fixed rate agency CMOs	18,753	—	(782)	17,971
Variable rate agency CMOs	664	11	—	675
Total residential mortgage-backed securities	24,222	94	(782)	23,534
Total marketable securities held-to-maturity	\$ 24,222	94	(782)	23,534

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2017 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Residential mortgage-backed securities:				
Fixed rate pass-through	\$ 3,760	140	—	3,900
Variable rate pass-through	2,283	64	—	2,347
Fixed rate agency CMOs	22,906	20	(248)	22,678
Variable rate agency CMOs	729	13	—	742
Total residential mortgage-backed securities	29,678	237	(248)	29,667
Total marketable securities held-to-maturity	\$ 29,678	237	(248)	29,667

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at September 30, 2018 (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 sponsored enterprises	\$ 55,650	(210)	130,795	(3,360)	186,445	(3,570)
Municipal securities	9,025	(70)	—	—	9,025	(70)
Residential mortgage-backed securities - agency	176,316	(2,095)	329,287	(14,997)	505,603	(17,092)
U.S. government and agencies	14,695	(12)	—	—	14,695	(12)
Total temporarily impaired securities	\$ 255,686	(2,387)	460,082	(18,357)	715,768	(20,744)

The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2017 (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 sponsored enterprises	\$ 5,006	(7)	197,695	(2,761)	202,701	(2,768)
Equity Securities	—	—	544	(6)	544	(6)
Municipal Securities	4,563	(7)	—	—	4,563	(7)
Residential mortgage-backed securities - agency	239,703	(2,522)	202,344	(5,957)	442,047	(8,479)
Total temporarily impaired securities	\$ 249,272	(2,536)	400,583	(8,724)	649,855	(11,260)

We review our investment portfolio for indications of impairment. This review includes analyzing the length of time and the extent to which amortized costs have exceeded fair values, the financial condition and near-term prospects of the issuer, including any specific events which may influence the operations of the issuer, and the intent and ability to hold the investments for a period of time sufficient to allow for a recovery in value. We do not have the intent to sell these securities and it is more likely than not that we will not have to sell these securities before a recovery of our cost basis. For these reasons, we consider the unrealized losses to be temporary impairment losses.

Credit related impairment on all debt securities is recognized in earnings while noncredit related impairment on available-for-sale debt securities, not expected to be sold, is recognized in other comprehensive income.

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The table below shows a cumulative roll forward of credit losses recognized in earnings for debt securities held and not intended to be sold for the quarter and nine months ended September 30,:

	2018	2017
Beginning balance at July 1, (1)	\$	—7,942
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—
Reduction for securities sold/ called realized during the quarter	—	—
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—
Ending balance at September 30,	\$	—7,942
	2018	2017
Beginning balance at January 1, (1)	\$352	7,942
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized	—	—
Reduction for losses realized during the quarter	(352)	—
Reduction for securities sold/ called realized during the nine months	—	—
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized	—	—
Ending balance at September 30,	\$—	7,942

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

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(3) Loans receivable

The following table shows a summary of our loans receivable at September 30, 2018 and December 31, 2017 (in thousands):

	September 30, 2018			December 31, 2017		
	Originated	Acquired	Total	Originated	Acquired	Total
Personal Banking:						
Residential mortgage loans (1)	\$2,745,190	97,822	2,843,012	2,658,726	113,823	2,772,549
Home equity loans	1,048,373	223,972	1,272,345	1,051,558	258,797	1,310,355
Consumer finance loans (2)	5,888	—	5,888	18,619	—	18,619
Consumer loans	685,252	66,284	751,536	540,832	97,877	638,709
Total Personal Banking	4,484,703	388,078	4,872,781	4,269,735	470,497	4,740,232
Commercial Banking:						
Commercial real estate loans	2,477,581	241,307	2,718,888	2,303,179	296,161	2,599,340
Commercial loans	594,939	51,164	646,103	572,341	60,822	633,163
Total Commercial Banking	3,072,520	292,471	3,364,991	2,875,520	356,983	3,232,503
Total loans receivable, gross	7,557,223	680,549	8,237,772	7,145,255	827,480	7,972,735
Deferred loan costs	32,846	936	33,782	26,255	1,527	27,782
Allowance for loan losses	(51,473)	(4,502)	(55,975)	(50,572)	(6,223)	(56,795)
Undisbursed loan proceeds:						
Residential mortgage loans	(11,335)	—	(11,335)	(10,067)	—	(10,067)
Commercial real estate loans	(200,152)	(670)	(200,822)	(141,967)	(2,647)	(144,614)
Commercial loans	(62,175)	(1,160)	(63,335)	(51,143)	(1,284)	(52,427)
Total loans receivable, net	\$7,264,934	675,153	7,940,087	6,917,761	818,853	7,736,614

(1) Includes \$0 and \$3.1 million of loans held for sale at September 30, 2018 and December 31, 2017, respectively.

(2) Represents loans from our consumer finance subsidiary that was closed in 2017, which are no longer being originated.

Acquired loans were initially measured at fair value and subsequently accounted for under either Accounting Standards Codification (“ASC”) Topic 310-30 or ASC Topic 310-20. The following table provides information related to the outstanding principal balance and related carrying value of acquired loans for the dates indicated (in thousands):

	September 30, 2018	December 31, 2017
Acquired loans evaluated individually for future credit losses:		
Outstanding principal balance	\$ 8,446	9,735
Carrying value	5,871	6,875
Acquired loans evaluated collectively for future credit losses:		
Outstanding principal balance	678,540	824,205
Carrying value	673,784	818,201
Total acquired loans:		
Outstanding principal balance	686,986	833,940
Carrying value	679,655	825,076

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The following table provides information related to the changes in the accretable discount, which includes income recognized from contractual cash flows for the dates indicated (in thousands):

	Total
Balance at December 31, 2016	\$2,187
Accretion	(1,318)
Net reclassification from nonaccretable yield	671
Balance at December 31, 2017	1,540
Accretion	(588)
Net reclassification from nonaccretable yield	—
Balance at September 30, 2018	\$952

The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the nine months ended September 30, 2018 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	\$ 1,099	1,741	13	1,140	135
Home equity loans	1,019	1,977	7	1,081	127
Consumer loans	32	95	4	46	31
Total Personal Banking	2,150	3,813	24	2,267	293
Commercial Banking:					
Commercial real estate loans	3,643	4,548	1	4,015	287
Commercial loans	78	85	—	91	8
Total Commercial Banking	3,721	4,633	1	4,106	295
Total	\$ 5,871	8,446	25	6,373	588

The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2017 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	\$ 1,182	1,880	24	1,251	181
Home equity loans	1,143	2,219	21	1,253	157
Consumer loans	59	160	4	97	51
Total Personal Banking	2,384	4,259	49	2,601	389
Commercial Banking:					
Commercial real estate loans	4,388	5,363	39	6,992	914
Commercial loans	103	113	—	177	15
Total Commercial Banking	4,491	5,476	39	7,169	929

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Total	\$ 6,875	9,735	88	9,770	1,318
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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2018 (in thousands):

	Balance September 30, 2018	Current period provision	Charge-offs	Recoveries	Balance June 30, 2018
Originated loans:					
Personal Banking:					
Residential mortgage loans	\$ 4,144	491	(204)	200	3,657
Home equity loans	3,234	(351)	(323)	69	3,839
Consumer finance loans	1,650	(437)	(445)	178	2,354
Consumer loans	11,021	4,023	(3,392)	630	9,760
Total Personal Banking	20,049	3,726	(4,364)	1,077	19,610
Commercial Banking:					
Commercial real estate loans	25,694	8,723	(4,820)	772	21,019
Commercial loans	5,730	(3,945)	(914)	80	10,509
Total Commercial Banking	31,424	4,778	(5,734)	852	31,528
Total originated loans	51,473	8,504	(10,098)	1,929	51,138
Acquired loans:					
Personal Banking:					
Residential mortgage loans	102	(70)	(10)	12	170
Home equity loans	408	(173)	(103)	22	662
Consumer loans	444	(448)	(78)	55	915
Total Personal Banking	954	(691)	(191)	89	1,747
Commercial Banking:					
Commercial real estate loans	2,876	(532)	(39)	25	3,422
Commercial loans	672	(299)	(71)	17	1,025
Total Commercial Banking	3,548	(831)	(110)	42	4,447
Total acquired loans	4,502	(1,522)	(301)	131	6,194
Total	\$ 55,975	6,982	(10,399)	2,060	57,332

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2017 (in thousands):

	Balance September 30, 2017	Current period provision	Charge-offs	Recoveries	Balance June 30, 2017
Originated loans:					
Personal Banking:					
Residential mortgage loans	\$ 3,986	(462)	(211)	24	4,635
Home equity loans	3,295	615	(285)	8	2,957
Consumer finance loans	4,876	4,220	(3,891)	80	4,467
Consumer loans	7,383	4,594	(2,844)	353	5,280
Total Personal Banking	19,540	8,967	(7,231)	465	17,339
Commercial Banking:					
Commercial real estate loans	20,174	(2,529)	(163)	282	22,584
Commercial loans	11,131	(5,445)	(204)	76	16,704
Total Commercial Banking	31,305	(7,974)	(367)	358	39,288
Total originated loans	50,845	993	(7,598)	823	56,627
Acquired loans:					
Personal Banking:					
Residential mortgage loans	77	(11)	(4)	7	85
Home equity loans	748	324	(243)	44	623
Consumer loans	594	106	(158)	18	628
Total Personal Banking	1,419	419	(405)	69	1,336
Commercial Banking:					
Commercial real estate loans	3,301	2,433	(1,738)	160	2,446
Commercial loans	1,362	(818)	(305)	9	2,476
Total Commercial Banking	4,663	1,615	(2,043)	169	4,922
Total acquired loans	6,082	2,034	(2,448)	238	6,258
Total	\$ 56,927	3,027	(10,046)	1,061	62,885

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2018 (in thousands):

	Balance September 30, 2018	Current period provision	Charge-offs	Recoveries	Balance December 31, 2017
Originated loans:					
Personal Banking:					
Residential mortgage loans	\$ 4,144	678	(710)	352	3,824
Home equity loans	3,234	(164)	(866)	192	4,072
Consumer finance loans	1,650	(469)	(2,484)	635	3,968
Other consumer loans	11,021	9,845	(9,192)	1,893	8,475
Total Personal Banking	20,049	9,890	(13,252)	3,072	20,339
Commercial Banking:					
Commercial real estate loans	25,694	10,417	(5,702)	1,068	19,911
Commercial loans	5,730	(2,912)	(2,053)	373	10,322
Total Commercial Banking	31,424	7,505	(7,755)	1,441	30,233
Total originated loans	51,473	17,395	(21,007)	4,513	50,572
Acquired loans:					
Personal Banking:					
Residential mortgage loans	102	(38)	(94)	103	131
Home equity loans	408	85	(578)	139	762
Other consumer loans	444	(363)	(209)	126	890
Total Personal Banking	954	(316)	(881)	368	1,783
Commercial Banking:					
Commercial real estate loans	2,876	(688)	(147)	162	3,549
Commercial loans	672	149	(448)	80	891
Total Commercial Banking	3,548	(539)	(595)	242	4,440
Total acquired loans	4,502	(855)	(1,476)	610	6,223
Total	\$ 55,975	16,540	(22,483)	5,123	56,795

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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2017 (in thousands):

	Balance September 30, 2017	Current period provision	Charge-offs	Recoveries	Balance December 31, 2016
Originated loans:					
Personal Banking:					
Residential mortgage loans	\$ 3,986	(278)	(678)	286	4,656
Home equity loans	3,295	503	(803)	109	3,486
Consumer finance loans	4,876	6,610	(5,469)	290	3,445
Other consumer loans	7,383	9,741	(7,912)	1,025	4,529
Total Personal Banking	19,540	16,576	(14,862)	1,710	16,116
Commercial Banking:					
Commercial real estate loans	20,174	(3,988)	(498)	993	23,667
Commercial loans	11,131	(3,517)	(1,858)	996	15,510
Total Commercial Banking	31,305	(7,505)	(2,356)	1,989	39,177
Total originated loans	50,845	9,071	(17,218)	3,699	55,293
Acquired loans:					
Personal Banking:					
Residential mortgage loans	77	130	(199)	75	71
Home equity loans	748	512	(1,063)	252	1,047
Other consumer loans	594	405	(689)	225	653
Total Personal Banking	1,419	1,047	(1,951)	552	1,771
Commercial Banking:					
Commercial real estate loans	3,301	1,832	(2,206)	667	3,008
Commercial loans	1,362	1,276	(847)	66	867
Total Commercial Banking	4,663	3,108	(3,053)	733	3,875
Total acquired loans	6,082	4,155	(5,004)	1,285	5,646
Total	\$ 56,927	13,226	(22,222)	4,984	60,939

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at September 30, 2018 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	\$2,846,834	4,246	14,585	—	7,668	778	—
Home equity loans	1,272,345	3,642	7,085	72	2,061	497	4
Consumer finance loans	5,888	1,650	39	—	—	—	—
Consumer loans	770,161	11,465	4,307	123	—	—	—
Total Personal Banking	4,895,228	21,003	26,016	195	9,729	1,275	4
Commercial Banking:							
Commercial real estate loans	2,518,066	28,570	43,023	—	15,667	1,516	208
Commercial loans	582,768	6,402	5,188	—	3,751	276	209
Total Commercial Banking	3,100,834	34,972	48,211	—	19,418	1,792	417
Total	\$7,996,062	55,975	74,227	195	29,147	3,067	421

(1)Includes \$9.8 million of nonaccrual TDRs.

(2)Represents loans 90 days or more past maturity and still accruing.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2017 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	\$2,776,203	3,955	14,791	—	8,000	815	—
Home equity loans	1,310,355	4,834	8,907	120	1,716	462	4
Consumer finance loans	18,619	3,968	199	3	—	—	—
Consumer loans	652,770	9,365	4,673	379	—	—	—
Total Personal Banking	4,757,947	22,122	28,570	502	9,716	1,277	4
Commercial Banking:							
Commercial real estate loans	2,454,726	23,460	28,473	—	15,691	1,125	235
Commercial loans	580,736	11,213	7,412	—	6,697	742	8
Total Commercial Banking	3,035,462	34,673	35,885	—	22,388	1,867	243
Total	\$7,793,409	56,795	64,455	502	32,104	3,144	247

(1)Includes \$12.3 million of nonaccrual TDRs.

(2)Represents loans 90 days or more past maturity and still accruing.

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The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the nine months ended September 30, 2018 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 13,154	1,431	505	6,349	21,439	20,499	659
Home equity loans	5,838	1,247	—	1,812	8,897	9,250	375
Consumer finance loan	39	—	—	—	39	25	4
Consumer loans	3,535	772	—	—	4,307	3,835	166
Total Personal Banking	22,566	3,450	505	8,161	34,682	33,609	1,204
Commercial Banking:							
Commercial real estate loans	27,122	15,901	22,583	5,114	70,720	39,985	1,195
Commercial loans	2,714	2,474	223	2,305	7,716	8,910	392
Total Commercial Banking	29,836	18,375	22,806	7,419	78,436	48,895	1,587
Total	\$ 52,402	21,825	23,311	15,580	113,118	82,504	2,791

The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2017 (in thousands):

	Nonaccrual loans 90 or more days delinquent	Nonaccrual loans less than 90 days delinquent	Loans less than 90 days delinquent reviewed for impairment	TDRs less than 90 days delinquent not included elsewhere	Total impaired loans	Average recorded investment in impaired loans	Interest income recognized on impaired loans
Personal Banking:							
Residential mortgage loans	\$ 13,509	1,282	—	6,814	21,605	21,531	892
Home equity loans	7,251	1,656	—	1,449	10,356	9,150	452
Consumer finance loans	199	—	—	—	199	379	20
Consumer loans	3,617	1,056	—	—	4,673	4,042	188
Total Personal Banking	24,576	3,994	—	8,263	36,833	35,102	1,552
Commercial Banking:							
Commercial real estate loans	15,361	13,112	4,431	4,123	37,027	49,981	1,758
Commercial loans	3,140	4,272	906	2,447	10,765	12,110	672
Total Commercial Banking	18,501	17,384	5,337	6,570	47,792	62,091	2,430
Total	\$ 43,077	21,378	5,337	14,833	84,625	97,193	3,982

At September 30, 2018, we expect to fully collect the carrying value of our purchased credit impaired loans and have determined that we can reasonably estimate their future cash flows including those loans that are 90 days or more delinquent. As a result, we do not consider our purchased credit impaired loans that are 90 days or more delinquent to be nonaccrual or impaired and continue to recognize interest income on these loans, including the loans' accretable discount.

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The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at September 30, 2018 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	\$ 2,838,600	8,234	8,234	795	—
Home equity loans	1,270,284	2,061	2,061	497	—
Consumer finance loans	5,888	—	—	—	—
Consumer loans	770,125	36	36	7	—
Total Personal Banking	4,884,897	10,331	10,331	1,299	—
Commercial Banking:					
Commercial real estate loans	2,462,663	55,403	27,924	2,877	27,479
Commercial loans	577,023	5,745	4,328	475	1,417
Total Commercial Banking	3,039,686	61,148	32,252	3,352	28,896
Total	\$ 7,924,583	71,479	42,583	4,651	28,896

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2017 (in thousands):

	Loans collectively evaluated for impairment	Loans individually evaluated for impairment	Loans individually evaluated for impairment for which there is a related impairment reserve	Related impairment reserve	Loans individually evaluated for impairment for which there is no related reserve
Personal Banking:					
Residential mortgage loans	\$ 2,767,635	8,568	8,568	816	—
Home equity loans	1,308,639	1,716	1,716	461	—
Consumer finance loans	18,619	—	—	—	—
Consumer loans	652,685	85	85	25	—
Total Personal Banking	4,747,578	10,369	10,369	1,302	—
Commercial Banking:					
Commercial real estate loans	2,433,755	20,971	18,470	1,859	2,501
Commercial loans	571,412	9,324	8,572	829	752
Total Commercial Banking	3,005,167	30,295	27,042	2,688	3,253
Total	\$ 7,752,745	40,664	37,411	3,990	3,253

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

When we modify loans in a TDR, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, the loan's observable market price or the current fair value of the collateral, less selling costs, for collateral dependent loans. If we determine that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, we evaluate all TDRs, including those that have payment defaults, for possible impairment, in accordance with ASC 310-10. As a result, loans modified in a TDR may have the financial effect of increasing the specific allowance associated with the loan.

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

The following table provides a roll forward of troubled debt restructurings for the periods indicated (dollars in thousands):

	For the quarter ended			
	September 30,			
	2018		2017	
	Number of	Amount	Number of	Amount
	contracts		contracts	
Beginning TDR balance:	205	\$30,662	203	\$41,860
New TDRs	7	647	6	546
Re-modified TDRs	3	306	2	265
Net paydowns		(1,215)		(987)
Charge-offs:				
Residential mortgage loans	—	—	—	—
Home equity loans	—	—	—	—
Commercial real estate loans	1	(91)	2	(2,498)
Commercial loans	5	(619)	—	—
Paid-off loans:				
Residential mortgage loans	2	(2)	—	—
Home equity loans	2	(12)	3	(30)
Commercial real estate loans	2	(360)	1	(564)
Commercial loans	3	(169)	2	(123)
Ending TDR balance:	197	\$29,147	201	\$38,469
Accruing TDRs		\$19,370		\$20,660
Non-accrual TDRs		9,777		17,809

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The following table provides a roll forward of troubled debt restructurings for the periods indicated (dollars in thousands):

	For the nine months ended			
	September 30, 2018		2017	
	Number of contracts	Amount	Number of contracts	Amount
Beginning TDR balance:	205	\$32,104	225	\$42,926
New TDRs	26	6,443	13	4,685
Re-modified TDRs	3	306	3	710
Net paydowns		(3,037)		(3,668)
Charge-offs:				
Residential mortgage loans	1	(135)	—	—
Home equity loans	—	—	—	—
Commercial real estate loans	2	(294)	2	(2,498)
Commercial loans	6	(1,340)	6	(259)
Paid-off loans:				
Residential mortgage loans	4	(257)	—	—
Home equity loans	4	(59)	8	(62)
Commercial real estate loans	9	(2,183)	11	(1,109)
Commercial loans	8	(2,401)	10	(2,256)
Ending TDR balance:	197	\$29,147	201	\$38,469
Accruing TDRs		\$19,370		\$20,660
Non-accrual TDRs		9,777		17,809

The following tables provide information related to troubled debt restructurings (including re-modified TDRs) by portfolio segment and by class of financing receivable during the periods indicated (dollars in thousands):

	For the quarter ended				For the nine months ended			
	September 30, 2018				September 30, 2018			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	2	\$ 342	342	35	6	\$ 616	612	62
Home equity loans	4	194	193	47	12	511	462	113
Total Personal Banking	6	536	535	82	18	1,127	1,074	175
Commercial Banking:								
Commercial real estate loans	3	372	361	42	5	3,255	3,198	97
Commercial loans	1	45	45	5	6	2,367	1,484	21
Total Commercial Banking	4	417	406	47	11	5,622	4,682	118
Total	10	\$ 953	941	129	29	\$ 6,749	5,756	293

During the quarter and nine months ended September 30, 2018, no TDRs modified within the previous twelve months have subsequently defaulted.

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The following tables provide information related to troubled debt restructurings (including re-modified TDRs) by portfolio segment and by class of financing receivable during the periods indicated (dollars in thousands):

	For the quarter ended September 30, 2017			For the nine months ended September 30, 2017				
	Recorded Number of contracts at the time of modification	Current investment recorded at the time of investment	Current allowance	Recorded Number of contracts at the time of modification	Current investment recorded at the time of investment	Current allowance		
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	2	\$ 403	402	40	5	\$ 1,297	1,276	128
Home equity loans	2	122	119	30	2	122	119	30
Total Personal Banking	4	525	521	70	7	1,419	1,395	158
Commercial Banking:								
Commercial real estate loans	2	114	116	13	6	3,600	3,282	285
Commercial loans	2	172	170	71	3	376	352	84
Total Commercial Banking	4	286	286	84	9	3,976	3,634	369
Total	8	\$ 811	807	154	16	\$ 5,395	5,029	527
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:								
Personal Banking:								
Residential mortgage loans	—	\$ —	—	—	—	\$ —	—	—
Home equity loans	—	—	—	—	—	—	—	—
Total Personal Banking	—	—	—	—	—	—	—	—
Commercial Banking:								
Commercial real estate loans	1	90	90	11	1	90	90	11
Commercial loans	1	150	150	70	1	150	150	70
Total Commercial Banking	2	240	240	81	2	240	240	81
Total	2	\$ 240	240	81	2	\$ 240	240	81

The following table provides information as of September 30, 2018 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended September 30, 2018 (dollars in thousands):

	Number of contracts	Type of modification				Total
		Rate	Payment	Maturity date	Other	
Personal Banking:						
Residential mortgage loans	2	\$ —	—	342	—	342
Home equity loans	4	193	—	—	—	193
Total Personal Banking	6	193	—	342	—	535
Commercial Banking:						
Commercial real estate loans	3	—	—	361	—	361

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Commercial loans	1	—	—	45	—	45
Total Commercial Banking	4	—	—	406	—	406
Total	10	\$ 193	—	748	—	941

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The following table provides information as of September 30, 2017 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the quarter ended September 30, 2017 (dollars in thousands):

	Number of contracts	Type of modification			Other	Total
		Rate	Payment	Maturity date		
Personal Banking:						
Residential mortgage loans	2	\$ 250	—	—	152	402
Home equity loans	2	119	—	—	—	119
Total Personal Banking	4	369	—	—	152	521
Commercial Banking:						
Commercial real estate loans	2	—	—	116	—	116
Commercial loans	2	—	—	170	—	170
Total Commercial Banking	4	—	—	286	—	286
Total	8	\$ 369	—	286	152	807

The following table provides information as of September 30, 2018 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the nine months ended September 30, 2018 (dollars in thousands):

	Number of contracts	Type of modification			Other	Total
		Rate	Payment	Maturity date		
Personal Banking:						
Residential mortgage loans	6	\$7	—	519	86	612
Home equity loans	12	222	—	47	193	462
Total Personal Banking	18	229	—	566	279	1,074
Commercial Banking:						
Commercial real estate loans	5	—	482	361	2,355	3,198
Commercial loans	6	—	—	183	1,301	1,484
Total Commercial Banking	11	—	482	544	3,656	4,682
Total	29	\$229	482	1,110	3,935	5,756

The following table provides information as of September 30, 2017 for troubled debt restructurings (including re-modified TDRs) by type of modification, by portfolio segment and class of financing receivable for modifications during the nine months ended September 30, 2017 (dollars in thousands):

	Number of contracts	Type of modification			Other	Total
		Rate	Payment	Maturity date		
Personal Banking:						
Residential mortgage loans	5	\$360	—	—	916	1,276
Home equity loans	2	119	—	—	—	119
Total Personal Banking	7	479	—	—	916	1,395
Commercial Banking:						
Commercial real estate loans	6	—	2,710	572	—	3,282

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Commercial loans	3	—	—	352	—	352
Total Commercial Banking	9	—	2,710	924	—	3,634
Total	16	\$479	2,710	924	916	5,029

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During the nine months ended September 30, 2018, three commercial banking TDRs were re-modified. During the nine months ended September 30, 2017, three personal banking TDRs were re-modified.

The following table provides information related to loan payment delinquencies at September 30, 2018 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total loans receivable	90 Days or greater delinquent and accruing (1)
Originated loans:							
Personal Banking:							
Residential mortgage loans	\$ 1,404	4,392	11,695	17,491	2,731,521	2,749,012	—
Home equity loans	4,622	2,118	5,013	11,753	1,036,620	1,048,373	—
Consumer finance loans	632	234	39	905	4,983	5,888	—
Consumer loans	7,893	3,032	3,166	14,091	688,850	702,941	—
Total Personal Banking	14,551	9,776	19,913	44,240	4,461,974	4,506,214	—
Commercial Banking:							
Commercial real estate loans	2,329	5,370	21,771	29,470	2,247,959	2,277,429	—
Commercial loans	340	807	2,112	3,259	529,505	532,764	—
Total Commercial Banking	2,669	6,177	23,883	32,729	2,777,464	2,810,193	—
Total originated loans	17,220	15,953	43,796	76,969	7,239,438	7,316,407	—
Acquired loans:							
Personal Banking:							
Residential mortgage loans	96	312	1,788	2,196	95,626	97,822	329
Home equity loans	1,051	418	825	2,294	221,678	223,972	—
Consumer loans	515	219	375	1,109	66,111	67,220	6
Total Personal Banking	1,662	949	2,988	5,599	383,415	389,014	335
Commercial Banking:							
Commercial real estate loans	3,057	1,308	5,457	9,822	230,815	240,637	106
Commercial loans	282	297	602	1,181	48,823	50,004	—
Total Commercial Banking	3,339	1,605	6,059	11,003	279,638	290,641	106
Total acquired loans	5,001	2,554	9,047	16,602	663,053	679,655	441
Total loans	\$ 22,221	18,507	52,843	93,571	7,902,491	7,996,062	441

(1) Represents acquired loans that were originally recorded at fair value upon acquisition. These loans are considered to be accruing because we can reasonably estimate future cash flows on and expect to fully collect the carrying value of these loans. Therefore, we are accreting the difference between the carrying value and their expected cash flows into interest income.

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The following table provides information related to loan payment delinquencies at December 31, 2017 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total loans receivable	90 Days or greater delinquent and accruing (1)
Originated loans:							
Personal Banking:							
Residential mortgage loans	\$ 23,786	6,030	12,613	42,429	2,619,951	2,662,380	—
Home equity loans	6,094	2,333	6,043	14,470	1,037,088	1,051,558	—
Consumer finance loans	2,128	1,113	199	3,440	15,179	18,619	—
Consumer loans	9,762	2,834	3,274	15,870	537,496	553,366	—
Total Personal Banking	41,770	12,310	22,129	76,209	4,209,714	4,285,923	—
Commercial Banking:							
Commercial real estate loans	5,520	2,133	10,629	18,282	2,142,930	2,161,212	—
Commercial loans	1,469	204	2,806	4,479	516,719	521,198	—
Total Commercial Banking	6,989	2,337	13,435	22,761	2,659,649	2,682,410	—
Total originated loan	48,759	14,647	35,564	98,970	6,869,363	6,968,333	—
Acquired loans:							
Personal Banking:							
Residential mortgage loans	1,998	205	1,277	3,480	110,343	113,823	381
Home equity loans	1,367	538	1,306	3,211	255,586	258,797	98
Consumer loans	1,150	517	353	2,020	97,384	99,404	10
Total Personal Banking	4,515	1,260	2,936	8,711	463,313	472,024	489
Commercial Banking:							
Commercial real estate loans	2,795	406	5,655	8,856	284,658	293,514	923
Commercial loans	396	237	334	967	58,571	59,538	—
Total Commercial Banking	3,191	643	5,989	9,823	343,229	353,052	923
Total acquired loan	7,706	1,903	8,925	18,534	806,542	825,076	1,412
Total	\$ 56,465	16,550	44,489	117,504	7,675,905	7,793,409	1,412

(1) Represents acquired loans that were originally recorded at fair value upon acquisition. These loans are considered to be accruing because we can reasonably estimate future cash flows and expect to fully collect the carrying value of these loans. Therefore, we are accreting the difference between the carrying value and their expected cash flows into interest income.

Credit quality indicators: We categorize 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 loans individually by classifying the loans by credit risk. Credit relationships greater than or equal to \$1.0 million classified as special mention or substandard are reviewed quarterly for 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.

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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 possible in the future.

The following table sets forth information about credit quality indicators updated during the quarter ended September 30, 2018 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans:						
Personal Banking:						
Residential mortgage loans	\$2,739,243	—	9,769	—	—	2,749,012
Home equity loans	1,042,627	—	5,746	—	—	1,048,373
Consumer finance loans	5,849	—	39	—	—	5,888
Consumer loans	699,033	—	3,908	—	—	702,941
Total Personal Banking	4,486,752	—	19,462	—	—	4,506,214
Commercial Banking:						
Commercial real estate loans	2,083,302	47,983	146,144	—	—	2,277,429
Commercial loans	487,143	21,120	24,501	—	—	532,764
Total Commercial Banking	2,570,445	69,103	170,645	—	—	2,810,193
Total originated loans	7,057,197	69,103	190,107	—	—	7,316,407
Acquired loans:						
Personal Banking:						
Residential mortgage loans	96,563	—	1,259	—	—	97,822
Home equity loans	222,610	—	1,362	—	—	223,972
Consumer loans	66,673	—	547	—	—	67,220
Total Personal Banking	385,846	—	3,168	—	—	389,014
Commercial Banking:						
Commercial real estate loans	199,850	5,546	35,241	—	—	240,637
Commercial loans	39,441	3,640	6,923	—	—	50,004
Total Commercial Banking	239,291	9,186	42,164	—	—	290,641
Total acquired loans	625,137	9,186	45,332	—	—	679,655
Total loans	\$7,682,334	78,289	235,439	—	—	7,996,062

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The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2017 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans:						
Personal Banking:						
Residential mortgage loans	\$2,645,475	—	16,905	—	—	2,662,380
Home equity loans	1,042,965	—	8,593	—	—	1,051,558
Consumer finance loans	18,420	—	199	—	—	18,619
Consumer loans	549,550	—	3,816	—	—	553,366
Total Personal Banking	4,256,410	—	29,513	—	—	4,285,923
Commercial Banking:						
Commercial real estate loans	1,964,565	78,699	117,948	—	—	2,161,212
Commercial loans	461,962	15,510	43,726	—	—	521,198
Total Commercial Banking	2,426,527	94,209	161,674	—	—	2,682,410
Total originated loans	6,682,937	94,209	191,187	—	—	6,968,333
Acquired loans:						
Personal Banking:						
Residential mortgage loans	112,990	—	833	—	—	113,823
Home equity loans	257,312	—	1,485	—	—	258,797
Consumer loans	98,659	—	745	—	—	99,404
Total Personal Banking	468,961	—	3,063	—	—	472,024
Commercial Banking:						
Commercial real estate loans	251,761	4,838	36,915	—	—	293,514
Commercial loans	49,073	3,787	6,678	—	—	59,538
Total Commercial Banking	300,834	8,625	43,593	—	—	353,052
Total acquired loans	769,795	8,625	46,656	—	—	825,076
Total	\$7,452,732	102,834	237,843	—	—	7,793,409

(4) Goodwill and Other Intangible Assets

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

	September 30, 2018	December 31, 2017
Amortizable intangible assets:		
Core deposit intangibles — gross	\$ 63,685	63,685
Less: accumulated amortization	(43,886)	(40,029)
Core deposit intangibles — net	19,799	23,656
Customer and Contract intangible assets — gross	10,474	10,474
Less: accumulated amortization	(9,106)	(8,461)
Customer and Contract intangible assets — net	\$ 1,368	2,013

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The following table shows the actual aggregate amortization expense for the quarters ended September 30, 2018 and 2017, as well as the estimated aggregate amortization expense, based upon current levels of intangible assets, for the current fiscal year and each of the five succeeding fiscal years (in thousands):

For the quarter ended September 30, 2018	\$1,462
For the quarter ended September 30, 2017	1,691
For the nine months ended September 30, 2018	4,502
For the nine months ended September 30, 2017	5,189
For the year ending December 31, 2018	5,848
For the year ending December 31, 2019	4,933
For the year ending December 31, 2020	4,017
For the year ending December 31, 2021	3,188
For the year ending December 31, 2022	2,456
For the year ending December 31, 2023	1,847

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

	Total
Balance at December 31, 2016	\$307,420
Goodwill from acquisition	—
Balance at December 31, 2017	307,420
Goodwill from acquisition	—
Balance at September 30, 2018	\$307,420

We performed our annual goodwill impairment test as of June 30, 2018 using Accounting Standard Codification 350, ("Step 0"), as updated by ASU 2017-04 and concluded that goodwill was not impaired. As of September 30, 2018, there were no changes in our operations that would cause us to update that goodwill impairment test.

(5) Borrowed Funds**Borrowings**

Borrowings from the Federal Home Loan Bank of Pittsburgh ("FHLB"), if any, are secured by our residential first mortgage and other qualifying loans. Certain of these borrowings are subject to restrictions or penalties in the event of prepayment.

The revolving line of credit with the FHLB carries a commitment of \$150.0 million. The rate is adjusted daily by the FHLB, and any borrowings on this line may be repaid at any time without penalty. At September 30, 2018 and December 31, 2017 the balance of the revolving line of credit was \$85.2 million and \$0, respectively.

At September 30, 2018 and December 31, 2017 collateralized borrowings, due within one year, were \$91.8 million, and \$108.2 million, respectively. These borrowings are collateralized by cash or various securities held in safekeeping by the FHLB.

Trust Preferred Securities

We have 3 statutory business trusts: Northwest Bancorp Capital Trust III, a Delaware statutory business trust, Northwest Bancorp Statutory Trust IV, a Connecticut statutory business trust and LNB Trust II, a Delaware statutory business trust (the Trusts). The 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 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 issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 5, 2005 (liquidation value of \$1,000 per preferred security or \$50,000,000) with a stated maturity of December 30, 2035 and a floating rate of interest, which is reset quarterly, equal to three-month LIBOR plus 1.38%. Northwest Bancorp Statutory Trust IV issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 15, 2005 (liquidation value of \$1,000 per preferred security or \$50,000,000) with a stated maturity of December 15, 2035 and a floating rate of interest, which is reset quarterly, equal to three-month LIBOR plus 1.38%. LNB Trust II has 7,875 cumulative trust preferred

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securities outstanding (liquidation value of \$1,000 per preferred security or \$7,875,000) with a stated maturity of June 15, 2037 and a floating rate of interest, which resets quarterly, equal to three-month LIBOR plus 1.48%. As the shareholders of the trust preferred securities are the primary beneficiaries of the Trusts, the Trusts are not consolidated in our financial statements.

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. Northwest Bancorp Capital Trust III holds \$51,547,000 of the Company's junior subordinated debentures due December 30, 2035 with a floating rate of interest, reset quarterly, of three-month LIBOR plus 1.38%. The rate in effect at September 30, 2018 was 3.78%. Northwest Bancorp Statutory Trust IV holds \$51,547,000 of the Company's junior subordinated debentures due December 15, 2035 with a floating rate of interest, reset quarterly, of three-month LIBOR plus 1.38%. The rate in effect at September 30, 2018 was 3.71%. LNB Trust II holds \$8,119,000 of the Company's junior subordinated debentures due June 15, 2037, with a floating rate of interest, reset quarterly, of three-month LIBOR plus 1.48%. The rate in effect at September 30, 2018 was 3.81%.

Cash distributions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts. We have the right to defer payment of interest on the subordinated debentures at any time, or from time-to-time, for periods not exceeding 5 years. If interest payments on the subordinated debentures are deferred, the distributions on the trust securities also are deferred. To date there have been no interest deferrals. Interest on the subordinated debentures and distributions on the trust securities is cumulative. Our obligation constitutes a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the trust under the preferred securities.

The Trusts must redeem the preferred securities when the debentures are paid at maturity or upon an earlier redemption of the debentures to the extent the debentures are redeemed. All or part of the debentures may be redeemed at any time. Also, the debentures may be redeemed at any time if existing laws or regulations, or the interpretation or application of these laws or regulations, change causing:

- the interest on the debentures to no longer be deductible by the Company for federal income tax purposes;
- the trust to become subject to federal income tax or to certain other taxes or governmental charges;
- the trust to register as an investment company; or
- the preferred securities do not qualify as Tier I capital.

We may, at any time, dissolve any of the Trusts and distribute the debentures to the trust security holders, subject to receipt of any required regulatory approval.

(6) Guarantees

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management's credit assessment of the customer. At September 30, 2018, the maximum potential amount of future payments we could be required to make under these non-recourse standby letters of credit was \$33.8 million, of which \$27.3 million is fully collateralized. At

September 30, 2018, we had a liability, which represents deferred income, of \$133,000 related to the standby letters of credit.

(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. All stock options outstanding during the quarter ended September 30, 2018 and 2017, were included in the computation of diluted earnings per share because the options' exercise price was less than the average market price of the common shares of \$18.01 and \$16.26, respectively. All stock options outstanding during the nine months ended September 30, 2018 and 2017, were included in the computation of diluted earnings per share because the options' exercise price was less than the average market price of the common shares of \$17.30 and \$16.58, respectively.

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

	Quarter ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Reported net income	\$27,740	23,591	79,024	72,319
Weighted average common shares outstanding	102,334,954	101,163,534	101,937,338	100,921,322
Dilutive potential shares due to effect of stock options	1,607,741	1,400,942	1,566,731	1,617,020
Total weighted average common shares and dilutive potential shares	103,942,695	102,564,476	103,504,069	102,538,342
Basic earnings per share:	\$0.27	0.23	0.78	0.72
Diluted earnings per share:	\$0.27	0.23	0.76	0.71

(8) Pension and Other Post-retirement Benefits

The following table sets forth the net periodic costs for the defined benefit pension plans and post retirement healthcare plans for the periods indicated (in thousands):

	Quarter ended September 30,			
	Pension benefits		Other post-retirement benefits	
	2018	2017	2018	2017
Service cost	\$1,716	1,537	—	—
Interest cost	1,678	1,719	14	17
Expected return on plan assets	(2,992)	(2,628)	—	—
Amortization of prior service cost	(581)	(580)	—	—
Amortization of the net loss	872	928	24	27
Net periodic cost	\$693	976	38	44
	Nine months ended September 30,			
	Pension benefits		Other post-retirement benefits	
	2018	2017	2018	2017
Service cost	\$5,148	4,612	—	—
Interest cost	5,034	5,159	41	51
Expected return on plan assets	(8,976)	(7,884)	—	—
Amortization of prior service cost	(1,742)	(1,742)	—	—
Amortization of the net loss	2,617	2,783	73	81
Net periodic cost	\$2,081	2,928	114	132

We anticipate making a contribution to our defined benefit pension plan of \$4.0 million to \$6.0 million during the year ending December 31, 2018.

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(9) Disclosures About Fair Value of Financial Instruments

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

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

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

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

Level 2 - Financial assets and liabilities for which values are based on quoted prices in markets that are not active or for which values are based on similar assets or liabilities that are actively traded. Level 2 also includes pricing models in which the inputs are corroborated by market data, for example, matrix pricing.

Level 3 - Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:

• Quotes from brokers or other external sources that are not considered binding;

- Quotes from brokers or other external sources where it cannot be determined that market participants would in fact transact for the asset or liability at the quoted price;

• Quotes and other information from brokers or other external sources where the inputs are not deemed observable.

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

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

Marketable Securities

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

Debt securities - available for sale - Generally, debt securities are valued using pricing for similar securities, recently executed transactions and other pricing models utilizing observable inputs. The valuation for most debt securities is classified as Level 2. Securities within Level 2 include corporate bonds, municipal bonds, mortgage-backed securities and US government obligations.

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

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

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Loans Held for Sale

The estimated fair value of loans held for sale is based on market bids obtained from potential buyers.

Loans Held for Investment

With the adoption of ASU 2016-01 on January 1, 2018, we refined our methodology to estimate the fair value of our loan portfolio to use the exit price notion as required by the guidance, which was applied on a prospective basis resulting in prior-periods no longer being comparable.

The fair value of the loans is estimated using a discounted cash flow analysis that utilizes interest rates currently being offered for similar loans adjusted for liquidity and credit risk.

Federal Home Loan Bank ("FHLB") Stock

Due to the restrictions placed on transferability, FHLB stock is classified as Level 3.

Borrowed Funds

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

Junior Subordinated Debentures

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

Cash Flow Hedges — Interest Rate and Foreign Exchange Swap Agreements ("swaps")

The fair value of the interest rate swaps is based upon the present value of the expected future cash flows using the LIBOR swap curve, the basis for the underlying interest rate. To price interest rate swaps, cash flows are first projected for each payment date using the fixed rate for the fixed side of the swap and the forward rates for the floating side of the swap. These swap cash flows are then discounted to time zero using LIBOR zero-coupon interest rates. The sum of the present value of both legs is the fair market value of the interest rate swap. These valuations have been derived from our third party vendor's proprietary models rather than actual market quotations. The proprietary models are based upon financial principles and assumptions that we believe to be reasonable. The fair value of the foreign exchange swap is derived from proprietary models rather than actual market quotations. The proprietary models are based upon financial principles and assumptions we believe to be reasonable.

Off-Balance Sheet Financial Instruments

These financial instruments generally are not sold or traded, and estimated fair values are not readily available. However, the fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. Commitments to extend credit are generally short-term in nature and, if drawn upon, are issued under current market terms. At September 30, 2018 and December 31, 2017, there was no significant unrealized appreciation or depreciation on these financial instruments.

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The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at September 30, 2018 (in thousands):

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$73,946	73,946	73,946	—	—
Securities available-for-sale	811,556	811,556	—	811,556	—
Securities held-to-maturity	24,222	23,534	—	23,534	—
Loans receivable, net	7,940,087	7,721,559	—	—	7,721,559
Accrued interest receivable	25,798	25,798	25,798	—	—
Interest rate swaps	4,386	4,386	—	4,386	—
FHLB Stock	15,452	15,452	—	—	15,452
Total financial assets	\$8,895,447	8,676,231	99,744	839,476	7,737,011
Financial liabilities:					
Savings and checking deposits	\$6,550,748	6,550,748	6,550,748	—	—
Time deposits	1,403,205	1,431,500	—	—	1,431,500
Borrowed funds	179,117	179,111	179,111	—	—
Junior subordinated debentures	111,213	104,609	—	—	104,609
Interest rate swaps	4,479	4,479	—	4,479	—
Accrued interest payable	627	627	627	—	—
Total financial liabilities	\$8,249,389	8,271,074	6,730,486	4,479	1,536,109

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at December 31, 2017 (in thousands):

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$77,710	77,710	77,710	—	—
Securities available-for-sale	792,535	792,535	574	791,961	—
Securities held-to-maturity	29,678	29,667	—	29,667	—
Loans receivable, net	7,736,614	7,762,562	3,128	—	7,759,434
Accrued Interest Receivable	23,352	23,352	23,352	—	—
Interest rate swaps	214	214	—	214	—
FHLB Stock	11,733	11,733	—	—	11,733
Total financial assets	\$8,671,836	8,697,773	104,764	821,842	7,771,167
Financial liabilities:					
Savings and checking accounts	\$6,414,366	6,414,366	6,414,366	—	—
Time deposits	1,412,623	1,433,380	—	—	1,433,380
Borrowed funds	108,238	108,238	108,238	—	—
Junior subordinated debentures	111,213	110,954	—	—	110,954
Interest rate swaps	1,278	1,278	—	1,278	—
Foreign exchange swaps	61	61	—	61	—
Accrued interest payable	460	460	460	—	—
Total financial liabilities	\$8,048,239	8,068,737	6,523,064	1,339	1,544,334

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Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both September 30, 2018 and December 31, 2017. There were no transfers of financial instruments between Level 1 and Level 2 during the quarter ended September 30, 2018.

The following table represents assets and liabilities measured at fair value on a recurring basis at September 30, 2018 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Debt securities:				
U.S. government and agencies	\$ —	—14,695	—	14,695
Government sponsored enterprises	—	186,445	—	186,445
States and political subdivisions	—	24,744	—	24,744
Corporate	—	912	—	912
Total debt securities	—	226,796	—	226,796
Residential mortgage-backed securities:				
GNMA	—	27,820	—	27,820
FNMA	—	71,251	—	71,251
FHLMC	—	53,907	—	53,907
Non-agency	—	535	—	535
Collateralized mortgage obligations:				
GNMA	—	53,969	—	53,969
FNMA	—	205,066	—	205,066
FHLMC	—	172,212	—	172,212
Non-agency	—	—	—	—
Total mortgage-backed securities	—	584,760	—	584,760
Interest rate swaps	—	4,386	—	4,386
Total Assets	\$ —	—815,942	—	815,942
Interest rate swaps	\$ —	—4,479	—	4,479
Total Liabilities	\$ —	—4,479	—	4,479

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The following table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	\$ 574	—	—	574
Debt securities:				
U.S. government and agencies	—	1	—	1
Government sponsored enterprises	—	209,269	—	209,269
States and political subdivisions	—	51,056	—	51,056
Corporate	—	909	—	909
Total debt securities	—	261,235	—	261,235
Residential mortgage-backed securities:				
GNMA	—	29,695	—	29,695
FNMA	—	82,969	—	82,969
FHLMC	—	64,021	—	64,021
Non-agency	—	555	—	555
Collateralized mortgage obligations:				
GNMA	—	4,769	—	4,769
FNMA	—	191,512	—	191,512
FHLMC	—	157,190	—	157,190
Non-agency	—	15	—	15
Total mortgage-backed securities	—	530,726	—	530,726
Interest rate swaps	—	214	—	214
Total Assets	\$ 574	792,175	—	792,749
Interest rate swaps	\$ —	1,278	—	1,278
Foreign exchange swaps	—	61	—	61
Total Liabilities	\$ —	1,339	—	1,339

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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 periods indicated (in thousands):

	Quarter ended September 30, 2017	September 30, 2018	Nine months ended September 30, 2017	September 30, 2018
Beginning balance January 1,	\$ —	10,638	—	9,366
Total net realized investment gains/ (losses) and net change in unrealized appreciation/ (depreciation):				
Included in net income as OTTI	—	—	—	—
Included in other comprehensive income	—	21	—	1,293
Purchases	—	—	—	—
Sales	—	—	—	—
Transfers in to Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Ending balance September 30,	\$ —	10,659	—	10,659

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans held for sale, loans measured for impairment, real estate owned, and mortgage servicing rights.

The following table represents the fair market measurement for only those nonrecurring assets that had a fair market value below the carrying amount as of September 30, 2018 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment \$	—	—	37,932	37,932
Real estate owned	—	—	2,486	2,486
Total assets	\$ —	—	40,418	40,418

The following table represents the fair market measurement for only those nonrecurring assets that had a fair market value below the carrying amount as of December 31, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment \$	—	—	33,421	33,421
Real estate owned	—	—	5,666	5,666
Total assets	\$ —	—	39,087	39,087

Impaired loans — A loan is considered to be impaired as described in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2017 Annual Report on Form 10-K. We classify loans individually evaluated for impairment that require a specific reserve as nonrecurring Level 3.

Real Estate Owned — Real estate owned is comprised of property acquired through foreclosure or voluntarily conveyed by 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.

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The table presents additional quantitative information about assets measured at fair value on a recurring and nonrecurring basis and for which we have utilized Level 3 inputs to determine fair value at September 30, 2018 (dollar amounts in thousands):

	Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Loans measured for impairment	37,932	Appraisal value (1) Discounted cash flow	Estimated cost to sell Discount rate	10.0% 4.25% to 10.0% (7.50%)
Real estate owned	2,486	Appraisal value (1)	Estimated cost to sell	10.0%

Fair value is generally determined through independent appraisals of the underlying collateral, which may include (1) Level 3 inputs that are not identifiable, or by using the discounted cash flow method if the loan is not collateral dependent.

(10) Derivative Financial Instruments

We are a party to derivative financial instruments in the normal course of business to manage our own exposure to fluctuations in interest rates and to meet the needs of our customers. The primary derivatives that we use are interest rate swaps and caps and foreign exchange contracts, which are entered into with counterparties that meet established credit standards. We believe that the credit risk inherent in all of our derivative contracts is minimal based on our credit standards and the netting and collateral provisions of the interest rate swap agreements.

Derivatives Designated as Hedging Instruments

We are currently a counterparty to one interest rate swap agreement ("swap") which is designated as a cash flow hedge. The swap is intended to protect against the variability of cash flows associated with Northwest Bancorp Capital Trust IV and modifies its re-pricing characteristics, wherein for 10 years expiring in December 2018, 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 swap agreement was entered into with a counterparty that met our credit standards and the agreement contains collateral provisions protecting the at-risk party. We believe that the credit risk inherent in the contract is not significant. At September 30, 2018, \$255,000 of cash was pledged as collateral to the counterparty.

This cash flow hedge is recorded within other liabilities on the consolidated statement of financial condition at their estimated fair value. At September 30, 2018, the fair value of the swap agreements was \$(93,000). There was no material hedge ineffectiveness for the swap discussed above.

Derivatives Not Designated as Hedging Instruments

In addition to our derivatives designated in hedge relationships, we act as an interest rate or foreign exchange swap counterparty for certain commercial borrowers in the normal course of servicing our customers, which are accounted for at fair value. We manage our exposure to such interest rate or foreign exchange swaps by entering into corresponding and offsetting interest rate swaps with third parties that mirror the terms of the swaps we have with the commercial borrowers. These positions (referred to as "customer swaps") directly offset each other and our exposure is the fair value of the derivatives due to changes in credit risk of our commercial borrowers and third parties. Customer swaps are recorded within other assets or other liabilities on the consolidated statement of financial condition at their estimated fair value. Changes to the fair value of assets and liabilities arising from these derivatives are included, net,

in other operating income in the consolidated statement of income.

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The following table presents information regarding our derivative financial instruments for the periods indicated:

	Asset Derivatives		Liability Derivatives	
	Notional Amount	Fair Value	Notional Amount	Fair Value
At September 30, 2018				
Derivatives designed as hedging instruments:				
Interest rate swap agreements	\$—	—	25,000	93
Derivatives not designed as hedging instruments:				
Interest rate swap agreements	209,353	4,386	209,353	4,386
Total derivatives	\$209,353	4,386	234,353	4,479
At December 31, 2017				
Derivatives designed as hedging instruments:				
Interest rate swap agreements	\$—	—	50,000	1,064
Derivatives not designed as hedging instruments:				
Interest rate swap agreements	92,631	214	92,631	214
Foreign exchange swap agreements	—	—	12,344	61
Total derivatives	\$92,631	214	154,975	1,339

The following table presents income or expense recognized on derivatives for the periods indicated:

	For the quarter ended September 30, 2018		For the nine months ended September 30, 2017	
Hedging interest rate derivatives:				
Increase in interest expense	257	393	857	1,216
Non-hedging swap derivatives:				
Increase/ (decrease) in other income	—	99	(288)	333

(11) Legal Proceedings

We establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. As of September 30, 2018 we have not accrued for any legal proceedings based on our analysis of currently available information which is subject to significant judgment and a variety of assumptions and uncertainties. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. Due to the inherent subjectivity of assessments and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate loss to us from legal proceedings.

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(12) Changes in Accumulated Other Comprehensive Income/ (Loss)

The following table shows the changes in accumulated other comprehensive income by component for the periods indicated (in thousands):

	For the quarter ended September 30, 2018			
	Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of June 30, 2018	\$(10,693)	(266)	(32,134)	(43,093)
Other comprehensive income/ (loss) before reclassification adjustments	(1,970)	192	—	(1,778)
Amounts reclassified from accumulated other comprehensive income (1), (2)	(44)	—	226	182
Net other comprehensive income/ (loss)	(2,014)	192	226	(1,596)
Balance as of September 30, 2018	\$(12,707)	(74)	(31,908)	(44,689)

	For the quarter ended September 30, 2017			
	Unrealized gains and (losses) on securities available-for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of June 30, 2017	\$2,276	(1,257)	(26,167)	(25,148)
Other comprehensive income before reclassification adjustments	(264)	258	—	(6)
Amounts reclassified from accumulated other comprehensive income (3), (4)	(674)	—	221	(453)
Net other comprehensive income	(938)	258	221	(459)
Balance as of September 30, 2017	\$1,338	(999)	(25,946)	(25,607)

(1) Consists of realized gain on securities (gain on sales of investments, net) of \$61, net of tax (income tax expense) of \$(17).

(2) Consists of amortization of prior service cost (compensation and employee benefits) of \$581 and amortization of net loss (compensation and employee benefits) of \$(897), net of tax (income tax expense) of \$90.

(3) Consists of realized gain on securities (gain on sales of investments, net) of \$1,043, net of tax (income tax expense) of \$(369).

(4) Consists of amortization of prior service cost (compensation and employee benefits) of \$580 and amortization of net loss (compensation and employee benefits) of \$(954), net of tax (income tax expense) of \$153.

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	For the nine months ended September 30, 2018			
	Unrealized gains and (losses) of securities available- for-sale	Change in fair value of interest rate swaps	Change in defined benefit pension plans	Total
Balance as of December 31, 2017	\$ (4,409)	(691)	(26,980)	(32,080)
Reclassification due to adoption of ASU No. 2018-02	(991)	(149)	(5,606)	(6,746)
Other comprehensive income/ (loss) before reclassification adjustments	(7,169)	766	—	(6,403)
Amounts reclassified from accumulated other comprehensive income (1), (2)	(138)	—	678	540