Northwest Bancshares, Inc.
Form 10-Q
May 11, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from to

Commission File Number 001-34582

NORTHWEST BANCSHARES, INC.

(Exact name of registrant as specified in its charter)

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 x No o

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

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

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

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

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) 94,461,849 shares outstanding as of April 30, 2015

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NORTHWEST BANCSHARES, INC.

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)

	(Unaudited) March 31, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 83,970	87,401
Interest-earning deposits in other financial institutions	212,496	152,671
Federal funds sold and other short-term investments	635	634
Marketable securities available-for-sale (amortized cost of $906,028 and $906,702)	916,423	912,371
Marketable securities held-to-maturity (fair value of $92,989 and $106,292)	90,825	103,695
Total cash and investments	1,304,349	1,256,772
Personal Banking:		
Residential mortgage loans	2,543,870	2,521,456
Home equity loans	1,055,739	1,066,131
Other consumer loans	239,956	242,744
Total Personal Banking	3,839,565	3,830,331
Business Banking:		
Commercial real estate loans	1,856,574	1,801,184
Commercial loans	368,725	358,376
Total Business Banking	2,225,299	2,159,560
Total loans	6,064,864	5,989,891
Allowance for loan losses	(67,298)	(67,518)
Total loans, net	5,997,566	5,922,373
Federal Home Loan Bank stock, at cost	36,292	33,293
Accrued interest receivable	19,753	18,623
Real estate owned, net	15,346	16,759
Premises and equipment, net	142,481	143,909
Bank owned life insurance	145,275	144,362
Goodwill	175,498	175,323
Other intangible assets	3,027	3,033
Other assets	50,772	60,586
Total assets	$ 7,890,359	7,775,033
Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing checking deposits	$ 944,937	891,248
Interest-bearing checking deposits	898,945	874,623
Money market deposit accounts	1,151,971	1,179,070
Savings deposits	1,257,446	1,209,287
Time deposits	1,428,768	1,478,314
Total deposits	5,682,067	5,632,542

Borrowed funds		943,842	888,109
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities		103,094	103,094
Advances by borrowers for taxes and insurance		34,998	30,507
Accrued interest payable		1,336	936
Other liabilities		57,506	57,198
Total liabilities		6,822,843	6,712,386
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, 94,553,350 and 94,721,453 shares issued, respectively		946	947
Paid-in capital		624,584	626,134
Retained earnings		484,774	481,577
Unallocated common stock of employee stock ownership plan		(21,565)	(21,641)
Accumulated other comprehensive loss		(21,223)	(24,370)
Total shareholders equity		1,067,516	1,062,647
Total liabilities and shareholders equity	$	7,890,359	7,775,033

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 March 31, 2015	2014
Interest income:		
Loans receivable	$ 70,711	69,322
Mortgage-backed securities	2,234	2,793
Taxable investment securities	1,045	1,080
Tax-free investment securities	1,348	1,655
Interest-earning deposits	139	200
Total interest income	75,477	75,050
Interest expense:		
Deposits	5,766	6,490
Borrowed funds	8,133	7,714
Total interest expense	13,899	14,204
Net interest income	61,578	60,846
Provision for loan losses	900	7,485
Net interest income after provision for loan losses	60,678	53,361
Noninterest income:		
Gain on sale of investments	95	3,348
Service charges and fees	8,659	8,408
Trust and other financial services income	2,776	3,047
Insurance commission income	2,428	2,564
Loss on real estate owned, net	(1,046)	(135)
Income from bank owned life insurance	913	1,001
Mortgage banking income	240	249
Other operating income	1,963	1,175
Total noninterest income	16,028	19,657
Noninterest expense:		
Compensation and employee benefits	27,895	27,972
Premises and occupancy costs	6,267	6,557
Office operations	3,680	3,757
Processing expenses	7,205	6,589
Marketing expenses	1,976	1,637
Federal deposit insurance premiums	1,347	1,297
Professional services	1,792	2,062
Amortization of other intangible assets	268	331
Real estate owned expense	692	639
Acquisition expense	347	
Other expenses	2,242	2,322
Total noninterest expense	53,711	53,163
Income before income taxes	22,995	19,855
Federal and state income taxes	6,825	5,244

Net income	$	16,170	14,611
Basic earnings per share	$	0.18	0.16
Diluted earnings per share	$	0.18	0.16

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 March 31, 2015	2014
Net Income	$ 16,170	14,611
Other comprehensive income net of tax:		
Net unrealized holding gains/ (losses) on marketable securities:		
Unrealized holding gains net of tax of $(1,885) and $(3,579), respectively	2,952	5,596
Reclassification adjustment for gains included in net income, net of tax of $43 and $1,218 respectively	(68)	(1,904)
Net unrealized holding gains on marketable securities	2,884	3,692
Change in fair value of interest rate swaps, net of tax of $(24) and $(135), respectively	44	251
Defined benefit plan:		
Reclassification adjustment for prior period service costs included in net income, net of tax of $(140) and $75, respectively	219	(138)
Other comprehensive income	3,147	3,805
Total comprehensive income	$ 19,317	18,416

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, expect share data)

Quarter ended March 31, 2014

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
Beginning balance at December 31, 2013	94,243,713	$ 943	619,678	569,547	(11,900)	(23,083)	1,155,185
Comprehensive income:							
Net income				14,611			14,611
Other comprehensive income, net of tax of $(2,421)					3,805		3,805
Total comprehensive income				14,611	3,805		18,416
Exercise of stock options	220,717	2	2,292				2,294
Stock compensation expense			788			451	1,239
Dividends paid ($0.23 per share)				(21,225)			(21,225)
Ending balance at March 31, 2014	94,464,430	$ 945	622,758	562,933	(8,095)	(22,632)	1,155,909

Quarter ended March 31, 2015

	Common Stock Shares	Amount	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
Beginning balance at December 31, 2014	94,721,453	$ 947	626,134	481,577	(24,370)	(21,641)	1,062,647
Comprehensive income:							
Net income				16,170			16,170
Other comprehensive income, net of tax of $(2,006)					3,147		3,147

Total comprehensive income					16,170	3,147		19,317
Exercise of stock options	149,897		2	1,433				1,435
Stock-based compensation expense				804			76	880
Share repurchases	(318,000)		(3)	(3,787)				(3,790)
Dividends paid ($0.14 per share)					(12,973)			(12,973)
Ending balance at March 31, 2015	94,553,350	$	946	624,584	484,774	(21,223)	(21,565)	1,067,516

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Quarter ended March 31, 2015	2014
OPERATING ACTIVITIES:		
Net Income	$ 16,170	14,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	900	7,485
Net (gain)/ loss on sale of assets	274	(3,602)
Net depreciation, amortization and accretion	1,549	2,845
Decrease in other assets	5,685	10,032
Increase/ (decrease) in other liabilities	1,136	(6,534)
Net amortization on marketable securities	87	105
Noncash write-down of real estate owned	1,181	648
Origination of loans held for sale	(221)	(660)
Proceeds from sale of loans held for sale	224	907
Noncash compensation expense related to stock benefit plans	880	1,239
Net cash provided by operating activities	27,865	27,076
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(29,985)	(22,805)
Proceeds from maturities and principal reductions of marketable securities available-for-sale	30,329	33,414
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	12,914	3,643
Proceeds from sale of marketable securities available-for-sale	293	5,735
Loan originations	(496,009)	(447,423)
Proceeds from loan maturities and principal reductions	419,198	398,726
(Purchase)/ redemption of Federal Home Loan Bank stock	(2,999)	1
Proceeds from sale of real estate owned	2,729	2,866
Sale of real estate owned for investment, net	152	152
Purchase of premises and equipment	(2,075)	(3,607)
Acquistions, net of cash received	(438)	(2,792)
Net cash used in investing activities	(65,891)	(32,090)

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)

(in thousands)

		Quarter ended March 31, 2015	2014
FINANCING ACTIVITIES:			
Increase in deposits, net	$	49,525	105,984
Proceeds from long-term borrowings		85,000	
Repayments of long-term borrowings		(10,013)	(15)
Net decrease in short-term borrowings		(19,254)	(16,009)
Increase in advances by borrowers for taxes and insurance		4,491	4,405
Cash dividends paid		(12,973)	(21,224)
Purchase of common stock for retirement		(3,790)	
Proceeds from stock options exercised		1,435	2,294
Net provided by in financing activities		94,421	75,435
Net increase in cash and cash equivalents	$	56,395	70,421
Cash and cash equivalents at beginning of period	$	240,706	391,905
Net increase in cash and cash equivalents		56,395	70,421
Cash and cash equivalents at end of period	$	297,101	462,326
Cash and cash equivalents:			
Cash and due from banks	$	83,970	81,927
Interest-earning deposits in other financial institutions		212,496	379,765
Federal funds sold and other short-term investments		635	634
Total cash and cash equivalents	$	297,101	462,326
Cash paid during the period for:			
Interest on deposits and borrowings (including interest credited to deposit accounts of $5,256 and $5,819, respectively)	$	13,499	14,232
Income taxes	$	1,027	5,016
Business acquistions:			
Fair value of assets acquired	$	438	2,798
Cash paid		(438)	(2,792)
Liabilities assumed	$		6
Non-cash activities:			
Loans foreclosures and repossessions	$	2,623	1,839
Sale of real estate owned financed by the Company	$	114	88

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) Basis of Presentation and Informational Disclosures

Northwest Bancshares, Inc. (the Company) or (NWBI), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The Company was incorporated to be the successor to Northwest Bancorp, Inc. upon the completion of the mutual-to-stock conversion of Northwest Bancorp, MHC in December 2009. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (Northwest). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At March 31, 2015, Northwest operated 161 community-banking offices throughout Pennsylvania, western New York, eastern Ohio and Maryland.

The accompanying unaudited consolidated financial statements include the accounts of the Company and its subsidiary, Northwest, and Northwest s subsidiaries Northwest Settlement Agency, LLC, Northwest Consumer Discount Company, Northwest Financial Services, Inc., Northwest Advisors, Inc., Northwest Capital Group, Inc., Allegheny Services, Inc., Great Northwest Corporation, Boetger & Associates, Inc. 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, 2014 updated, as required, for any new pronouncements or changes.

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

The results of operations for the quarter ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015, or any other period.

Stock-Based Compensation

Stock-based compensation expense of $880,000 and $1.2 million for the quarters ended March 31, 2015 and 2014, respectively, was recognized in compensation expense relating to our stock benefit plans. At March 31, 2015 there was compensation expense of $4.4 million to be recognized for awarded but unvested stock options and $13.5 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 March 31, 2015 we had no liability for unrecognized tax benefits.

We recognize interest accrued related to: (1) unrecognized tax benefits in federal and state income taxes and (2) refund claims in other operating income. We recognize penalties (if any) in federal and state income taxes. There is no amount accrued for the payment of interest or penalties at March 31, 2015. We

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are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2013, 2012 and 2011.

Recent Accounting Pronouncements

In May 2014 the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. This guidance supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The core principle of this guidance requires an entity to recognize revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services and provides five steps to be analyzed to accomplish the core principle. This guidance is effective retrospectively for annual reporting periods beginning after December 15, 2016, including interim periods within those years and early adoption is not permitted. We are currently evaluating the impact this standard will have on our results of operations and financial position.

In June 2014 the FASB issued ASU 2014-11, *Transfers and Servicing: Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. This guidance requires repurchase-to-maturity transactions to be recorded and accounted for as secured borrowings and also requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement. Additionally, an entity is required to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements, and provide increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The guidance related to repurchase-to-maturity and repurchase financing transactions, and disclosures for certain transactions accounted for as a sale is effective for annual reporting periods beginning after December 15, 2014, including interim periods within those years. The disclosures for repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings are required to be presented for annual periods beginning after December 15, 2014, and for interim periods beginning after March 15, 2015. We do not expect that this standard will have a material impact on our results of operations or financial position.

In June 2014 the FASB issued ASU 2014-12, *Compensation Stock Compensation*. This guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Specifically, if the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. Further, the total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. This guidance is effective for annual periods beginning after December 15, 2015, including interim periods within those years and early adoption is permitted. We do not expect that this standard will have a material impact on our results of operations or financial position.

(2) Business Segments

We operate in two reportable business segments: Community Banking and Consumer Finance. The Community Banking segment provides services traditionally offered by full-service community banks, including business and personal deposit accounts and business and personal loans, as well as insurance, brokerage and investment management and trust services. The Consumer Finance segment, which is comprised of Northwest Consumer Discount Company, a subsidiary of Northwest, operates 51 offices in Pennsylvania and offers personal installment loans for a variety of consumer and real estate products. This activity is funded primarily through an intercompany borrowing relationship with Allegheny Services, Inc., a

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subsidiary of Northwest. Net income is the primary measure used by management to measure segment performance. The following tables provide financial information for these reportable segments. The All Other column represents the parent company and elimination entries necessary to reconcile to the consolidated amounts presented in the financial statements.

At or for the quarter ended:

March 31, 2015 ($ in 000 s)		**Community Banking**	**Consumer Finance**	**All other (1)**	**Consolidated**
External interest income	$	70,928	4,330	219	75,477
Intersegment interest income		575		(575)	
Interest expense		12,888	575	436	13,899
Provision for loan losses		250	650		900
Noninterest income		15,729	270	29	16,028
Noninterest expense		50,440	2,953	318	53,711
Income tax expense (benefit)		7,035	175	(385)	6,825
Net income		16,619	247	(696)	16,170
Total assets	$	7,769,901	102,913	17,545	7,890,359

March 31, 2014 ($ in 000 s)		**Community Banking**	**Consumer Finance**	**All other (1)**	**Consolidated**
External interest income	$	70,068	4,659	323	75,050
Intersegment interest income		606		(606)	
Interest expense		13,169	606	429	14,204
Provision for loan losses		6,850	635		7,485
Noninterest income		17,033	288	2,336	19,657
Noninterest expense		49,862	2,921	380	53,163
Income tax expense (benefit)		4,513	326	405	5,244
Net income		13,313	459	839	14,611
Total assets	$	7,849,806	103,677	19,830	7,973,313

(1) Eliminations consist of intercompany loans, interest income and interest expense.

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

The following table shows the portfolio of investment securities available-for-sale at March 31, 2015 (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	$	23			23
Debt issued by government sponsored enterprises:					
Due in one year - five years		339,140	706	(693)	339,153
Due in five years - ten years		25,128		(29)	25,099
Equity securities		2,314	651	(41)	2,924
Municipal securities:					
Due in one year or less		1,159	10		1,169
Due in one year - five years		7,755	159		7,914
Due in five years - ten years		5,564	104		5,668
Due after ten years		50,236	2,292		52,528
Corporate debt issues:					
Due after ten years		18,080	2,646	(444)	20,282
Residential mortgage-backed securities:					
Fixed rate pass-through		69,549	3,423	(130)	72,842
Variable rate pass-through		62,918	3,180	(8)	66,090
Fixed rate non-agency CMOs		2,978	335		3,313
Fixed rate agency CMOs		214,343	709	(3,070)	211,982
Variable rate agency CMOs		106,841	622	(27)	107,436
Total residential mortgage-backed securities		456,629	8,269	(3,235)	461,663
Total marketable securities available-for-sale	$	906,028	14,837	(4,442)	916,423

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The following table shows the portfolio of investment securities available-for-sale at December 31, 2014 (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	$ 25			25
Debt issued by government sponsored enterprises:				
Due in one year - five years	310,172	287	(2,672)	307,787
Due in five years - ten years	25,746		(28)	25,718
Equity securities	2,591	682	(116)	3,157
Municipal securities:				
Due in one year or less	810	15		825
Due in one year - five years	7,878	132		8,010
Due in five years - ten years	6,965	115		7,080
Due after ten years	51,839	2,391		54,230
Corporate debt issues:				
Due after ten years	18,267	2,579	(419)	20,427
Residential mortgage-backed securities:				
Fixed rate pass-through	72,852	3,149	(124)	75,877
Variable rate pass-through	66,140	3,466	(8)	69,598
Fixed rate non-agency CMOs	3,162	246		3,408
Fixed rate agency CMOs	226,413	685	(5,331)	221,767
Variable rate agency CMOs	113,842	657	(37)	114,462
Total residential mortgage-backed securities	482,409	8,203	(5,500)	485,112
Total marketable securities available-for-sale	$ 906,702	14,404	(8,735)	912,371

The following table shows the portfolio of investment securities held-to-maturity at March 31, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due in five years - ten years	$ 7,425	74		7,499
Due after ten years	49,131	998		50,129
Residential mortgage-backed securities:				
Fixed rate pass-through	7,897	510		8,407
Variable rate pass-through	4,091	86		4,177
Fixed rate agency CMOs	21,239	481		21,720
Variable rate agency CMOs	1,042	15		1,057
Total residential mortgage-backed securities	34,269	1,092		35,361
Total marketable securities held-to-maturity	$ 90,825	2,164		92,989

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The following table shows the portfolio of investment securities held-to-maturity at December 31, 2014 (in thousands):

		Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:					
Due in five years - ten years	$	10,207	141		10,348
Due after ten years		56,545	1,314		57,859
Residential mortgage-backed securities:					
Fixed rate pass-through		8,236	477		8,713
Variable rate pass-through		4,273	122		4,395
Fixed rate agency CMOs		23,382	531		23,913
Variable rate agency CMOs		1,052	12		1,064
Total residential mortgage-backed securities		36,943	1,142		38,085
Total marketable securities held-to-maturity	$	103,695	2,597		106,292

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 March 31, 2015 (in thousands):

		Less than 12 months		12 months or more		Total	
		Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government and agencies	$	75,986	(84)	125,116	(638)	201,102	(722)
Municipal securities		782				782	
Corporate issues				1,979	(444)	1,979	(444)
Equity securities		577	(41)			577	(41)
Residential mortgage-backed securities - agency		19,664	(104)	164,546	(3,131)	184,210	(3,235)
Total temporarily impaired securities	$	97,009	(229)	291,641	(4,213)	388,650	(4,442)

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The following table shows the fair value of and gross unrealized losses on investment securities, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position at December 31, 2014 (in thousands):

	Less than 12 months		12 months or more		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
U.S. government and agencies	$ 28,878	(67)	244,828	(2,633)	273,706	(2,700)
Corporate debt issues			2,003	(419)	2,003	(419)
Equity securities	506	(116)			506	(116)
Residential mortgage-backed securities - agency	20,832	(79)	195,505	(5,421)	216,337	(5,500)
Total temporarily impaired securities	$ 50,216	(262)	442,336	(8,473)	492,552	(8,735)

We review our investment portfolio on a quarterly basis for indications of impairment. This review includes analyzing the length of time and the extent to which amortized 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 to hold the investments for a period of time sufficient to allow for a recovery in value. Certain investments are evaluated using our best estimate of future cash flows. If the estimate of cash flows indicates that an adverse change has occurred, other-than-temporary impairment is recognized for the amount of the unrealized loss that was deemed credit related.

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

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

	2015	2014
Beginning balance at January 1, (1)	$ 8,894	10,342
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized		
Reduction for losses realized during the quarter	(29)	(8)
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized		
Ending balance at March 31,	$ 8,865	10,334

(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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(4) Loans receivable

The following table shows a summary of our loans receivable at March 31, 2015 and December 31, 2014 (in thousands):

		March 31, 2015	December 31, 2014
Personal Banking:			
Residential mortgage loans	$	2,544,116	2,526,240
Home equity loans		1,055,739	1,066,131
Other consumer loans		239,956	242,744
Total Personal Banking		3,839,811	3,835,115
Business Banking:			
Commercial real estate		1,970,160	1,874,944
Commercial loans		381,501	419,525
Total Business Banking		2,351,661	2,294,469
Total loans receivable, gross		6,191,472	6,129,584
Deferred loan costs		7,741	6,095
Allowance for loan losses		(67,298)	(67,518)
Undisbursed loan proceeds:			
Residential mortgage loans		(7,987)	(10,879)
Commercial real estate		(113,586)	(73,760)
Commercial loans		(12,776)	(61,149)
Total loans receivable, net	$	5,997,566	5,922,373

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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 March 31, 2015 (in thousands):

		Balance March 31, 2015	Current period provision	Charge-offs	Recoveries	Balance December 31, 2014
Personal Banking:						
Residental mortgage loans	$	5,077	(282)	(335)	113	5,581
Home equity loans		4,043	(213)	(342)	48	4,550
Other consumer loans		5,835	1,270	(1,940)	387	6,118
Total Personal Banking		14,955	775	(2,617)	548	16,249
Business Banking:						
Commercial real estate loans		33,252	242	(1,113)	734	33,389
Commercial loans		15,113	270	(724)	2,052	13,515
Total Business Banking		48,365	512	(1,837)	2,786	46,904
Unallocated		3,978	(387)			4,365
Total	$	67,298	900	(4,454)	3,334	67,518

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 March 31, 2014 (in thousands):

		Balance March 31, 2014	Current period provision	Charge-offs	Recoveries	Balance December 31, 2013
Personal Banking:						
Residental mortgage loans	$	7,467	35	(459)	16	7,875
Home equity loans		6,958	37	(372)	48	7,245
Other consumer loans		5,280	1,184	(1,716)	325	5,487
Total Personal Banking		19,705	1,256	(2,547)	389	20,607
Business Banking:						
Commercial real estate loans		36,209	1,321	(932)	621	35,199
Commercial loans		16,169	5,419	(770)	640	10,880
Total Business Banking		52,378	6,740	(1,702)	1,261	46,079
Unallocated		4,151	(511)			4,662
Total	$	76,234	7,485	(4,249)	1,650	71,348

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The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at March 31, 2015 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual (1)	Recorded investment in loans past due 90 days or more and still accruing	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residental mortgage loans	$ 2,543,870	5,077	19,233	7	6,658	1,072	
Home equity loans	1,055,739	4,043	8,443		2,340	310	
Other consumer loans	239,956	5,835	2,380	282			
Total Personal Banking	3,839,565	14,955	30,056	289	8,998	1,382	
Business Banking:							
Commercial real estate loans	1,856,574	33,252	31,650		41,343	4,114	923
Commercial loans	368,725	15,113	11,601	21	10,304	780	1,321
Total Business Banking	2,225,299	48,365	43,251	21	51,647	4,894	2,244
Total	$ 6,064,864	63,320	73,307	310	60,645	6,276	2,244

(1) Includes $19.8 million of nonaccrual TDRs.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at December 31, 2014 (in thousands):

	Recorded investment in loans receivable	Allowance for loan losses	Recorded investment in loans on nonaccrual (1)	Recorded investment in loans past due 90 days or more and still accruing	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residental mortgage loans	$ 2,521,456	5,581	21,194	8	6,574	1,133	
Home equity loans	1,066,131	4,550	9,569		2,412	229	
Other consumer loans	242,744	6,118	2,820	206			
Total Personal Banking	3,830,331	16,249	33,583	214	8,986	1,362	
Business Banking:							
	1,801,184	33,389	38,647		41,917	4,938	449

Commercial real estate loans								
Commercial loans		358,376	13,515	7,578	21	10,885	1,095	814
Total Business Banking		2,159,560	46,904	46,225	21	52,802	6,033	1,263
Total	$	5,989,891	63,153	79,808	235	61,788	7,395	1,263

(1) Includes $24.5 million of nonaccrual TDRS.

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The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at March 31, 2015 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Recorded investment in loans receivable:						
Personal Banking:						
Residential mortgage loans	$ 2,176,741	160,609	18,705	132,630	55,185	2,543,870
Home equity loans	897,681	117,853	8,910	26,217	5,078	1,055,739
Other consumer loans	221,324	10,635	3,377	1,359	3,261	239,956
Total Personal Banking	3,295,746	289,097	30,992	160,206	63,524	3,839,565
Business Banking:						
Commercial real estate loans	995,436	662,453	24,751	117,092	56,842	1,856,574
Commercial loans	284,442	55,009	15,991	4,506	8,777	368,725
Total Business Banking	1,279,878	717,462	40,742	121,598	65,619	2,225,299
Total	$ 4,575,624	1,006,559	71,734	281,804	129,143	6,064,864
Percentage of total loans receivable	75.5%	16.6%	1.2%	4.6%	2.1%	100.0%

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent:						
Personal Banking:						
Residential mortgage loans	$ 10,771	1,229	602	1,221	1,245	15,068
Home equity loans	3,510	1,012		1,083	41	5,646
Other consumer loans	1,954	65	8	18		2,045
Total Personal Banking	16,235	2,306	610	2,322	1,286	22,759
Business Banking:						
Commercial real estate loans	6,551	1,242		27	413	8,233
Commercial loans	1,921					1,921
Total Business Banking	8,472	1,242		27	413	10,154
Total	$ 24,707	3,548	610	2,349	1,699	32,913
Percentage of total loans 90 or more days delinquent	75.1%	10.8%	1.9%	7.1%	5.2%	100.0%

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The following table provides geographical and delinquency information related to the loan portfolio by portfolio segment and class of financing receivable at December 31, 2014 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Recorded investment in loans receivable:						
Personal Banking:						
Residential mortgage loans	$ 2,151,361	161,445	18,486	134,228	55,936	2,521,456
Home equity loans	909,139	115,459	9,087	27,203	5,243	1,066,131
Other consumer loans	225,088	9,961	3,132	1,328	3,235	242,744
Total Personal Banking	3,285,588	286,865	30,705	162,759	64,414	3,830,331
Business Banking:						
Commercial real estate loans	1,013,632	590,934	24,901	114,850	56,867	1,801,184
Commercial loans	243,159	83,252	15,826	7,817	8,322	358,376
Total Business Banking	1,256,791	674,186	40,727	122,667	65,189	2,159,560
Total	$ 4,542,379	961,051	71,432	285,426	129,603	5,989,891
Percentage of total loans receivable	75.8%	16.0%	1.2%	4.8%	2.2%	100.0%

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent:						
Personal Banking:						
Residential mortgage loans	$ 12,282	1,237	710	1,678	1,789	17,696
Home equity loans	4,474	936	35	1,058	103	6,606
Other consumer loans	2,388	55	7			2,450
Total Personal Banking	19,144	2,228	752	2,736	1,892	26,752
Business Banking:						
Commercial real estate loans	8,827	1,072		270	930	11,099
Commercial loans	2,659	284		207	325	3,475
Total Business Banking	11,486	1,356		477	1,255	14,574
Total	$ 30,630	3,584	752	3,213	3,147	41,326
Percentage of total loans 90 or more days delinquent	74.1%	8.7%	1.8%	7.8%	7.6%	100.0%

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The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the quarter ended March 31, 2015 (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:							
Residental mortgage loans	$ 15,068	4,165		5,931	25,164	25,316	218
Home equity loans	5,646	2,797		1,760	10,203	11,124	121
Other consumer loans	2,045	335			2,380	2,722	24
Total Personal Banking	22,759	7,297		7,691	37,747	39,162	363
Business Banking:							
Commercial real estate loans	8,233	23,417	25,367	17,628	74,645	80,773	846
Commercial loans	1,921	9,680	5,047	3,665	20,313	19,981	211
Total Business Banking	10,154	33,097	30,414	21,293	94,958	100,754	1,057
Total	$ 32,913	40,394	30,414	28,984	132,705	139,916	1,420

The following table provides information related to the composition of impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 2014 (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:							
Residental mortgage loans	$ 17,696	3,498		5,845	27,039	28,227	817
Home equity loans	6,606	2,963		1,706	11,275	11,753	485
Other consumer loans	2,450	370			2,820	2,383	66
Total Personal Banking	26,752	6,831		7,551	41,134	42,363	1,368
Business Banking:							
Commercial real estate loans	11,099	27,548	26,400	12,128	77,175	90,187	3,589
Commercial loans	3,475	4,103	5,266	6,026	18,870	27,088	914
Total Business Banking	14,574	31,651	31,666	18,154	96,045	117,275	4,503
Total	$ 41,326	38,482	31,666	25,705	137,179	159,638	5,871

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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 March 31, 2015 (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:						
Residental mortgage loans	$	2,536,741	7,129	7,129	1,140	
Home equity loans		1,053,073	2,666	2,666	220	
Other consumer loans		239,862	94	94	1	
Total Personal Banking		3,829,676	9,889	9,889	1,361	
Business Banking:						
Commercial real estate loans		1,791,047	65,527	42,972	5,223	22,555
Commercial loans		357,677	11,048	7,391	742	3,657
Total Business Banking		2,148,724	76,575	50,363	5,965	26,212
Total	$	5,978,400	86,464	60,252	7,326	26,212

The following table provides information related to the evaluation of impaired loans by portfolio segment and by class of financing receivable at December 31, 2014 (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:						
Residental mortgage loans	$	2,514,060	7,396	7,396	1,116	
Home equity loans		1,063,741	2,390	2,390	246	
Other consumer loans		242,678	66	66	1	
Total Personal Banking		3,820,479	9,852	9,852	1,363	
Business Banking:						
Commercial real estate loans		1,734,864	66,320	42,869	6,189	23,451
Commercial loans		343,416	14,960	10,938	1,378	4,022
Total Business Banking		2,078,280	81,280	53,807	7,567	27,473
Total	$	5,898,759	91,132	63,659	8,930	27,473

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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 reasonable period of at least six months.

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

	For the quarters ended March 31,					
	2015			2014		
	Number of contracts			Number of contracts		
Beginning TDR balance:	248	$	61,788	262	$	79,166
New TDRs	2		112	7		1,309
Re-modified TDRs	1		85	4		159
Net paydowns			(823)			(4,494)
Charge-offs:						
Residential mortgage loans						
Home equity loans	2		(31)			
Commercial real estate loans	1		(14)	2		(31)
Commercial loans	2		(387)	1		(7)
Paid-off loans:						
Residential mortgage loans						
Home equity loans	1		(6)			
Commercial real estate loans	2		(79)	2		(277)
Commercial loans				6		(1,314)
Ending TDR balance:	242	$	60,645	258	$	74,511
Accruing TDRs		$	40,802		$	40,243
Non-accrual TDRs			19,843			34,268

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The following table provides 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 March 31, 2015			
	Number of contracts	**Recorded investment at the time of modification**	**Current recorded investment**	**Current allowance**
Troubled debt restructurings:				
Personal Banking:				
Residential mortgage loans	2	$ 112	112	1
Home equity loans	1	85	84	17
Other consumer loans				
Total Personal Banking	3	197	196	18
Business Banking:				
Commercial real estate loans				
Commercial loans				
Total Business Banking				
Total	3	$ 197	196	18
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:				
Personal Banking:				
Residential mortgage loans		$		
Home equity loans				
Other consumer loans				
Total Personal Banking				
Business Banking:				
Commercial real estate loans				
Commercial loans	1	50		
Total Business Banking	1	50		
Total	1	$ 50		

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The following table provides 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 March 31, 2014				
	Number of contracts		Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:					
Personal Banking:					
Residential mortgage loans	6	$	1,290	1,289	119
Home equity loans					
Other consumer loans					
Total Personal Banking	6		1,290	1,289	119
Business Banking:					
Commercial real estate loans	3		89	87	32
Commercial loans	2		89	107	10
Total Business Banking	5		178	194	42
Total	11	$	1,468	1,483	161
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:					
Personal Banking:					
Residential mortgage loans		$			
Home equity loans					
Other consumer loans					
Total Personal Banking					
Business Banking:					
Commercial real estate loans					
Commercial loans					
Total Business Banking					
Total		$			

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The following table provides information as of March 31, 2015 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 March 31, 2015 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	2	$		112		112
Home equity loans	1	84				84
Other consumer loans						
Total Personal Banking	3	84		112		196
Business Banking:						
Commercial real estate loans						
Commercial loans						
Total Business Banking						
Total	3	$ 84		112		196

The following table provides information as of March 31, 2014 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 March 31, 2014 (dollars in thousands):

		Type of modification				
	Number of contracts	Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	6	$		1,289		1,289
Home equity loans						
Other consumer loans						
Total Personal Banking	6			1,289		1,289
Business Banking:						
Commercial real estate loans	3			59	28	87
Commercial loans	2		102		5	107
Total Business Banking	5		102	59	33	194
Total	11	$	102	1,348	33	1,483

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The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended March 31, 2015 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification				
		Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans		$				
Home equity loans	1	84				84
Other consumer loans						
Total Personal Banking	1	84				84
Business Banking:						
Commercial real estate loans						
Commercial loans						
Total Business Banking						
Total	1	$ 84				84

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the quarter ended March 31, 2014 (dollars in thousands):

	Number of re-modified TDRs	Type of re-modification				
		Rate	Payment	Maturity date	Other	Total
Personal Banking:						
Residental mortgage loans	1	$		77		77
Home equity loans						
Other consumer loans						
Total Personal Banking	1			77		77
Business Banking:						
Commercial real estate loans	2			59	18	77
Commercial loans	1				5	5
Total Business Banking	3			59	23	82
Total	4	$		136	23	159

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The following table provides information related to loan payment delinquencies at March 31, 2015 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	$ 25,586	3,397	15,068	44,051	2,499,819	2,543,870
Home equity loans	3,737	1,404	5,646	10,787	1,044,952	1,055,739
Other consumer loans	4,374	1,515	2,045	7,934	232,022	239,956
Total Personal Banking	33,697	6,316	22,759	62,772	3,776,793	3,839,565
Business Banking:						
Commercial real estate loans	5,497	2,351	8,233	16,081	1,840,493	1,856,574
Commercial loans	1,480	136	1,921	3,537	365,188	368,725
Total Business Banking	6,977	2,487	10,154	19,618	2,205,681	2,225,299
Total	$ 40,674	8,803	32,913	82,390	5,982,474	6,064,864

The following table provides information related to loan payment delinquencies at December 31, 2014 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Recorded investment in loans receivable
Personal Banking:						
Residential mortgage loans	$ 27,443	6,970	17,696	52,109	2,469,347	2,521,456
Home equity loans	5,752	1,672	6,606	14,030	1,052,101	1,066,131
Other consumer loans	5,572	2,435	2,450	10,457	232,287	242,744
Total Personal Banking	38,767	11,077	26,752	76,596	3,753,735	3,830,331
Business Banking:						
Commercial real estate loans	4,956	2,038	11,099	18,093	1,783,091	1,801,184
Commercial loans	2,262	209	3,475	5,946	352,430	358,376
Total Business Banking	7,218	2,247	14,574	24,039	2,135,521	2,159,560
Total	$ 45,985	13,324	41,326	100,635	5,889,256	5,989,891

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

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address the root cause of the adverse financial trends without significant deviations from their current business strategy. Their potential weaknesses deserve our close attention and warrant enhanced monitoring.

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

Doubtful Loans classified as doubtful have all the weaknesses inherent in those classified as substandard. In addition, those weaknesses make collection or liquidation in full highly questionable and improbable. A loan classified as doubtful exhibits discernible loss potential, but a complete loss seems very unlikely. The possibility of a loss on a doubtful loan is high, but because of certain important and reasonably specific pending factors that may strengthen the loan, its classification as an estimated loss is deferred until a more exact status can be determined.

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

The following table sets forth information about credit quality indicators, which were updated during the quarter ended March 31, 2015 (in thousands):

		Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:							
Residential mortgage loans	$	2,531,595		10,851		1,424	2,543,870
Home equity loans		1,050,092		5,647			1,055,739
Other consumer loans		238,381		1,575			239,956
Total Personal Banking		3,820,068		18,073		1,424	3,839,565
Business Banking:							
Commercial real estate loans		1,671,331	43,874	141,369			1,856,574
Commercial loans		305,632	22,651	31,243	9,199		368,725
Total Business Banking		1,976,963	66,525	172,612	9,199		2,225,299
Total	$	5,797,031	66,525	190,685	9,199	1,424	6,064,864

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The following table sets forth information about credit quality indicators, which were updated during the year ended December 31, 2014 (in thousands):

		Pass	Special mention	Substandard	Doubtful	Loss	Recorded investment in loans receivable
Personal Banking:							
Residential mortgage loans	$	2,507,269		12,763		1,424	2,521,456
Home equity loans		1,059,525		6,606			1,066,131
Other consumer loans		240,947		1,797			242,744
Total Personal Banking		3,807,741		21,166		1,424	3,830,331
Business Banking:							
Commercial real estate loans		1,618,269	36,908	145,502	505		1,801,184
Commercial loans		286,234	23,690	46,280	2,172		358,376
Total Business Banking		1,904,503	60,598	191,782	2,677		2,159,560
Total	$	5,712,244	60,598	212,948	2,677	1,424	5,989,891

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

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

		March 31, 2015	December 31, 2014
Amortizable intangible assets:			
Core deposit intangibles gross	$	30,578	30,578
Acquisitions			
Less: accumulated amortization		(30,578)	(30,578)
Core deposit intangibles net			
Customer and Contract intangible assets gross		8,234	6,197
Acquisitions		262	2,037
Less: accumulated amortization		(5,469)	(5,201)
Customer and Contract intangible assets net	$	3,027	3,033

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The following table shows the actual aggregate amortization expense for the quarters ended March 31, 2015 and 2014, 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 March 31, 2015	$	268
For the quarter ended March 31, 2014		331
For the year ending December 31, 2015		1,074
For the year ending December 31, 2016		835
For the year ending December 31, 2017		597
For the year ending December 31, 2018		429
For the year ending December 31, 2019		260
For the year ending December 31, 2020		92

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

		Community Banks	Consumer Finance	Total
Balance at December 31, 2013	$	173,031	1,613	174,644
Goodwill acquired		679		679
Impairment losses				
Balance at December 31, 2014		173,710	1,613	175,323
Goodwill acquired		175		175
Impairment losses				
Balance at March 31, 2015	$	173,885	1,613	175,498

We performed our annual goodwill impairment test as of June 30, 2014 and concluded that goodwill was not impaired. At March 31, 2015, there were no changes in our operations or other factors that would cause us to update that test. See the Overview of Critical Accounting Policies Involving Estimates section for a description of our testing procedures.

(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 March 31, 2015, the maximum potential amount of future payments we could be required to make under these standby letters of credit was $23.8 million, of which $23.2 million is fully collateralized. At March 31, 2015, we had a liability, which represents deferred income, of $1.1 million related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

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(7) Earnings Per Share

Basic earnings per common share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, without considering any dilutive items. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Stock options to purchase 3,744,878 shares of common stock with a weighted average exercise price of $12.43 per share were outstanding during the quarter ended March 31, 2015 but were not included in the computation of diluted earnings per share because the options exercise price was greater than the average market price of the common shares of $11.89. All stock options outstanding during the quarter ended March 31, 2014 were included in the computation of diluted earnings per share because the stock options exercise price was less than the average market price of the common shares of $14.47 during the quarter.

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

		Quarter ended March 31, 2015	2014
Reported net income	$	16,170	14,611
Weighted average common shares outstanding		91,634,064	91,154,998
Dilutive potential shares due to effect of stock options		268,007	1,198,314
Total weighted average common shares and dilutive potential shares		91,902,071	92,353,312
Basic earnings per share:	$	0.18	0.16
Diluted earnings per share:	$	0.18	0.16

(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):

Components of net periodic benefit cost

		Quarter ended March 31, Pension benefits 2015	2014	Other post-retirement benefits 2015	2014
Service cost	$	1,430	1,035		
Interest cost		1,531	1,457	15	16
Expected return on plan assets		(2,593)	(2,416)		
Amortization of prior service cost		(581)	(581)		

Amortization of the net loss		925	356	15	12
Net periodic (benefit)/ cost	$	712	(149)	30	28

We anticipate making a contribution to our defined benefit pension plan of $4.0 million to $8.0 million during the year ending December 31, 2015.

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(9) Disclosures About Fair Value of Financial Instruments

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

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

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

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

- 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.

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Marketable Securities

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

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

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

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

Loans Receivable

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

Federal Home Loan Bank of Pittsburgh (FHLB) Stock

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

Deposit Liabilities

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

Borrowed Funds

Fixed rate advances are valued by comparing their contractual cost to the prevailing market cost. The carrying amount of 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.

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Cash flow hedges   Interest rate swap agreements (swaps   )

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

Off-Balance Sheet Financial Instruments

These financial instruments generally are not sold or traded, and estimated fair values are not readily available. However, the fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements. Commitments to extend credit are generally short-term in nature and, if drawn upon, are issued under current market terms. At March 31, 2015 and December 31, 2014, there was no significant unrealized appreciation or depreciation on these financial instruments.

The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at March 31, 2015:

		Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	$	297,101	297,101	297,101		
Securities available-for-sale		916,423	916,423	2,924	903,193	10,306
Securities held-to-maturity		90,825	92,989		92,989	
Loans receivable, net		5,997,566	6,323,248			6,323,248
Accrued interest receivable		19,753	19,753	19,753		
FHLB Stock		36,292	36,292			
Total financial assets	$	7,357,960	7,685,806	319,778	996,182	6,333,554
Financial liabilities:						
Savings and checking deposits	$	4,253,299	4,253,299	4,253,299		
Time deposits		1,428,768	1,446,470			1,446,470
Borrowed funds		943,842	975,867	143,460		832,407
Junior subordinated debentures		103,094	109,373			109,373
Cash flow hedges - swaps		6,205	6,205		6,205	
Accrued interest payable		1,336	1,336	1,336		
Total financial liabilities	$	6,736,544	6,792,550	4,398,095	6,205	2,388,250

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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 December 31, 2014:

		Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:						
Cash and cash equivalents	$	240,706	240,706	240,706		
Securities available-for-sale		912,371	912,371	3,157	898,617	10,597
Securities held-to-maturity		103,695	106,292		106,292	
Loans receivable, net		5,922,373	6,240,079			6,240,079
Accrued interest receivable		18,623	18,623	18,623		
FHLB Stock		33,293	33,293			
Total financial assets	$	7,231,061	7,551,364	262,486	1,004,909	6,250,676
Financial liabilities:						
Savings and checking accounts	$	4,154,228	4,154,228	4,154,228		
Time deposits		1,478,314	1,498,539			1,498,539
Borrowed funds		888,109	919,612	162,714		756,898
Junior subordinated debentures		103,094	109,435			109,435
Cash flow hedges - swaps		6,273	6,273		6,273	
Accrued interest payable		936	936	936		
Total financial liabilities	$	6,630,954	6,689,023	4,317,878	6,273	2,364,872

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 March 31, 2015 and December 31, 2014. There were no transfers of financial instruments between Level 1 and Level 2 during the quarter ended March 31, 2015.

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The following table represents assets and liabilities measured at fair value on a recurring basis at March 31, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 2,924			2,924
Debt securities:				
U.S. government and agencies		23		23
Government sponsored enterprises		364,252		364,252
States and political subdivisions		67,279		67,279
Corporate		9,976	10,306	20,282
Total debt securities		441,530	10,306	451,836
Residential mortgage-backed securities:				
GNMA		28,192		28,192
FNMA		70,503		70,503
FHLMC		39,611		39,611
Non-agency		626		626
Collateralized mortgage obligations:				
GNMA		7,679		7,679
FNMA		132,706		132,706
FHLMC		169,614		169,614
SBA		9,419		9,419
Non-agency		3,313		3,313
Total mortgage-backed securities		461,663		461,663
Interest rate swaps		(6,205)		(6,205)
Total assets and liabilities	$ 2,924	896,988	10,306	910,218

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The following table represents assets and liabilities measured at fair value on a recurring basis at December 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	$ 3,157			3,157
Debt securities:				
U.S. government and agencies		25		25
Government sponsored enterprises		333,505		333,505
States and political subdivisions		70,145		70,145
Corporate		9,830	10,597	20,427
Total debt securities		413,505	10,597	424,102
Residential mortgage-backed securities:				
GNMA		29,216		29,216
FNMA		73,497		73,497
FHLMC		42,119		42,119
Non-agency		643		643
Collateralized mortgage obligations:				
GNMA		8,329		8,329
FNMA		139,150		139,150
FHLMC		178,698		178,698
SBA		10,052		10,052
Non-agency		3,408		3,408
Total mortgage-backed securities		485,112		485,112
Interest rate swaps		(6,273)		(6,273)
Total assets and liabilities	$ 3,157	892,344	10,597	906,098

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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 March 31, 2015	March 31, 2014
Beginning balance	$	10,597	12,251
Total net realized investment gains/ (losses) and net change in unrealized appreciation/(depreciation):			
Included in net income as OTTI			
Included in other comprehensive income		(291)	140
Purchases			
Sales			
Transfers in to Level 3			
Transfers out of Level 3			
Ending balance	$	10,306	12,391

Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets at March 31, 2015 (in thousands):

		Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$			52,926	52,926
Real estate owned				15,346	15,346
Total assets	$			68,272	68,272

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Certain assets and liabilities are measured at fair value on a nonrecurring basis after initial recognition such as loans measured for impairment and real estate owned. The following table represents the fair value measurement for nonrecurring assets at December 31, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	$		54,729	54,729
Real estate owned			16,759	16,759
Total assets	$		71,488	71,488

Impaired loans A loan is considered to be impaired as described in the Overview of Critical Accounting Policies Involving Estimates, Allowance for Loan Losses section. We classify loans individually evaluated for impairment that require a specific or TDR reserve as nonrecurring Level 3.

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

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 March 31, 2015 (dollar amounts in thousands):

	Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Debt securities	$ 10,306	Discounted cash flow	Discount margin Default rates Prepayment speeds	0.35% to 2.1% (0.69)% 1.00% 1.00% annually
Loans measured for impairment	52,926	Appraisal value (1)	Estimated cost to sell	10%
Real estate owned	15,346	Appraisal value (1)	Estimated cost to sell	10%

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

The significant unobservable inputs used in the fair value measurement of our debt securities are discount margins, default rates and prepayment speeds. Significant increases in any of those rates would result in a significantly lower fair value measurement.

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

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

Northwest Bancorp Capital Trust III (Trust III) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 5, 2006 (liquidation value of $1,000 per preferred security or $50,000,000) with a stated maturity of December 30, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. Northwest Bancorp Statutory Trust IV (Trust IV) issued 50,000 cumulative trust preferred securities in a private transaction to a pooled investment vehicle on December 15, 2006 (liquidation value of $1,000 per preferred security or $50,000,000) with a stated maturity of December 15, 2035. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.38%. The Trusts have invested the proceeds of the offerings in junior subordinated deferrable interest debentures issued by the Company. The structure of these debentures mirrors the structure of the trust-preferred securities. Trust III holds $51,547,000 of the Company s junior subordinated debentures and Trust IV holds $51,547,000 of the Company s junior subordinated debentures. These subordinated debentures are the sole assets of the Trusts. Cash distri-butions 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 five years. If interest payments on the subordinated debentures are deferred, the distributions on the trust preferred securities are also deferred. Interest on the subordinated debentures and distributions on the trust securities is cumulative. To date, there have been no interest deferrals. Our obligation constitutes a full, irrevocable, and unconditional guarantee on a subordinated basis of the obligations of the trust under the preferred securities.

We are currently a counterparty to three interest rate swap agreements (swaps), designating the swaps as cash flow hedges. The swaps are intended to protect against the variability of cash flows associated with Trust III and Trust IV. The first swap modifies the re-pricing characteristics of Trust III, wherein for a ten year period expiring in September 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.61% to the same counterparty calculated on a notional amount of $25.0 million. The other two swaps modify the re-pricing characteristics of Trust IV, wherein (i) for a seven year period expiring in September 2015, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 3.85% to the same counterparty calculated on a notional amount of $25.0 million and (ii) for a ten year period expiring in September 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 agreements were entered into with a counterparty that met our credit standards and the agreements contain collateral provisions protecting the at-risk party. We believe that the credit risk inherent in the contracts is not significant. At March 31, 2015, $6.6 million of cash was pledged as collateral to the counterparty.

At March 31, 2015, the fair value of the swap agreements was $(6.2) million and was the amount we would have expected to pay if the contracts were terminated. There was no material hedge ineffectiveness for these swaps.

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The following table shows liability derivatives, included in other liabilities, at March 31, 2015 and December 31, 2014 (in thousands):

		March 31, 2015	December 31, 2014
Fair value	$	6,205	6,273
Notional amount		75,000	75,000
Collateral posted		6,555	6,805

(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 March 31, 2015 we have not accrued for 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.

Toth v. Northwest Savings Bank

On May 7, 2012, Ashley Toth (Plaintiff) filed a putative class action complaint in the Court of Common Pleas of Allegheny County, Pennsylvania against Northwest Savings Bank (Northwest). Plaintiff s complaint alleged state law claims related to Northwest s order of posting ATM and debit card transactions and the assessment of overdraft fees on deposit customer accounts. Northwest filed preliminary objections to the putative class action complaint on June 29, 2012. On September 6, 2012, Plaintiff filed an amended putative class action complaint containing substantially the same allegations as the initial putative class action complaint. On November 5, 2012, Northwest filed preliminary objections to the amended putative class action complaint. Plaintiff filed her opposition to Northwest s preliminary objections on December 6, 2012, and Northwest filed its reply in support of the preliminary objections on January 3, 2013. On June 25, 2013, the court entered an order, granting in part and overruling in part, Northwest s preliminary objections.

On November 18, 2013, the parties participated in a mediation and reached an agreement in principle, subject to the preparation and execution of a mutually acceptable settlement agreement and release, to fully, finally and completely settle, resolve, discharge and release all claims that have been or could have been asserted in the action on a class-wide basis. The proposed settlement contemplates that, in return for a full and complete release of claims by Plaintiff and the settlement class members, Northwest will create a settlement fund for distribution to the settlement class members after certain court-approved reductions, including for attorney s fees and expenses. The proposed settlement has been preliminarily and finally approved by the court.

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(12) Changes in Accumulated Other Comprehensive Income

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

	For the quarter ended March 31, 2015				
		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 December 31, 2014	$	3,461	(4,078)	(23,753)	(24,370)
Other comprehensive income before reclassification adjustments		2,952	44		2,996
Amounts reclassified from accumulated other comprehensive income (1), (2)		(68)		219	151
Net other comprehensive income		2,884	44	219	3,147
Balance as of March 31, 2015	$	6,345	(4,034)	(23,534)	(21,223)

	For the quarter ended March 31, 2014				
		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 December 31, 2013	$	(3,233)	(5,224)	(3,443)	(11,900)
Other comprehensive income before reclassification adjustments		5,596	251		5,847
Amounts reclassified from accumulated other comprehensive income (3), (4)		(1,904)		(138)	(2,042)
Net other comprehensive income		3,692	251	(138)	3,805
Balance as of March 31, 2014	$	459	(4,973)	(3,581)	(8,095)

(1) Consists of realized gains on securities (gain on sales of investments, net) of $111, net of tax (income tax expense) of $(43).

(2) Consists of amortization of prior service cost (compensation and employee benefits) of $581 and amortization of net loss (compensation and employee benefits) of $(940), net of tax (income tax expense) of $140. See note 8.

(3) Consists of realized gains on securities (gain on sales of investments, net) of $3,122, net of tax (income tax expense) of $(1,218).

(4) Consists of amortization of prior service cost (compensation and employee benefits) of $581 and amortization of net loss (compensation and employee benefits) of $(368), net of tax (income tax expense) of $(75). See note 8.

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(13) Other Items

As was previously announced on December 15, 2014 the Company entered into an Agreement and Plan of Merger (Merger Agreement) by and between the Company and LNB Bancorp, Inc. (LNB). Pursuant to the Merger Agreement, LNB will merge with and into the Company, with the Company as the surviving entity. Immediately thereafter, The Lorain National Bank (Lorain National Bank), the wholly owned subsidiary of LNB, will merge with and into Northwest Bank, the wholly owned subsidiary of the Company, with Northwest Bank as the surviving entity.

Under the terms of the Merger Agreement, 50% of LNB s common shares will be converted into Company common stock and the remaining 50% will be exchanged for cash. LNB s shareholders will have the option to elect to receive either 1.461 shares of the Company s common stock or $18.70 in cash for each LNB common share, subject to proration to ensure that, in the aggregate, 50% of LNB s common shares will be converted into Company stock.

The transaction has been approved by the Boards of Directors of the Company and LNB as well as both the FDIC and the Pennsylvania Department of Banking. Additionally, the Federal Reserve Bank has issued a non-objection waiver. Completion of the transaction is subject to customary closing conditions, including the approval of LNB s shareholders. We anticipate this transaction to be completed in the third quarter of 2015.

As of March 31, 2015 LNB had total assets of $1.256 billion (unaudited) and net income of $1.8 million (unaudited) for the quarter ended March 31, 2015.

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

Forward-Looking Statements:

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

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

- changes in laws, government regulations or policies affecting financial institutions, including regulatory fees and capital requirements;
- general economic conditions, either nationally or in our market areas, that are worse than expected;
- competition among other financial institutions and non-depository entities;
- inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;
- adverse changes in the securities markets;
- our ability to enter new markets successfully, capitalize on growth opportunities and our ability to successfully integrate acquired entities, if any;
- changes in consumer spending, borrowing and savings habits;
- our ability to continue to increase and manage our business and personal loans;

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- possible impairments of securities held by us, including those issued by government entities and government sponsored enterprises;

- the impact of the economy on our loan portfolio (including cash flow and collateral values), investment portfolio, customers and capital market activities;

- the impact of the current governmental effort to restructure the U.S. financial and regulatory system;

- changes in the financial performance and/or condition of our borrowers; and

- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.

Overview of Critical Accounting Policies Involving Estimates

Please refer to Note 1 of the Notes to Consolidated Financial Statements in Item 8 of Part II of our 2014 Annual Report on Form 10-K.

Executive Summary and Comparison of Financial Condition

Total assets at March 31, 2015 were $7.890 billion, an increase of $115.3 million, or 1.5%, from $7.775 billion at December 31, 2014. This increase in assets was due to increases in net loans receivable of $75.2 million and interest-earning deposits in other financial institutions of $59.8 million, which were partially offset by a decrease in marketable securities of $8.8 million. The net increase in total assets was funded by increases in borrowed funds and total deposits of $55.7 million and $49.5 million, respectively.

Total loans receivable increased by $75.0 million, or 1.3%, to $6.065 billion at March 31, 2015, from $5.990 billion at December 31, 2014. Loans funded during the quarter ended March 31, 2015, of $496.2 million exceeded loan maturities, principal repayments and mortgage loan sales of $419.4 million. Our business banking loan portfolio increased by $65.7 million, or 3.0%, to $2.225 billion at March 31, 2015 from $2.160 billion at December 31, 2014, as we continue to emphasize the origination and retention of commercial and commercial real estate loans. Our personal banking loan portfolio increased by $9.2 million, or 0.2%, to $3.840 billion at March 31, 2015 from $3.830 billion at December 31, 2014. This increase is attributable to an increase in the residential mortgage loans of $22.4 million, which was partially offset by a decrease in home equity loans of $10.4 million, which traditionally decrease during the first quarter.

Total deposits increased by $49.5 million, or 0.9%, to $5.682 billion at March 31, 2015 from $5.633 billion at December 31, 2014. Noninterest-bearing demand deposits increased by $53.7 million, or 6.0%, to $944.9 million at March 31, 2015 from $891.2 million at December 31, 2014. Interest-bearing demand deposits increased by $24.3 million, or 2.8%, to $898.9 million at March 31, 2015 from $874.6 million at December 31, 2014. Savings deposits increased by $48.2 million, or 4.0%, to $1.257 billion at March 31, 2015 from $1.209 billion at December 31, 2014. Partially offsetting these increases was a decrease in time deposits of $49.5 million, or 3.4%, to $1.429 billion at March 31, 2015 from $1.478 billion at December 31, 2014. Additionally, money market deposit accounts decreased by $27.1 million, or 2.3%, to $1.152 billion at March 31, 2015 from $1.179 billion at December 31, 2014. We believe the increase in more liquid deposit accounts is due primarily to customers continued reluctance to lock in time deposits at these historically low rates. In addition, our checking account marketing campaign has been successful in attracting customers.

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Borrowed funds increased by $55.7 million, or 6.3%, to $943.8 million at March 31, 2015, from $888.1 million at December 31, 2014. During the quarter ended March 31, 2015 we borrowed $85.0 million from the FHLB with an average maturity of 8.2 years and an average interest rate of 2.40%. Our intention was to lock in long-term, low-cost borrowings before market interest rates rise in order to fund $110.0 million of FHLB advances that mature in 2015. Partially offsetting this increase was a decrease of $19.2 million in collateralized borrowings and the maturity of a $10.0 million FHLB advance.

Total shareholders equity at March 31, 2015 was $1.068 billion, or $11.29 per share, an increase of $4.9 million, or 0.5%, from $1.063 billion, or $11.22 per share, at December 31, 2014. This increase in equity was the result of net income during the quarter ended March 31, 2015 of $16.2 million and a decrease in accumulated other comprehensive loss of $3.1 million due to an improvement in the net unrealized gain of the investment securities portfolio. Partially offsetting these increases was the payment of cash dividends of $13.0 million and the repurchase of 318,000 shares of common stock for $3.8 million during the quarter ended March 31, 2015.

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

In July 2013, the FDIC and the other federal regulatory agencies issued a final rule that revised their leverage and risk-based capital requirements and the method for calculating risk-weighted assets to make them consistent with agreements that were reached by the Basel Committee on Banking Supervision and certain provisions of the Dodd-Frank Act. Among other things, the rule establishes a new Common Equity Tier 1 (CET1) minimum capital requirement (4.5% of risk-weighted assets) and increases the minimum Tier 1 capital to risk-based assets requirement (from 4% to 6% of risk-weighted assets). The rule limits an organization s capital distributions and certain discretionary bonus payments if the organization does not hold a capital conservation buffer consisting of 2.5% of CET1 capital to risk-weighted assets in addition to the amount necessary to meet its minimum risk-based capital requirements.

The final rule became effective for Northwest on January 1, 2015. The capital conservation buffer requirement will be phased in beginning January 1, 2016 and ending January 1, 2019, when the full capital conservation buffer requirement will be effective. The final rule also officially implements these consolidated capital requirements for savings and loan holding companies, such as the Company, effective January 1, 2015.

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Quantitative measures, established by regulation to ensure capital adequacy, require financial institutions to maintain minimum amounts and ratios (set forth in the table below) of Total, CET1 and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital to total assets (as defined). Capital ratios are presented in the tables below. Dollar amounts in the accompanying tables are in thousands.

	At March 31, 2015					
	Actual		Minimum capital requirements		Well capitalized requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assts)						
Northwest Bancshares, Inc.	$ 1,087,830	20.42%	426,272	8.00%	532,840	10.00%
Northwest Savings Bank	851,575	16.03%	424,939	8.00%	531,173	10.00%
Tier 1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	1,021,052	19.16%	319,704	6.00%	426,272	8.00%
Northwest Savings Bank	785,165	14.78%	318,704	6.00%	424,939	8.00%
CET1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	921,052	17.29%	239,778	4.50%	346,346	6.50%
Northwest Savings Bank	785,165	14.78%	239,028	4.50%	345,263	6.50%
Tier 1 capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	1,021,052	13.16%	310,247	4.00%	387,809	5.00%
Northwest Savings Bank	785,165	10.14%	309,615	4.00%	387,018	5.00%

	At December 31, 2014					
	Actual		Minimum capital requirements (1)		Well capitalized requirements (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assts)						
Northwest Bancshares, Inc.	$ 1,062,802	20.29%				
Northwest Savings Bank	945,652	18.09%	418,104	8.00%	522,629	10.00%
Tier I capital (to risk weighted assets)						
Northwest Bancshares, Inc.	997,049	19.04%				
Northwest Savings Bank	880,290	16.84%	209,052	4.00%	313,578	6.00%
Tier I capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	997,049	12.80%				
Northwest Savings Bank	880,290	11.55%	304,883	4.00%	381,104	5.00%

(1) The Federal Reserve did not have formal capital requirements established for savings and loan holding companies at December 31, 2014.

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The following table shows the Basel III regulatory capital levels that must be maintained to avoid limitations on capital distributions and discretionary bonus payments for the periods indicated:

	Basel III Regulatory Capital Requirements				
	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019
New common equity tier 1 ratio plus capital conservation buffer	4.50%	5.125%	5.75%	6.375%	7.00%
Tier 1 risk-based capital ratio plus capital conservation buffer	6.00%	6.625%	7.25%	7.875%	8.50%
Total risk-based capital ratio plus capital conservation buffer	8.00%	8.625%	9.25%	9.875%	10.50%

We are required to maintain a sufficient level of liquid assets, as determined by management and reviewed for adequacy by the FDIC and the Pennsylvania Department of Banking during their regular examinations. Northwest monitors its liquidity position primarily using the ratio of unencumbered available-for-sale liquid assets as a percentage of deposits and borrowings (liquidity ratio). Northwest s liquidity ratio at March 31, 2015 was 9.0%. We adjust liquidity levels in order to meet funding needs for deposit outflows, payment of real estate taxes and insurance on mortgage loan escrow accounts, repayment of borrowings and loan commitments. At March 31, 2015 Northwest had $2.036 billion of additional borrowing capacity available with the FHLB, including $150.0 million on an overnight line of credit, as well as $176.2 million of borrowing capacity available with the Federal Reserve Bank and $80.0 million with two correspondent banks.

We paid $13.0 million and $21.2 million in cash dividends during the quarters ended March 31, 2015 and 2014, respectively. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 77.8% and 143.8% for the quarters ended March 31, 2015 and 2014, respectively, on regular dividends of $0.14 per share for the quarter ended March 31, 2015 and on regular dividends of $0.13 per share and a special dividend of $0.10 per share for the quarter ended March 31, 2014. On April 15, 2015, the Board of Directors declared a dividend of $0.14 per share payable on May 14, 2015 to shareholders of record as of April 30, 2015. This represents the 82nd consecutive quarter we have paid a cash dividend.

Nonperforming Assets

The following table sets forth information with respect to nonperforming assets. Nonaccrual loans are those loans on which the accrual of interest has ceased. Generally, when a loan is 90 days past due, we fully reverse all accrued interest thereon and cease to accrue interest thereafter. Exceptions are made for loans that have contractually matured, are in the process of being modified to extend the maturity date and are otherwise current as to principal and interest, and well secured loans that are in process of collection. Loans may also be placed on nonaccrual before they reach 90 days past due if conditions exist that call into question our ability to collect all contractual interest. Other nonperforming assets represent property acquired through foreclosure or repossession. Foreclosed property is carried at the lower of its fair value less estimated costs to sell, or the principal balance of the related loan.

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		March 31, 2015		December 31, 2014
		(Dollars in thousands)		
Loans 90 days or more delinquent:				
Residential mortgage loans	$	15,068	$	17,696
Home equity loans		5,646		6,606
Other consumer loans		2,045		2,450
Commercial real estate loans		8,233		10,215
Commercial loans		1,921		4,359
Total loans 90 days or delinquent	$	32,913	$	41,326
Total real estate owned (REO)		15,346		16,759
Total loans 90 days or more delinquent and REO		48,259		58,085
Total loans 90 days or more delinquent to net loans receivable		0.55%		0.70%
Total loans 90 days or more delinquent and REO to total assets		0.61%		0.75%
Nonperforming assets:				
Nonaccrual loans - loans 90 days or more delinquent	$	32,913		41,326
Nonaccrual loans loans less than 90 days delinquent		40,394		38,482
Loans 90 days or more past maturity and still accruing		310		235
Total nonperforming loans		73,617		80,043
Total nonperforming assets	$	88,963		96,802
Nonaccrual troubled debt restructured loans *	$	19,843		24,459
Accruing troubled debt restructured loans		40,802		37,329
Total troubled debt restructured loans	$	60,645		61,788

* Included in nonaccurual loans above.

A loan is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement including both contractual principal and interest payments. The amount of impairment is required to be measured using one of three methods: (1) the present value of expected future cash flows discounted at the loan s effective interest rate; (2) the loan s observable market price; or (3) the fair value of collateral if the loan is collateral dependent. If the measure of the impaired loan is less than the recorded investment in the loan, a specific allowance is allocated for the impairment. Impaired loans at March 31, 2015 and December 31, 2014 were $132.7 million and $137.2 million, respectively.

Allowance for Loan Losses

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

On an ongoing basis, the Credit Administration department, as well as loan officers, branch managers and department heads, review and monitor the loan portfolio for problem loans. This portfolio monitoring includes a review of the monthly delinquency reports as well as historical comparisons and trend analysis. In addition, a meeting is held every quarter with each region to monitor the performance and status of loans on an internal watch list. On an on-going basis the loan officer in conjunction with a portfolio manager grades or classifies problem loans or potential problem loans based upon their knowledge of the lending relationship and other information previously accumulated. This rating is also reviewed independently by our Loan Review department on a periodic basis. Our loan grading system for

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problem loans is consistent with industry regulatory guidelines which classify loans as substandard , doubtful or loss. Loans that do not expose us to risk sufficient to warrant classification in one of the previous categories, but which possess some weaknesses, are designated as special mention . A substandard loan is any loan that is 90 days or more contractually delinquent or is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions or values, highly questionable and improbable. Loans classified as loss are considered uncollectible so that their continuance as assets without the establishment of a specific loss allowance is not warranted.

Credit relationships that have been classified as substandard or doubtful and are greater than or equal to $1.0 million are reviewed by the Credit Administration department for possible impairment. A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement, including both contractual principal and interest payments.

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

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

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

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

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independent parties are considered by management and the Credit Committee and implemented accordingly.

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

We utilize a consistent methodology each period when analyzing the adequacy of the allowance for loan losses and the related provision for loan losses. As part of the analysis as of March 31, 2015, we considered the economic conditions in our markets, such as unemployment and bankruptcy levels as well as changes in real estate collateral values. In addition, we considered the overall trends in asset quality, specific reserves already established for criticized loans, historical loss rates and collateral valuations. As a result of this analysis, the allowance for loan losses decreased by $220,000, or 0.3%, to $67.3 million, or 1.11% of total loans, at March 31, 2015 from $67.5 million, or 1.13% of total loans, at December 31, 2014. This decrease is primarily attributable to the continued improvement in overall asset quality as classified loans and non-accrual loans delinquent 90 days or more decreased by $15.7 million and $8.4 million, respectively, compared to December 31, 2014.

We also consider how the level of non-accrual loans and historical charge-offs have influenced the required amount of allowance for loan losses. Nonaccrual loans of $73.3 million or 1.21% of total loans receivable, at March 31, 2015 decreased by $6.5 million, or 8.1%, from $79.8 million, or 1.33% of total loans receivable, at December 31, 2014. As a percentage of average loans, annualized net charge-offs decreased to 0.07% for the quarter ended March 31, 2015 compared to 0.41% for the year ended December 31, 2014.

Comparison of Operating Results for the Quarters Ended March 31, 2015 and 2014

Net income for the quarter ended March 31, 2015 was $16.2 million, or $0.18 per diluted share, an increase of $1.6 million, or 10.7%, from $14.6 million, or $0.16 per diluted share, for the quarter ended March 31, 2014. The increase in net income resulted from a decrease in the provision for loan losses of $6.6 million, or 88.0% and an increase in net interest income of $732,000, or 1.2%. Partially offsetting these improvements was a decrease in noninterest income of $3.7 million, or 18.5%, and increases in income tax expense of $1.6 million, or 30.1%, and noninterest expense of $548,000, or 1.0%. Annualized, net income for the quarter ended March 31, 2015 represents a 6.17% and 0.83% return on average equity and return on average assets, respectively, compared to 5.15% and 0.75% for the same quarter last year. A discussion of significant changes follows.

Interest Income

Total interest income increased by $427,000, or 0.6%, to $75.5 million for the quarter ended March 31, 2015 from $75.1 million for the quarter ended March 31, 2014. This increase is due primarily to an increase in the average yield earned on interest earning assets to 4.21% for the quarter ended March 31, 2015 from 4.15% for the quarter ended March 31, 2014. Partially offsetting this increase was a decrease in the average balance of interest earning assets of $52.8 million, or 0.7%, to $7.295 billion for the quarter ended March 31, 2015 from $7.347 billion for the quarter ended March 31, 2014.

Interest income on loans receivable increased by $1.4 million, or 2.0%, to $70.7 million for the quarter ended March 31, 2015 from $69.3 million for the quarter ended March 31, 2014. This increase in interest income on loans receivable can be attributed to an increase in the average balance of loans receivable which increased by $195.7 million, or 3.4%, to $6.019 billion for the quarter ended March 31, 2015 from $5.824 billion for the quarter ended March 31, 2014. This increase is due to continued success

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in growing business banking relationships and the retention of the residential mortgage loans originated by our wholesale lending function. Partially offsetting this increase was a decline in the average yield which decreased to 4.76% for the quarter ended March 31, 2015 from 4.83% for the quarter ended March 31, 2014. The continued decline in average yield is due primarily to the historically low level of market interest rates.

Interest income on mortgage-backed securities decreased by $559,000, or 20.0%, to $2.2 million for the quarter ended March 31, 2015 from $2.8 million for the quarter ended March 31, 2014. This decrease is the result of decreases in both the average balance and average yield. The average balance of mortgage-backed securities decreased by $114.3 million, or 18.4%, to $506.8 million for the quarter ended March 31, 2015 from $621.1 million for the quarter ended March 31, 2014 due primarily to redirecting cash flows from these securities to fund loan growth, repurchase our common stock and the payment of dividends over the past year. The average yield on mortgage-backed securities decreased slightly to 1.76% for the quarter ended March 31, 2015 from 1.80% for the quarter ended March 31, 2014 due primarily to the pay-down of higher rate securities.

Interest income on investment securities decreased by $342,000, or 12.5%, to $2.4 million for the quarter ended March 31, 2015 from $2.7 million for the quarter ended March 31, 2014. This decrease is the result of decreases in both the average balance and average yield. The average yield of investment securities decreased to 1.97% for the quarter ended March 31, 2015 from 2.16% for the quarter ended March 31, 2014. This decrease is primarily the result of higher rate, tax-free, municipal securities maturing or being called and when replaced, being replaced by lower yielding, shorter duration government agency securities. The average balance of investment securities decreased by $21.3 million, or 4.2%, to $486.1 million for the quarter ended March 31, 2015 from $507.4 million for the quarter ended March 31, 2014. This decrease is due primarily to the maturity or call of municipal and government bonds and the use of these proceeds to fund loan growth.

Regular dividends on FHLB stock increased by $88,000, or 32.0%, to $363,000 for the quarter ended March 31, 2015 from $275,000 for the quarter ended March 31, 2014. The average yield increased to 4.07% for the quarter ended March 31, 2015 from 2.55% for the quarter ended March 31, 2014. The increase in average yield was partially offset by a decrease in the average balance of $7.6 million, or 17.3%, to $36.1 million for the quarter ended March 31, 2015 from $43.7 million for the quarter ended March 31, 2014. As a result of their improved financial condition, the FHLB has increased regular dividends to member financial institutions and also paid a special dividend in February 2015 of which we received $1.0 million.

Interest income on interest-earning deposits decreased by $61,000, or 30.5%, to $139,000 for the quarter ended March 31, 2015 from $200,000 for the quarter ended March 31, 2014. This decrease is due to a decrease in the average balance of $105.3 million, or 30.0%, to $246.3 million for the quarter ended March 31, 2015 from $351.6 million for the quarter ended March 31, 2014, due to the utilization of cash to fund loan growth, repurchase our common stock and pay dividends over the past year. The average yield on interest-earning deposits remained unchanged at 0.23% for both quarters ended March 31, 2015 and 2014.

Interest Expense

Interest expense decreased by $305,000, or 2.1%, to $13.9 million for the quarter ended March 31, 2015 from $14.2 million for the quarter ended March 31, 2014. This decrease in interest expense was due to a decrease in the average balance of interest-bearing liabilities, which decreased by $69.0 million, or 1.2%, to $5.792 billion for the quarter ended March 31, 2015 from $5.861 billion for the quarter ended March 31, 2014. The decrease in average interest-bearing liabilities resulted primarily from a reduction in average time deposits of $189.7 million, or 11.6%, compared to last year, as consumers continue to shift

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investment priorities to demand products as well as to utilize funds for living expenses. The decrease in time deposits was partially offset by an increase in the average balance of borrowed funds of $79.6 million, or 9.0%, from the prior year due primarily to $85.0 million of FHLB advances borrowed during the quarter ended March 31, 2015. Our intention was to lock in long-term, low-cost borrowings before market interest rates rise in order to fund $110.0 million of FHLB advances maturing in 2015. The average cost of interest-bearing liabilities decreased slightly to 0.97% for the quarter ended March 31, 2015 from 0.98% for the quarter ended March 31, 2014.

Net Interest Income

Net interest income increased by $732,000, or 1.2%, to $61.6 million for the quarter ended March 31, 2015 from $60.8 million for the quarter ended March 31, 2014. This increase is attributable to the factors discussed above. Solid loan growth enabled us to redirect cash flows from lower yielding cash and investments which helped offset overall lower market interest rates and increase our net interest spread and margin. Our net interest rate spread increased to 3.24% for the quarter ended March 31, 2015 from 3.17% for the quarter ended March 31, 2014 and our net interest margin increased to 3.44% for the quarter ended March 31, 2015 from 3.37% for the quarter ended March 31, 2014.

Provision for Loan Losses

The provision for loan losses decreased by $6.6 million, or 88.0%, to $900,000 for the quarter ended March 31, 2015 from $7.5 million for the quarter ended March 31, 2014. This decrease is due primarily to continued improvements in overall asset quality as classified loans decreased by $21.1 million, or 9.5%, to $201.3 million at March 31, 2015 from $222.4 million at March 31, 2014. In addition, total nonaccrual loans decreased by $35.8 million, or 32.8%, to $73.3 million at March 31, 2015 from $109.1 million at March 31, 2014 and loans 90 days or more delinquent decreased by $18.5 million, or 36.0%, to $32.9 million at March 31, 2015 from $51.4 million at March 31, 2014.

In determining the amount of the current period provision, we considered current economic conditions, including unemployment levels and bankruptcy filings, and changes in real estate values and the impact of these factors on the quality of our loan portfolio and historical loss factors. We analyze the allowance for loan losses as described in the section entitled Allowance for Loan Losses. The provision that is recorded is sufficient, in our judgment, to bring this reserve to a level that reflects the losses inherent in our loan portfolio relative to loan mix, economic conditions and historical loss experience.

Noninterest Income

Noninterest income decreased by $3.7 million, or 18.5%, to $16.0 million for the quarter ended March 31, 2015 from $19.7 million for the quarter ended March 31, 2014. The decrease is primarily attributable to a decrease in the gain on sale of investments and an increase in loss on real estate owned. Gain on sale of investments decreased by $3.3 million to $95,000 for the quarter ended March 31, 2015 from $3.3 million for the quarter ended March 31, 2014 as a result of the sale of equity securities during the first quarter of 2014. Loss on real estate owned increased by $911,000 to $1.0 million for the quarter ended March 31, 2015 from $135,000 for the quarter ended March 31, 2014. This increase is due primarily to the write-down of one commercial property. Partially offsetting these factors was an increase in other operating income of $788,000, or 67.1%, to $2.0 million for the quarter ended March 31, 2015 from $1.2 million for the quarter ended March 31, 2014. This increase is due primarily to a $1.0 million special dividend from the FHLB.

Noninterest Expense

Noninterest expense increased by $548,000, or 1.0%, to $53.7 million for the quarter ended March 31, 2015 from $53.2 million for the quarter ended March 31, 2014. This increase is primarily the result of increases in processing expenses, marketing expenses and acquisition costs. Processing expense increased

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by $616,000, or 9.3%, to $7.2 million for the quarter ended March 31, 2015 from $6.6 million for the quarter ended March 31, 2014, due primarily to software and software amortization expense related to upgrades made during the past two years. Marketing expenses increased by $339,000, or 20.7%, to $2.0 million for the quarter ended March 31, 2015 from $1.6 million for the quarter ended March 31, 2014. This increase is primarily the result of the timing of loan and checking account campaigns. Additionally, expenses totaling $347,000 were incurred during the quarter ended March 31, 2015 related to the proposed acquisition of LNB. Partially offsetting these increases was a decrease in premises and occupancy costs of $290,000, or 4.4%, to $6.3 million for the quarter ended March 31, 2015 from $6.6 million for the quarter ended March 31, 2014 due primarily to reduced snow removal costs. Professional services also declined from the prior year decreasing by $270,000, or 13.1%, to $1.8 million for the quarter ended March 31, 2015 from $2.1 million for the quarter ended March 31, 2014 as a result of the completion of a third party review of our compliance management system.

Income Taxes

The provision for income taxes increased by $1.6 million, or 30.1%, to $6.8 million for the quarter ended March 31, 2015 from $5.2 million for the quarter ended March 31, 2014. This increase in income tax expense is primarily the result of an increase in pretax income of $3.1 million, 15.8%, and a reduction in tax free income from municipal bonds as well as a lower amount of Pennsylvania state tax credits anticipated for 2015. Our effective tax rate for the quarter ended March 31, 2015 was 29.7% compared to 26.4% for the quarter ended March 31, 2014. We anticipate our effective tax rate to be approximately 29.0% during 2015.

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Average Balance Sheet

(Dollars in thousands)

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

	Quarter ended March 31,					
	2015			2014		
	Average balance	Interest	Avg. yield/ cost (f)	Average balance	Interest	Avg. yield/ cost (f)
Assets:						
Interest-earning assets:						
Loans receivable (a) (b) (includes FTE adjustments of $471 and $543, respectively)	$ 6,019,250	71,182	4.80%	5,823,527	69,865	4.87%
Mortgage-backed securities (c)	506,778	2,234	1.76%	621,146	2,793	1.80%
Investment securities (c) (includes FTE adjustments of $726 and $892, respectively)	486,078	3,119	2.57%	507,354	3,627	2.86%
FHLB stock (g)	36,139	363	4.07%	43,715	275	2.55%
Other interest-earning deposits	246,296	139	0.23%	351,615	200	0.23%
Total interest-earning assets (includes FTE adjustments of $1,197 and $1,435, respectively)	7,294,541	77,037	4.28%	7,347,357	76,760	4.23%
Noninterest earning assets (d)	595,425			583,122		
Total assets	$ 7,889,966			7,930,479		
Liabilities and shareholders equity:						
Interest-bearing liabilities:						
Savings deposits	$ 1,231,745	813	0.27%	1,208,349	804	0.27%
Interest-bearing checking deposits	878,230	131	0.06%	851,723	139	0.07%
Money market deposit accounts	1,165,159	765	0.27%	1,173,957	782	0.27%
Time deposits	1,452,476	4,057	1.13%	1,642,224	4,765	1.18%
Borrowed funds (e)	960,812	6,975	2.94%	881,187	6,557	3.02%
Junior subordinated debentures	103,094	1,158	4.49%	103,094	1,157	4.49%
Total interest-bearing liabilities	5,791,516	13,899	0.97%	5,860,534	14,204	0.98%
Noninterest-bearing checking deposits	914,025			815,117		
Noninterest-bearing liabilities	121,121			105,027		

Total liabilities		6,826,662			6,780,678		
Shareholders equity		1,063,304			1,149,801		
Total liabilities and shareholders equity	$	7,889,966			7,930,479		
Net interest income/ Interest rate spread			63,138	3.31%		62,556	3.25%
Net interest-earning assets/ Net interest margin	$	1,503,025		3.51%	1,486,823		3.45%
Ratio of interest-earning assets to interest-bearing liabilities		1.26X			1.25X		

(a) Average gross loans includes loans held as available-for-sale and loans placed on nonaccrual status.

(b) Interest income includes accretion/ amortization of deferred loan fees/ expenses, which were not material.

(c) Average balances do not include the effect of unrealized gains or losses on securities held as available-for-sale.

(d) Average balances include the effect of unrealized gains or losses on securities held as available-for-sale.

(e) Average balances include FHLB borrowings and collateralized borrowings.

(f) Annualized. Shown on a fully tax-equivalent basis (FTE). The FTE basis adjusts for the tax benefit of income on certain tax exempt loans and investments using the federal statutory rate of 35% for each period presented. We believe this measure to be the preferred industry measurement of net interest income and provides relevant comparison between taxable and non-taxable amounts. GAAP basis yields were: Loans 4.76% and 4.83%, respectively; Investment securities 1.97% and 2.16%, respectively; interest-earning assets 4.21% and 4.15%, respectively. GAAP basis net interest rate spreads were 3.24% and 3.17%, respectively; and GAAP basis net interest margins were 3.44% and 3.37%, respectively.

(g) Excludes the $1.0 million special dividend paid in February 2015.

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Rate/ Volume Analysis

(Dollars in Thousands)

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

Quarters ended March 31, 2015 and 2014

		Rate	Volume	Net Change
Interest earning assets:				
Loans receivable	$	(1,064)	2,381	1,317
Mortgage-backed securities		(55)	(504)	(559)
Investment securities		(356)	(152)	(508)
FHLB stock		166	(78)	88
Other interest-earning deposits		(2)	(59)	(61)
Total interest-earning assets		(1,311)	1,588	277
Interest-bearing liabilities:				
Savings deposits		(7)	16	9
Interest-bearing checking deposits		(12)	4	(8)
Money market deposit accounts		(11)	(6)	(17)
Time deposits		(157)	(551)	(708)
Borrowed funds		(160)	578	418
Junior subordinated debentures		1		1
Total interest-bearing liabilities		(346)	41	(305)
Net change in net interest income	$	(965)	1,547	582

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

Net income simulation. Given a non-parallel shift of 100 basis points (bps), 200 bps and 300 bps in interest rates, the estimated net income may not decrease by more than 10%, 20% and 30%, respectively, within a one-year period.

Market value of equity simulation. The market value of equity is the present value of assets and liabilities. Given a non-parallel shift of 100 bps, 200 bps and 300 bps in interest rates, the market value of equity may not decrease by more than 15%, 30% and 35%, respectively, from the computed economic value at current interest rate levels.

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The following table illustrates the simulated impact of a 100 bps, 200 bps or 300 bps upward or a 100 bps downward movement in interest rates on net income, return on average equity, earnings per share and market value of equity. This analysis was prepared assuming that interest-earning asset and interest-bearing liability levels at March 31, 2015 remain constant. The impact of the rate movements was computed by simulating the effect of an immediate and sustained shift in interest rates over a twelve-month period from March 31, 2015 levels.

		Increase		Decrease
	100 bps	200 bps	300 bps	100 bps
Non-parallel shift in interest rates over the next 12 months				
Projected percentage increase/ (decrease) in net income	(0.9)%	1.5%	2.5%	(14.6)%
Projected increase/ (decrease) in return on average equity	(0.9)%	1.4%	2.5%	(14.3)%
Projected increase/ (decrease) in earnings per share	$ 0.00	$ 0.01	$ 0.02	$ (0.09)
Projected percentage increase/ (decrease) in market value of equity	(4.8)%	(10.4)%	(16.7)%	(1.2)%

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are subject to a number of asserted and unasserted claims encountered in the normal course of business. We believe that any additional liability, other than that which has already been accrued, that may result from such potential litigation will not have a material adverse effect on the financial statements. However, we cannot presently determine whether or not any claims against us will have a material adverse effect on our results of operations in any future reporting period. See note 11.

Item 1A. Risk Factors

There are no material changes to the risk factors as previously discussed in Item 1A, to Part I of our 2014 Annual Report on Form 10-K.

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

a.) Not applicable.

b.) Not applicable.

c.) The following table discloses information regarding the repurchase of shares of common stock during the quarter ending March 31, 2015:

Month	Number of shares purchased		Average price paid per share	Total number of shares purchased as part of a publicly announced repurchase plan (1)	Maximum number of shares yet to be purchased under the plan (1)
January	106,000	$	12.08	106,000	519,289
February	95,400		11.85	95,400	423,889
March	116,600		11.83	116,600	307,289
	318,000	$	11.92		

Month	Number of shares purchased		Average price paid per share	Total number of shares purchased as part of a publicly announced repurchase plan (2)	Maximum number of shares yet to be purchased under the plan (2)
January		$			5,000,000
February					5,000,000
March					5,000,000
		$			

(1) Reflects the program for 4,750,000 shares announced September 26, 2011. This program does not have an expiration date.

(2) Reflects the program for 5,000,000 shares announced December 13, 2012. This program does not have an expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

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

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

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

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

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Signature

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

NORTHWEST BANCSHARES, INC.
(Registrant)

Date: May 11, 2015	By:	/s/ William J. Wagner William J. Wagner President and Chief Executive Officer *(Duly Authorized Officer)*
Date: May 11, 2015	By:	/s/ Gerald J. Ritzert Gerald J. Ritzert Controller *(Principal Accounting Officer)*