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

FORM 10-Q

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

For the quarterly period ended March 31, 2018

or

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

For the transition period from _____ to _____

Commission File Number 001-34582

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

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

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

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

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

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

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

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

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ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	\$192,158	77,710
Marketable securities available-for-sale (amortized cost of \$771,110 and \$800,094)	757,976	792,535
Marketable securities held-to-maturity (fair value of \$27,324 and \$29,667)	27,709	29,678
Total cash and cash equivalents and marketable securities	977,843	899,923
Personal Banking loans:		
Residential mortgage loans held-for-sale	—	3,128
Residential mortgage loans	2,772,148	2,773,075
Home equity loans	1,288,361	1,310,355
Consumer loans	686,038	671,389
Total Personal Banking loans	4,746,547	4,757,947
Commercial Banking loans:		
Commercial real estate loans	2,512,257	2,454,726
Commercial loans	623,463	580,736
Total Commercial Banking loans	3,135,720	3,035,462
Total loans	7,882,267	7,793,409
Allowance for loan losses	(55,211)	(56,795)
Total loans, net	7,827,056	7,736,614
Federal Home Loan Bank stock, at cost		
Accrued interest receivable	7,694	11,733
Real estate owned, net	23,051	23,352
Premises and equipment, net	4,041	5,666
Bank owned life insurance	148,184	151,944
Goodwill	172,537	171,547
Other intangible assets	307,420	307,420
Other assets	24,149	25,669
Other assets	29,004	30,066
Total assets	\$9,520,979	9,363,934
Liabilities and Shareholders' Equity		
Liabilities:		
Noninterest-bearing checking deposits	\$1,679,853	1,610,409
Interest-bearing checking deposits	1,476,177	1,442,928
Money market deposit accounts	1,707,837	1,707,450
Savings deposits	1,701,022	1,653,579
Time deposits	1,420,600	1,412,623
Total deposits	7,985,489	7,826,989
Borrowed funds		
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	104,558	108,238
	111,213	111,213

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Advances by borrowers for taxes and insurance	43,654	40,825
Accrued interest payable	528	460
Other liabilities	60,283	68,485
Total liabilities	8,305,725	8,156,210
Shareholders' equity:		
Preferred stock, \$0.01 par value: 50,000,000 authorized, no shares issued	—	—
Common stock, \$0.01 par value: 500,000,000 shares authorized, 102,599,662 and 102,394,828 shares issued, respectively	1,026	1,027
Paid-in capital	734,065	730,719
Retained earnings	522,384	508,058
Accumulated other comprehensive loss	(42,221)	(32,080)
Total shareholders' equity	1,215,254	1,207,724
Total liabilities and shareholders' equity	\$9,520,979	9,363,934
See accompanying notes to unaudited consolidated financial statements		

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

	Quarter ended	
	March 31,	
	2018	2017
Interest income:		
Loans receivable	\$85,220	82,751
Mortgage-backed securities	3,013	2,222
Taxable investment securities	678	1,006
Tax-free investment securities	390	569
FHLB dividends	97	59
Interest-earning deposits	135	660
Total interest income	89,533	87,267
Interest expense:		
Deposits	6,458	5,465
Borrowed funds	1,308	1,225
Total interest expense	7,766	6,690
Net interest income	81,767	80,577
Provision for loan losses	4,209	4,637
Net interest income after provision for loan losses	77,558	75,940
Noninterest income:		
Gain on sale of investments	153	17
Service charges and fees	11,899	11,717
Trust and other financial services income	4,031	4,304
Insurance commission income	2,749	2,794
(Loss)/ gain on real estate owned, net	(546)	(67)
Income from bank owned life insurance	990	1,068
Mortgage banking income	224	240
Other operating income	2,288	1,431
Total noninterest income	21,788	21,504
Noninterest expense:		
Compensation and employee benefits	36,510	38,272
Premises and occupancy costs	7,307	7,516
Office operations	3,408	4,222
Collections expense	512	549
Processing expenses	9,706	9,909
Marketing expenses	2,140	2,148
Federal deposit insurance premiums	717	1,167
Professional services	2,277	2,575
Amortization of intangible assets	1,520	1,749
Real estate owned expense	292	282
Restructuring/ acquisition expense	—	223
Other expenses	3,032	3,034
Total noninterest expense	67,421	71,646
Income before income taxes	31,925	25,798
Federal and state income taxes expense	6,940	8,052
Net income	\$24,985	17,746
Basic earnings per share	\$0.25	0.18

Diluted earnings per share \$0.24 0.17

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,	
	2018	2017
Net income	\$24,985	17,746
Other comprehensive income net of tax:		
Net unrealized holding gains/ (losses) on marketable securities:		
Unrealized holding losses net of tax of \$1,587 and \$(314), respectively	(3,955)	658
Reclassification adjustment for gains included in net income, net of tax of \$7 and \$8, respectively	(26)	(11)
Net unrealized holding gains on marketable securities	(3,981)	647
Change in fair value of interest rate swaps, net of tax of \$(95) and \$(163), respectively	360	303
Defined benefit plan:		
Reclassification adjustments for prior period service costs and net losses included in net income, net of tax of \$(90) and \$(153), respectively	226	220
Other comprehensive income/ (loss)	(3,395)	1,170
Total comprehensive income	\$21,590	18,916

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

(dollars in thousands, except share data)

Quarter ended March 31, 2017

	Common Stock	Paid-in	Retained	Accumulated	Total
	Shares	Amount	Capital	Other	Shareholders'
			Earnings	Comprehensive	Equity
			Loss	Loss	
Balance at December 31, 2016	101,699,406	\$ 1,017	718,834	478,803	(27,991) 1,170,663