

Northwest Bancshares, Inc.
Form 10-Q
November 09, 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 September 30, 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)

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Maryland

(State or other jurisdiction of incorporation or organization)

27-0950358

(I.R.S. Employer Identification No.)

100 Liberty Street, Warren, Pennsylvania

(Address of principal executive offices)

16365

(Zip Code)

(814) 726-2140

(Registrant's telephone number, including area code)

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

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

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

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

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

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

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

Common Stock (\$0.01 par value) 101,768,906 shares outstanding as of October 30, 2015

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Table of Contents**ITEM 1. FINANCIAL STATEMENTS****NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Unaudited)****(in thousands, except share data)**

	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$ 91,406	87,401
Interest-earning deposits in other financial institutions	3,206	152,671
Federal funds sold and other short-term investments	1,013	634
Marketable securities available-for-sale (amortized cost of \$965,965 and \$906,702)	976,677	912,371
Marketable securities held-to-maturity (fair value of \$48,511 and \$106,292)	47,299	103,695
Total cash and investments	1,119,601	1,256,772
Personal Banking loans:		
Residential mortgage loans	2,712,537	2,521,456
Home equity loans	1,203,190	1,066,131
Other consumer loans	494,714	242,744
Total Personal Banking loans	4,410,441	3,830,331
Business Banking loans:		
Commercial real estate loans	2,330,864	1,801,184
Commercial loans	410,308	358,376
Total Business Banking loans	2,741,172	2,159,560
Total loans	7,151,613	5,989,891
Allowance for loan losses	(60,547)	(67,518)
Total loans, net	7,091,066	5,922,373
Federal Home Loan Bank stock, at cost	40,115	33,293
Accrued interest receivable	22,098	18,623
Real estate owned, net	10,391	16,759
Premises and equipment, net	153,841	143,909
Bank owned life insurance	167,258	144,362
Goodwill	261,319	175,323
Other intangible assets	9,712	3,033
Other assets	59,507	60,586
Total assets	\$ 8,934,908	7,775,033
Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing checking deposits	\$ 1,127,864	891,248
Interest-bearing checking deposits	1,097,969	874,623
Money market deposit accounts	1,277,878	1,179,070
Savings deposits	1,378,958	1,209,287
Time deposits	1,762,073	1,478,314
Total deposits	6,644,742	5,632,542
Borrowed funds	927,219	888,109

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Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	119,332	103,094
Advances by borrowers for taxes and insurance	18,216	30,507
Accrued interest payable	1,816	936
Other liabilities	62,246	57,198
Total liabilities	7,773,571	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, 101,725,112 and 94,721,453 shares issued, respectively	1,017	947
Paid-in capital	714,730	626,134
Retained earnings	487,048	481,577
Unallocated common stock of employee stock ownership plan	(21,398)	(21,641)
Accumulated other comprehensive loss	(20,060)	(24,370)
Total shareholders' equity	1,161,337	1,062,647
Total liabilities and shareholders' equity	\$ 8,934,908	7,775,033

See accompanying notes to unaudited consolidated financial statements

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

	Quarter ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest income:				
Loans receivable	\$ 76,087	70,820	217,783	210,868
Mortgage-backed securities	2,230	2,504	6,522	7,963
Taxable investment securities	1,689	1,456	5,741	4,523
Tax-free investment securities	986	1,561	3,477	4,814
Interest-earning deposits	99	187	418	673
Total interest income	81,091	76,528	233,941	228,841
Interest expense:				
Deposits	6,163	6,305	17,620	19,216
Borrowed funds	7,987	7,882	24,221	23,389
Total interest expense	14,150	14,187	41,841	42,605
Net interest income	66,941	62,341	192,100	186,236
Provision for loan losses	3,167	3,466	5,117	19,236
Net interest income after provision for loan losses	63,774	58,875	186,983	167,000
Noninterest income:				
Gain on sale of investments	260	852	921	4,549
Service charges and fees	9,945	9,665	27,832	27,115
Trust and other financial services income	3,062	2,976	8,932	9,078
Insurance commission income	2,398	1,778	7,036	6,579
Loss on real estate owned, net	(246)	(240)	(1,833)	(937)
Income from bank owned life insurance	1,166	1,083	3,087	3,134
Mortgage banking income	267	239	725	753
Other operating income	1,288	1,384	2,590	3,274
Total noninterest income	18,140	17,737	49,290	53,545
Noninterest expense:				
Compensation and employee benefits	31,000	28,047	87,815	84,562
Premises and occupancy costs	6,072	5,642	18,238	17,939
Office operations	3,892	3,419	11,080	11,044
Processing expenses	8,126	6,723	22,723	19,951
Marketing expenses	1,691	2,211	6,857	6,779
Federal deposit insurance premiums	1,177	1,242	3,810	3,877
Professional services	1,529	1,854	4,973	5,691
Amortization of other intangible assets	422	330	959	992
Real estate owned expense	471	636	1,677	1,734
Acquisition expense	7,590		8,404	
Other expenses	1,834	3,250	6,114	7,754
Total noninterest expense	63,804	53,354	172,650	160,323
Income before income taxes	18,110	23,258	63,623	60,222
Federal and state income taxes	5,238	5,926	19,276	15,605

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Net income	\$	12,872	17,332	44,347	44,617
Basic earnings per share	\$	0.14	0.19	0.48	0.49
Diluted earnings per share	\$	0.13	0.19	0.48	0.48

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

(in thousands)

	Quarter ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net Income	\$ 12,872	17,332	44,347	44,617
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of \$(1,520), \$1,002, \$(2,266) and \$(4,574), respectively	2,379	(1,570)	3,543	7,149
Reclassification adjustment for gains included in net income, net of tax of \$77, \$268, \$299 and \$1,616 respectively	(120)	(419)	(467)	(2,527)
Net unrealized holding gains on marketable securities	2,259	(1,989)	3,076	4,622
Change in fair value of interest rate swaps, net of tax of \$(24), \$(367), \$(311) and \$(555), respectively	45	680	577	1,029
Defined benefit plan:				
Reclassification adjustment for prior period service costs included in net income, net of tax of \$(140), \$74, \$(420) and \$223, respectively	219	(138)	657	(414)
Other comprehensive income/ (loss)	2,523	(1,447)	4,310	5,237
Total comprehensive income	\$ 15,395	15,885	48,657	49,854

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)**

(dollars in thousands, except share data)

Quarter ended September 30, 2014

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
	Shares	Amount					
Beginning balance at June 30, 2014	94,949,695	\$ 949	626,213	471,038	(5,216)	(22,200)	1,070,784
Comprehensive income:							
Net income				17,332			17,332
Other comprehensive loss, net of tax of \$977					(1,447)		(1,447)
Total comprehensive income/ (loss)				17,332	(1,447)		15,885
Exercise of stock options	45,124	1	476				477
Stock compensation expense			1,059			402	1,461
Dividends paid (\$0.13 per share)				(12,067)			(12,067)
Ending balance at September 30, 2014	94,994,819	\$ 950	627,748	476,303	(6,663)	(21,798)	1,076,540

Quarter ended September 30, 2015

	Common Stock		Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/ (loss)	Unallocated common stock of ESOP	Total Shareholders Equity
	Shares	Amount					
Beginning balance at June 30, 2015	94,740,749	\$ 947	624,321	487,150	(22,583)	(21,485)	1,068,350
Comprehensive income:							
Net income				12,872			12,872
Other comprehensive income, net of tax of \$(1,607)					2,523		2,523
Total comprehensive income				12,872	2,523		15,395
Acquisition of LNB Bancorp, Inc.	7,056,704	70	90,538				90,608
Exercise of stock options	75,159	1	773				774
			941			87	1,028

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Stock-based compensation expense,
including tax benefit of \$25

Share repurchases	(147,500)	(1)	(1,843)					(1,844)
Dividends paid (\$0.14 per share)					(12,974)			(12,974)
Ending balance at September 30, 2015	101,725,112	\$	1,017	714,730	487,048	(20,060)	(21,398)	1,161,337

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)****(dollars in thousands, except share data)****Nine months ended September 30, 2014**

	Shares	Common Stock 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				44,617			44,617
Other comprehensive income, net of tax of \$(3,290)					5,237		5,237
Total comprehensive income				44,617	5,237		49,854
Exercise of stock options	478,476	5	4,935				4,940
Stock-based compensation expense, including tax benefit of \$159	272,630	2	3,135			1,285	4,422
Dividends paid (\$1.49 per share)				(137,861)			(137,861)
Ending balance at September 30, 2014	94,994,819	\$ 950	627,748	476,303	(6,663)	(21,798)	1,076,540

Nine months ended September 30, 2015

	Shares	Common Stock 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				44,347			44,347
Other comprehensive income, net of tax of \$(2,698)					4,310		4,310
Total comprehensive income				44,347	4,310		48,657
Acquisition of LNB Bancorp, Inc.	7,056,704	70	90,538				90,608

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Exercise of stock options	285,905		3	2,838				2,841
Stock-based compensation expense, including tax benefit of \$31	306,350		3	3,061		243		3,307
Share repurchases	(645,300)		(6)	(7,841)				(7,847)
Dividends paid (\$0.42 per share)					(38,876)			(38,876)
Ending balance at September 30, 2015	101,725,112	\$	1,017	714,730	487,048	(20,060)	(21,398)	1,161,337

See accompanying notes to unaudited consolidated financial statements

Table of Contents**NORTHWEST BANCSHARES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(in thousands)

	Nine months ended September 30,	
	2015	2014
OPERATING ACTIVITIES:		
Net Income	\$ 44,347	44,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	5,117	19,236
Net gain on sale of assets	(559)	(4,681)
Net depreciation, amortization and accretion	4,791	6,975
Decrease in other assets	37,533	6,621
Decrease in other liabilities	(8,993)	(3,839)
Net amortization on marketable securities	536	288
Noncash write-down of real estate owned	2,340	1,844
Origination of loans held for sale	(371)	(758)
Proceeds from sale of loans held for sale	375	1,023
Noncash compensation expense related to stock benefit plans	3,276	4,263
Net cash provided by operating activities	88,392	75,589
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(59,980)	(34,996)
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	56,616	11,152
Proceeds from maturities and principal reductions of marketable securities available-for-sale	183,822	124,856
Proceeds from sale of marketable securities available-for-sale	1,227	7,834
Loan originations	(1,677,913)	(1,469,902)
Proceeds from loan maturities and principal reductions	1,432,075	1,296,321
Purchase of Federal Home Loan Bank stock	(2,982)	(270)
Proceeds from sale of real estate owned	10,531	8,602
Sale of real estate owned for investment, net	456	456
Purchase of premises and equipment	(7,657)	(7,290)
Acquisitions, net of cash received	(61,108)	(2,792)
Net cash used in investing activities	(124,913)	(66,029)

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

	Nine months ended September 30,	
	2015	2014
FINANCING ACTIVITIES:		
Increase/ (decrease) in deposits, net	\$ (28,075)	38,844
Proceeds from long-term borrowings	85,000	
Repayments of long-term borrowings	(172,539)	(40)
Net increase/ (decrease) in short-term borrowings	63,480	(3,157)
Decrease in advances by borrowers for taxes and insurance	(12,544)	(10,402)
Cash dividends paid	(38,876)	(137,861)
Purchase of common stock for retirement	(7,847)	
Proceeds from stock options exercised	2,841	4,940
Net cash used in financing activities	(108,560)	(107,676)
Net decrease in cash and cash equivalents	\$ (145,081)	(98,116)
Cash and cash equivalents at beginning of period	\$ 240,706	391,905
Net decrease in cash and cash equivalents	(145,081)	(98,116)
Cash and cash equivalents at end of period	\$ 95,625	293,789
Cash and cash equivalents:		
Cash and due from banks	\$ 91,406	83,994
Interest-earning deposits in other financial institutions	3,206	209,161
Federal funds sold and other short-term investments	1,013	634
Total cash and cash equivalents	\$ 95,625	293,789
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$16,092 and \$17,276, respectively)	\$ 40,961	42,613
Income taxes	\$ 10,731	19,343
Business acquisitions:		
Fair value of assets acquired	\$ 1,160,190	2,798
Cash paid, net	(61,108)	(2,792)
Liabilities assumed	\$ 1,099,082	6
Non-cash activities:		
Loans foreclosures and repossessions	\$ 6,742	7,158
Sale of real estate owned financed by the Company	\$ 768	370

See accompanying notes to unaudited consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Unaudited

(1) **Basis of Presentation and Informational Disclosures**

Northwest Bancshares, Inc. (the Company) or (NWBI), a Maryland corporation headquartered in Warren, Pennsylvania, is a savings and loan holding company regulated by the Board of Governors of the Federal Reserve System. The primary activity of the Company is the ownership of all of the issued and outstanding common stock of Northwest Bank, a Pennsylvania-chartered savings bank (Northwest). Northwest is regulated by the FDIC and the Pennsylvania Department of Banking. At September 30, 2015, Northwest operated 182 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 to the current year's reporting format.

The results of operations for the quarter and nine months ended September 30, 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

On May 20, 2015, we awarded employees 600,570 stock options and directors 64,800 stock options with an exercise price of \$12.37 and grant date fair value of \$1.14 per stock option. On May 20, 2015, we also awarded employees 282,050 restricted common shares and directors 24,300 restricted common shares with a grant date fair value of \$12.31. Awarded stock options and common shares vest over a ten-year period with the first vesting occurring on the grant date. Stock-based compensation expense of \$1.0 million and \$1.3 million for the quarters ended September 30, 2015 and 2014, respectively, and \$3.3 million and \$4.3 million for the nine months ended September 30, 2015 and 2014, respectively, was recognized in compensation expense relating to our stock benefit plans. At September 30, 2015 there was compensation expense of \$4.6 million to be recognized for awarded but unvested stock options and \$15.7 million for unvested common shares.

Income Taxes- Uncertain Tax Positions

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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

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upon ultimate settlement with a taxing authority having full knowledge of all relevant information. At September 30, 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 September 30, 2015. We are subject to audit by the Internal Revenue Service and any state in which we conduct business for the tax periods ended December 31, 2014, 2013 and 2012. We are currently under audit by the state of New York for the tax periods ended December 31, 2014, 2013 and 2012.

Impact of New Accounting Standards

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2017, 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 2014-12, *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.

In February 2015 the FASB issued ASU 2015-02, *Consolidation* . This guidance amends existing standards regarding the evaluation of certain legal entities and their consolidation in the financial statements. The amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities and eliminate the presumption that a general partner should consolidate a limited partnership. The amendments also affect the consolidation analysis of reporting entities that are involved with variable interest entities and provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. 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.

In September 2015 the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments* . This guidance eliminates the requirement to retrospectively adjust the financial statements for measurement-periods adjustments that occur in periods after a business combination is consummated. This guidance is effective for annual periods beginning after December 15, 2015, including

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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) Acquisition

On August 14, 2015, the Company acquired all of the outstanding common shares of LNB Bancorp, Inc. (LNB), the parent company of The Lorain National Bank, for total consideration of \$181.0 million, and thereby acquired LNB's 21 branch locations in the counties of Lorain, Cuyahoga and Summit in Ohio. The merger with LNB enables the Company to expand its northeastern Ohio presence, improve its core deposit base, and add additional scale in its banking operations. The result of LNB's operations are included in the Consolidated Statements of Income from the date of acquisition.

Under the terms of the merger agreement, each outstanding share of LNB stock was converted into the right to receive either 1.461 shares of common stock of the Company, or \$18.70 in cash. As a result, LNB stockholders received 7,056,074 shares of Company common stock, valued at \$90.6 million, based on the \$12.84 closing price of the Company's stock on August 14, 2015, and cash consideration of \$90.4 million.

The following table shows the consideration paid, the assets acquired, and the liabilities assumed that were recorded at fair value on the date of acquisition (in thousands):

Consideration paid:	
Northwest Bancshares, Inc. common stock issued	\$ 90,608
Cash paid to LNB Bancorp, Inc. stockholders	90,350
Total consideration paid	180,958
Recognized amounts of identifiable assets acquired and (liabilities assumed), at fair value (1)	
Cash and cash equivalents	29,680
Investment securities available for sale	184,169
Loans	928,101
Federal Home Loan Bank stock	3,840
Premises and equipment	12,374
Core deposit intangible	7,375
Other assets	28,680
Deposits	(1,016,557)
Borrowings	(63,169)
Other liabilities	(19,356)
Total identifiable net assets	95,137
Goodwill	\$ 85,821

(1) - Amounts are estimates and subject to adjustment. Actual amounts are not expected to differ materially from the amounts shown.

We estimated the fair value of loans acquired from LNB by utilizing a methodology wherein similar loans were aggregated into pools. Cash flows for each pool were determined by estimating future credit losses and the rate of prepayments. Projected monthly cash flows were then discounted to present value based on a market rate for similar loans. There was no carryover of LNB's allowance for loan losses associated with the loans we acquired as the loans were initially recorded at fair value.

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The following table shows information related to the purchased credit impaired LNB loan portfolio as of August 14, 2015 (in thousands):

Contractually required principal and interest at acquisition	\$	41,175
Contractual cash flows not expected to be collected (nonaccretable discount)		(19,900)
Expected cash flows at acquisition		21,275
Interest component of expected cash flows (accretable discount)		(1,672)
Fair value of purchased credit impaired loans	\$	19,603

The core deposit intangible asset recognized as part of the LNB merger is being amortized over its estimated useful life of approximately seven years utilizing an accelerated method. The goodwill, which is not amortized for book purposes, was assigned to our Community Banking segment and is not deductible for tax purposes. The fair values of savings and transaction deposit accounts acquired from LNB were assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. Certificates of deposit were valued by projecting out the expected cash flows based on the contractual terms of the certificates of deposit. These cash flows were discounted based on a market rate for a certificate of deposit with a corresponding maturity.

Direct costs related to the LNB acquisition were expensed as incurred and amounted to \$8.4 million for the nine months ended September 30, 2015 and \$8.7 million to date. Technology and communications termination costs comprised more than half of these acquisition expenses, which also included professional services, marketing and advertising, severance costs, and other noninterest expenses.

(3) **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 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.

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At or for the quarter ended:

September 30, 2015 (\$ in 000 s)	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	\$ 76,357	4,517	217	81,091
Intersegment interest income	618		(618)	
Interest expense	12,991	618	541	14,150
Provision for loan losses	2,666	501		3,167
Noninterest income	17,756	362	22	18,140
Noninterest expense	59,793	3,151	860	63,804
Income tax expense (benefit)	5,617	250	(629)	5,238
Net income	\$ 13,664	359	(1,151)	12,872
Total assets	\$ 8,805,421	111,109	18,378	8,934,908

September 30, 2014 (\$ in 000 s)	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	\$ 71,608	4,682	238	76,528
Intersegment interest income	610		(610)	
Interest expense	13,094	610	483	14,187
Provision for loan losses	2,750	716		3,466
Noninterest income	17,016	264	457	17,737
Noninterest expense	50,048	3,057	249	53,354
Income tax expense (benefit)	5,923	234	(231)	5,926
Net income	\$ 17,419	329	(416)	17,332
Total assets	\$ 7,699,696	106,517	20,713	7,826,926

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

At or for the nine months ended:

September 30, 2015 (\$ in 000 s)	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	\$ 219,961	13,339	641	233,941
Intersegment interest income	1,775		(1,775)	
Interest expense	38,660	1,775	1,406	41,841
Provision for loan losses	3,766	1,351		5,117
Noninterest income	48,162	1,043	85	49,290
Noninterest expense	161,915	9,185	1,550	172,650
Income tax expense (benefit)	19,835	859	(1,418)	19,276
Net income	\$ 45,722	1,212	(2,587)	44,347
Total assets	\$ 8,805,421	111,109	18,378	8,934,908

September 30, 2014 (\$ in 000 s)	Community Banking	Consumer Finance	All other (1)	Consolidated
External interest income	\$ 214,013	14,047	781	228,841
Intersegment interest income	1,807		(1,807)	

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Interest expense	39,411	1,807	1,387	42,605
Provision for loan losses	17,100	2,136		19,236
Noninterest income	49,705	1,034	2,806	53,545
Noninterest expense	150,450	8,926	947	160,323
Income tax expense (benefit)	14,925	918	(238)	15,605
Net income	\$ 43,639	1,294	(316)	44,617
Total assets	\$ 7,699,696	106,517	20,713	7,826,926

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

Table of Contents(4) **Investment securities and impairment of investment securities**

The following table shows the portfolio of investment securities available-for-sale at September 30, 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	\$ 13			13
Debt issued by government sponsored enterprises:				
Due in one year or less	500	6		506
Due after one year through five years	315,488	865	(319)	316,034
Due after five years through ten years	27,780	64	(15)	27,829
Due after ten years	9,811	58		9,869
Equity securities	1,410	461	(6)	1,865
Municipal securities:				
Due in one year or less	1,919	11		1,930
Due after one year through five years	13,993	152		14,145
Due after five years through ten years	12,586	250		12,836
Due after ten years	61,798	1,727	(13)	63,512
Corporate debt issues:				
Due after ten years	14,496	2,500	(295)	16,701
Residential mortgage-backed securities:				
Fixed rate pass-through	125,378	3,343	(148)	128,573
Variable rate pass-through	56,870	2,867	(8)	59,729
Fixed rate non-agency CMOs	2,648	294		2,942
Fixed rate agency CMOs	229,338	873	(2,439)	227,772
Variable rate agency CMOs	91,937	529	(45)	92,421
Total residential mortgage-backed securities	506,171	7,906	(2,640)	511,437
Total marketable securities available-for-sale	\$ 965,965	14,000	(3,288)	976,677

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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 after one year through five years	310,172	287	(2,672)	307,787
Due after five years through 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 after one year through five years	7,878	132		8,010
Due after five years through 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 September 30, 2015 (in thousands):

	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Municipal securities:				
Due after five years through ten years	\$ 3,601	14		3,615
Due after ten years	15,811	336		16,147
Residential mortgage-backed securities:				
Fixed rate pass-through	6,891	433		7,324
Variable rate pass-through	3,782	76		3,858
Fixed rate agency CMOs	16,242	342		16,584
Variable rate agency CMOs	972	11		983
Total residential mortgage-backed securities	27,887	862		28,749
Total marketable securities held-to-maturity	\$ 47,299	1,212		48,511

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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 after five years through 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 September 30, 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	\$ 64,730	(171)	118,584	(163)	183,314	(334)
Municipal securities	4,175	(13)			4,175	(13)
Corporate issues			2,130	(295)	2,130	(295)
Equity securities	545	(6)			545	(6)
Residential mortgage-backed securities - agency	22,397	(57)	234,662	(2,583)	257,059	(2,640)
Total temporarily impaired securities	\$ 91,847	(247)	355,376	(3,041)	447,223	(3,288)

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

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 July 1, (1)	\$ 8,489	10,164
Credit losses on debt securities for which other-than-temporary impairment was not previously recognized		
Reduction for losses realized during the quarter	(30)	(8)
Reduction for securities called realized during the quarter		
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized		
Ending balance at September 30,	\$ 8,459	10,156

(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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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 nine months 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 nine months	(75)	(186)
Reduction for securities called realized during the nine months	(360)	
Additional credit losses on debt securities for which other-than-temporary impairment was previously recognized		
Ending balance at September 30,	\$ 8,459	10,156

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

(5) **Loans receivable**

The following table shows a summary of our loans receivable at September 30, 2015 and December 31, 2014 (in thousands):

	Originated	September 30, 2015 Acquired	Total	December 31, 2014
Personal Banking:				
Residential mortgage loans	\$ 2,657,243	47,604	2,704,847	2,526,240
Home equity loans	1,056,186	147,004	1,203,190	1,066,131
Other consumer loans	277,779	216,935	494,714	242,744
Total Personal Banking	3,991,208	411,543	4,402,751	3,835,115
Business Banking:				
Commercial real estate loans	2,034,131	457,978	2,492,109	1,874,944
Commercial loans	353,778	69,947	423,725	419,525
Total Business Banking	2,387,909	527,925	2,915,834	2,294,469
Total loans receivable, gross	6,379,117	939,468	7,318,585	6,129,584
Deferred loan costs	18,547		18,547	6,095
Allowance for loan losses	(60,547)		(60,547)	(67,518)
Undisbursed loan proceeds:				
Residential mortgage loans	(10,720)	(137)	(10,857)	(10,879)
Commercial real estate loans	(138,533)	(22,712)	(161,245)	(73,760)
Commercial loans	(7,743)	(5,674)	(13,417)	(61,149)
Total loans receivable, net	\$ 6,180,121	910,945	7,091,066	5,922,373

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

	September 30, 2015
Acquired loans evaluated individually for future credit losses:	
Outstanding principal balance	\$ 23,516
Carrying value	17,912
Acquired loans evaluated collectively for future credit losses:	
Outstanding principal balance	901,911
Carrying value	893,033
Total acquired loans:	
Outstanding principal balance	925,427
Carrying value	910,945

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

	Total
Balance at December 31, 2014	\$
LNB Bancorp, Inc. acquisition	1,672
Accretion	(161)
Net reclassification from nonaccretable yield	
Balance at September 30, 2015	\$ 1,511

The following table provides information related to acquired impaired loans by portfolio segment and by class of financing receivable at and for the nine months ended September 30, 2015 (in thousands):

	Carrying value	Outstanding principal balance	Related impairment reserve	Average recorded investment in impaired loans	Interest income recognized
Personal Banking:					
Residential mortgage loans	\$ 2,086	2,739		2,185	1
Home equity loans	2,254	2,959		2,360	4
Other consumer loans	328	431		343	
Total Personal Banking	4,668	6,129		4,888	5
Business Banking:					
Commercial real estate loans	12,840	16,857		13,446	47
Commercial loans	404	530		423	2
Total Business Banking	13,244	17,387		13,869	49

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Total	\$	17,912	23,516	18,757	54
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At September 30, 2015, we expect to fully collect the carrying value of our acquired loans and have determined that we can reasonably estimate their future cash flows, therefore, no acquired loans were used to calculate the allowance for loan losses.

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2015 (in thousands):

	Balance September 30, 2015	Current period provision	Charge-offs	Recoveries	Balance June 30, 2015
Personal Banking:					
Residential mortgage loans	\$ 4,587	(14)	(342)	51	4,892
Home equity loans	3,371	274	(443)	95	3,445
Other consumer loans	7,618	3,000	(2,014)	388	6,244
Total Personal Banking	15,576	3,260	(2,799)	534	14,581
Business Banking:					
Commercial real estate loans	30,829	111	(558)	1,113	30,163
Commercial loans	14,142	(204)	(595)	628	14,313
Total Business Banking	44,971	(93)	(1,153)	1,741	44,476
Unallocated (1)					
Total	\$ 60,547	3,167	(3,952)	2,275	59,057

(1) - Due to enhancements in our allowance for loan losses process we allocated the previously unallocated allowance using both qualitative and quantitative factors.

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the quarter ended September 30, 2014 (in thousands):

	Balance September 30, 2014	Current period provision	Charge-offs	Recoveries	Balance June 30, 2014
Personal Banking:					
Residential mortgage loans	\$ 7,566	(11)	(352)	162	7,767
Home equity loans	6,054	(159)	(325)	22	6,516
Other consumer loans	5,985	1,483	(1,444)	320	5,626
Total Personal Banking	19,605	1,313	(2,121)	504	19,909
Business Banking:					
Commercial real estate loans	35,105	1,317	(1,981)	688	35,081
Commercial loans	12,543	785	(580)	232	12,106
Total Business Banking	47,648	2,102	(2,561)	920	47,187
Unallocated	4,397	51			4,346

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Total	\$	71,650	3,466	(4,682)	1,424	71,442
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The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2015 (in thousands):

	Balance September 30, 2015	Current period provision	Charge-offs	Recoveries	Balance December 31, 2014
Personal Banking:					
Residential mortgage loans	\$ 4,587	(220)	(955)	181	5,581
Home equity loans	3,371	(126)	(1,327)	274	4,550
Other consumer loans	7,618	6,135	(5,713)	1,078	6,118
Total Personal Banking	15,576	5,789	(7,995)	1,533	16,249
Business Banking:					
Commercial real estate loans	30,829	(1,205)	(5,110)	3,755	33,389
Commercial loans	14,142	4,898	(7,675)	3,404	13,515
Total Business Banking	44,971	3,693	(12,785)	7,159	46,904
Unallocated (1)		(4,365)			4,365
Total	\$ 60,547	5,117	(20,780)	8,692	67,518

(1) - Due to enhancements in our allowance for loan losses process we allocated the previously unallocated allowance using both qualitative and quantitative factors.

The following table provides information related to the allowance for loan losses by portfolio segment and by class of financing receivable for the nine months ended September 30, 2014 (in thousands):

	Balance September 30, 2014	Current period provision	Charge-offs	Recoveries	Balance December 31, 2013
Personal Banking:					
Residential mortgage loans	\$ 7,566	1,166	(1,694)	219	7,875
Home equity loans	6,054	(50)	(1,290)	149	7,245
Other consumer loans	5,985	4,162	(4,610)	946	5,487
Total Personal Banking	19,605	5,278	(7,594)	1,314	20,607
Business Banking:					
Commercial real estate loans	35,105	3,002	(5,491)	2,395	35,199
Commercial loans	12,543	11,221	(10,866)	1,308	10,880
Total Business Banking	47,648	14,223	(16,357)	3,703	46,079
Unallocated	4,397	(265)			4,662
Total	\$ 71,650	19,236	(23,951)	5,017	71,348

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At September 30, 2015, we expect to fully collect the carrying value of our acquired loans and have determined that we can reasonably estimate their future cash flows including those loans that are 90 days or more delinquent. As a result, we do not consider our acquired loans that are 90 days or more delinquent to be nonaccrual or impaired and continue to recognize interest income on these loans, including the loans' accretable discount.

The following table provides information related to the loan portfolio by portfolio segment and by class of financing receivable at September 30, 2015 (in thousands):

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	\$ 2,712,537	4,587	19,507	5	6,319	1,023	
Home equity loans	1,203,190	3,371	6,669		2,421	263	
Other consumer loans	494,714	7,618	3,694	550			
Total Personal Banking	4,410,441	15,576	29,870	555	8,740	1,286	
Business Banking:							
Commercial real estate loans	2,330,864	30,829	30,942	124	30,360	2,329	294
Commercial loans	410,308	14,142	7,093	1	10,238	1,146	623
Total Business Banking	2,741,172	44,971	38,035	125	40,598	3,475	917
Total	\$ 7,151,613	60,547	67,905	680	49,338	4,761	917

(1) - Includes \$23.2 million of nonaccrual TDRs.

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

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

	Total loans receivable	Allowance for loan losses	Nonaccrual loans (1)	Loans past due 90 days or more and still accruing (2)	TDRs	Allowance related to TDRs	Additional commitments to customers with loans classified as TDRs
Personal Banking:							
Residential mortgage loans	\$ 2,521,456	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	

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Business Banking:								
Commercial real estate								
loans		1,801,184	33,389	38,647		41,917	4,938	449
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.

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

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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 September 30, 2015 (in thousands):

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans receivable:						
Personal Banking:						
Residential mortgage loans	\$ 2,286,869	168,029	67,134	130,775	59,730	2,712,537
Home equity loans	895,605	122,207	156,117	24,157	5,104	1,203,190
Other consumer loans	256,351	12,073	85,765	1,801	138,724	494,714
Total Personal Banking	3,438,825	302,309	309,016	156,733	203,558	4,410,441
Business Banking:						
Commercial real estate loans	969,787	737,132	447,537	114,522	61,886	2,330,864
Commercial loans	267,908	55,751	70,138	5,927	10,584	410,308
Total Business Banking	1,237,695	792,883	517,675	120,449	72,470	2,741,172
Total	\$ 4,676,520	1,095,192	826,691	277,182	276,028	7,151,613
Percentage of total loans receivable	65.3%	15.3%	11.6%	3.9%	3.9%	100.0%

	Pennsylvania	New York	Ohio	Maryland	Other	Total
Loans 90 or more days delinquent: (1)						
Personal Banking:						
Residential mortgage loans	\$ 11,249	1,741	1,255	1,570	1,394	17,209
Home equity loans	2,762	621	1,183	988		5,554
Other consumer loans	2,958	80	16		102	3,156
Total Personal Banking	16,969	2,442	2,454	2,558	1,496	25,919
Business Banking:						
Commercial real estate loans	7,026	1,103	5,787	474	508	14,898
Commercial loans	1,873		446			2,319
Total Business Banking	8,899	1,103	6,233	474	508	17,217
Total	\$ 25,868	3,545	8,687	3,032	2,004	43,136
Percentage of total loans 90 or more days delinquent	60.1%	8.2%	20.1%	7.0%	4.6%	100.0%

(1) Includes \$6.3 million of acquired loans considered to accruing.

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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
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 originated impaired loans by portfolio segment and by class of financing receivable at and for the nine months ended September 30, 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:							
Residential mortgage loans	\$ 16,510	2,997		5,029	24,536	24,506	667
Home equity loans	4,546	2,123		1,767	8,436	9,580	357
Other consumer loans	3,132	562			3,694	2,806	71
Total Personal Banking	24,188	5,682		6,796	36,666	36,892	1,095
Business Banking:							
Commercial real estate loans	10,565	20,377	16,292	13,078	60,312	78,432	2,445
Commercial loans	2,074	5,019	1,708	4,736	13,537	16,876	520
Total Business Banking	12,639	25,396	18,000	17,814	73,849	95,308	2,965
Total	\$ 36,827	31,078	18,000	24,610	110,515	132,200	4,060

The following table provides information related to the composition of originated impaired loans by portfolio segment and by class of financing receivable at and for the year ended December 31, 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:							
Residential 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 September 30, 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:					
Residential mortgage loans	\$ 2,705,427	7,110	7,110	1,023	
Home equity loans	1,200,769	2,421	2,421	263	
Other consumer loans	494,590	124	124	28	
Total Personal Banking	4,400,786	9,655	9,655	1,314	
Business Banking:					
Commercial real estate loans	2,278,363	52,501	30,053	2,813	22,448
Commercial loans	399,470	10,838	10,075	983	763
Total Business Banking	2,677,833	63,339	40,128	3,796	23,211
Total	\$ 7,078,619	72,994	49,783	5,110	23,211

No acquired loans were individually evaluated for impairment at September 30, 2015.

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:					
Residential 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

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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.

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

	Number of contracts	For the quarters ended September 30,		2014		
		2015	Number of contracts			
Beginning TDR balance:	231	\$	56,184	248	\$	63,793
New TDRs	5		2,273	10		3,124
Re-modified TDRs	1		6,316	4		2,178
Net paydowns			(7,096)			(5,411)
Charge-offs:						
Residential mortgage loans						
Home equity loans	1		(60)			
Commercial real estate loans	1		(5)	4		(346)
Commercial loans				1		(38)
Paid-off loans:						
Residential mortgage loans						
Home equity loans	2		(75)	2		(35)
Commercial real estate loans	6		(8,122)	4		(633)
Commercial loans	2		(77)	8		(766)
Ending TDR balance:	224	\$	49,338	239	\$	61,866
Accruing TDRs		\$	26,154		\$	39,995
Non-accrual TDRs			23,184			21,871

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

	Number of contracts	For the nine months ended September 30,		2014		
		2015	Number of contracts			
Beginning TDR balance:	248	\$	61,788	262	\$	79,166
New TDRs	11		2,772	22		5,779
Re-modified TDRs	3		6,446	8		2,334
Net paydowns			(11,537)			(12,431)
Charge-offs:						
Residential mortgage loans						
Home equity loans	4		(159)	1		(130)
Commercial real estate loans	3		(28)	6		(377)
Commercial loans	2		(387)	9		(8,289)
Paid-off loans:						
Residential mortgage loans						
Home equity loans	1		(53)			
Home equity loans	3		(81)	3		(74)
Commercial real estate loans	14		(9,127)	10		(1,471)
Commercial loans	8		(296)	16		(2,641)
Ending TDR balance:	224	\$	49,338	239	\$	61,866
Accruing TDRs		\$	26,154		\$	39,995
Non-accrual TDRs			23,184			21,871

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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 September 30, 2015				For the nine months ended September 30, 2015			
	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans		\$			4	\$ 232	228	
Home equity loans					2	87	85	17
Other consumer loans								
Total Personal Banking					6	319	313	17
Business Banking:								
Commercial real estate loans	5	8,563	8,511	980	6	8,575	8,522	981
Commercial loans	1	26	25	3	2	324	313	31
Total Business Banking	6	8,589	8,536	983	8	8,899	8,835	1,012
Total	6	\$ 8,589	8,536	983	14	\$ 9,218	9,148	1,029
Troubled debt restructurings modified within the previous twelve months that have subsequently defaulted:								
Personal Banking:								
Residential mortgage loans		\$			1	\$ 251	249	
Home equity loans					1	23	20	
Other consumer loans								
Total Personal Banking					2	274	269	
Business Banking:								
Commercial real estate loans								
Commercial loans								
Total Business Banking								
Total		\$			2	\$ 274	269	

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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):

	Number of contracts	For the quarter ended September 30, 2014			For the nine months months ended September 30, 2014			
		Recorded investment at the time of modification	Current recorded investment	Current allowance	Number of contracts	Recorded investment at the time of modification	Current recorded investment	Current allowance
Troubled debt restructurings:								
Personal Banking:								
Residential mortgage loans	1	\$ 145	108	37	10	\$ 2,067	1,964	221
Home equity loans	1	136	106	30	3	512	451	32
Other consumer loans								
Total Personal Banking	2	281	214	67	13	2,579	2,415	253
Business Banking:								
Commercial real estate loans	5	454	453	30	8	543	533	61
Commercial loans	7	4,567	3,777	1,198	9	4,991	4,209	1,233
Total Business Banking	12	5,021	4,230	1,228	17	5,534	4,742	1,294
Total	14	\$ 5,302	4,444	1,295	30	\$ 8,113	7,157	1,547
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	2	128	126	35	2	128	126	35
Commercial loans	1	7,444	378		1	7,444	378	
Total Business Banking	3	7,572	504	35	3	7,572	504	35
Total	3	\$ 7,572	504	35	3	\$ 7,572	504	35

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The following table provides information as of September 30, 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 September 30, 2015 (dollars in thousands):

	Number of contracts	Rate	Type of modification			Total
			Payment	Maturity date	Other	
Personal Banking:						
Residential mortgage loans		\$				
Home equity loans						
Other consumer loans						
Total Personal Banking						
Business Banking:						
Commercial real estate loans	5	180		8,331		8,511
Commercial loans	1			25		25
Total Business Banking	6	180		8,356		8,536
Total	6	\$ 180		8,356		8,536

The following table provides information as of September 30, 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 September 30, 2014 (dollars in thousands):

	Number of contracts	Rate	Type of modification			Total
			Payment	Maturity date	Other	
Personal Banking:						
Residential mortgage loans	1	\$	108			108
Home equity loans	1		106			106
Other consumer loans						
Total Personal Banking	2		214			214
Business Banking:						
Commercial real estate loans	5			203	250	453
Commercial loans	7		1,453	2,319	5	3,777
Total Business Banking	12		1,453	2,522	255	4,230
Total	14	\$	1,667	2,522	255	4,444

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The following table provides information as of September 30, 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 nine months ended September 30, 2015 (dollars in thousands):

	Number of contracts	Rate	Type of modification			Total
			Payment	Maturity date	Other	
Personal Banking:						
Residential mortgage loans	4	\$ 73		110	45	228
Home equity loans	2	83		2		85
Other consumer loans						
Total Personal Banking	6	156		112	45	313
Business Banking:						
Commercial real estate loans	6	180		8,342		8,522
Commercial loans	2			313		313
Total Business Banking	8	180		8,655		8,835
Total	14	\$ 336		8,767	45	9,148

The following table provides information as of September 30, 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 nine months ended September 30, 2014 (dollars in thousands):

	Number of contracts	Rate	Type of modification			Total
			Payment	Maturity date	Other	
Personal Banking:						
Residential mortgage loans	10	\$	108	1,856		1,964
Home equity loans	3		106	345		451
Other consumer loans						
Total Personal Banking	13		214	2,201		2,415
Business Banking:						
Commercial real estate loans	8			260	273	533
Commercial loans	9		1,563	2,319	327	4,209
Total Business Banking	17		1,563	2,579	600	4,742
Total	30	\$	1,777	4,780	600	7,157

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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 September 30, 2015 (dollars in thousands):

	Number of re-modified TDRs	Rate	Type of re-modification Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans		\$				
Home equity loans						
Other consumer loans						
Total Personal Banking						
Business Banking:						
Commercial real estate loans	1			6,270		6,270
Commercial loans						
Total Business Banking	1			6,270		6,270
Total	1	\$		6,270		6,270

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 September 30, 2015 (dollars in thousands):

	Number of re-modified TDRs	Rate	Type of re-modification Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans		\$				
Home equity loans						
Other consumer loans						
Total Personal Banking						
Business Banking:						
Commercial real estate loans	2			114		114
Commercial loans	2			2,064		2,064
Total Business Banking	4			2,178		2,178
Total	4	\$		2,178		2,178

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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 nine months ended September 30, 2015 (dollars in thousands):

	Number of re-modified TDRs	Rate	Type of re-modification Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	1	\$			45	45
Home equity loans	1	83				83
Other consumer loans						
Total Personal Banking	2	83			45	128
Business Banking:						
Commercial real estate loans	1			6,270		6,270
Commercial loans						
Total Business Banking	1			6,270		6,270
Total	3	\$ 83		6,270	45	6,398

The following table provides information related to re-modified troubled debt restructurings by portfolio segment and by class of financing receivable for the nine months ended September 30, 2014 (dollars in thousands):

	Number of re-modified TDRs	Rate	Type of re-modification Payment	Maturity date	Other	Total
Personal Banking:						
Residential mortgage loans	1	\$		76		76
Home equity loans						
Other consumer loans						
Total Personal Banking	1			76		76
Business Banking:						
Commercial real estate loans	4			171	18	189
Commercial loans	3			2,064	5	2,069
Total Business Banking	7			2,235	23	2,258
Total	8	\$		2,311	23	2,334

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The following table provides information related to loan payment delinquencies at September 30, 2015 (in thousands):

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total loans receivable	90 Days or greater delinquent and accruing (1)
Originated loans							
Personal Banking:							
Residential mortgage loans	\$ 3,548	5,095	16,383	25,026	2,640,044	2,665,070	
Home equity loans	4,120	1,373	4,372	9,865	1,046,321	1,056,186	
Other consumer loans	5,612	2,317	3,080	11,009	266,770	277,779	
Total Personal Banking	13,280	8,785	23,835	45,900	3,953,135	3,999,035	
Business Banking:							
Commercial real estate loans	4,618	6,035	9,468	20,121	1,875,477	1,895,598	
Commercial loans	819	391	2,074	3,284	342,751	346,035	
Total Business Banking	5,437	6,426	11,542	23,405	2,218,228	2,241,633	
Total originated loans	18,717	15,211	35,377	69,305	6,171,363	6,240,668	
Acquired loans							
Personal Banking:							
Residential mortgage loans	96	98	826	1,020	46,447	47,467	699
Home equity loans	1,650	343	1,182	3,175	143,829	147,004	1,009
Other consumer loans	712	276	76	1,064	215,871	216,935	24
Total Personal Banking	2,458	717	2,084	5,259	406,147	411,406	1,732
Business Banking:							
Commercial real estate loans	2,845	2,333	5,430	10,608	424,658	435,266	4,333
Commercial loans	560	10	245	815	63,458	64,273	245
Total Business Banking	3,405	2,343	5,675	11,423	488,116	499,539	4,578
Total acquired loans	5,863	3,060	7,759	16,682	894,263	910,945	6,310
Total loans	\$ 24,580	18,271	43,136	85,987	7,065,626	7,151,613	6,310

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

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

	30-59 Days delinquent	60-89 Days delinquent	90 Days or greater delinquent	Total delinquency	Current	Total 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 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

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salvage value; instead, it means that it is not practical or desirable to defer writing off all or a portion of a basically worthless loan even though partial recovery may be possible in the future.

The following table sets forth information about credit quality indicators updated during the quarter ended September 30, 2015 (in thousands):

	Pass	Special mention	Substandard	Doubtful	Loss	Total loans receivable
Originated loans						
Personal Banking:						
Residential mortgage loans	\$ 2,652,330		11,385		1,355	2,665,070
Home equity loans	1,051,948		4,238			1,056,186
Other consumer loans	275,140		2,639			277,779
Total Personal Banking	3,979,418		18,262		1,355	3,999,035
Business Banking:						
Commercial real estate loans	1,737,644	32,815	125,139			1,895,598
Commercial loans	289,609	19,355	36,906	165		346,035
Total Business Banking	2,027,253	52,170	162,045	165		2,241,633
Total originated loans	6,006,671	52,170	180,307	165	1,355	6,240,668
Acquired loans						
Personal Banking:						
Residential mortgage loans	47,340		127			47,467
Home equity loans	146,831		173			147,004
Other consumer loans	216,883		52			216,935
Total Personal Banking	411,054		352			411,406
Business Banking:						
Commercial real estate loans	416,795	524	17,947			435,266
Commercial loans	63,757	9	507			64,273
Total Business Banking	480,552	533	18,454			499,539
Total acquired loans	891,606	533	18,806			910,945
Total loans	\$ 6,898,277	52,703	199,113	165	1,355	7,151,613

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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	Total 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

(6) Goodwill and Other Intangible Assets

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

	September 30, 2015	December 31, 2014
Amortizable intangible assets:		
Core deposit intangibles gross	\$ 30,578	30,578
Acquisitions	7,375	
Less: accumulated amortization	(30,731)	(30,578)
Core deposit intangibles net	7,222	
Customer and Contract intangible assets gross	8,234	6,197
Acquisitions	263	2,037
Less: accumulated amortization	(6,007)	(5,201)
Customer and Contract intangible assets net	\$ 2,490	3,033

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The following table shows the actual aggregate amortization expense for the quarters and nine months ended September 30, 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 September 30, 2015	\$	422
For the quarter ended September 30, 2014		330
For the nine months ended September 30, 2015		959
For the nine months ended September 30, 2014		992
For the year ending December 31, 2015		1,688
For the year ending December 31, 2016		2,591
For the year ending December 31, 2017		2,090
For the year ending December 31, 2018		1,658
For the year ending December 31, 2019		1,226
For the year ending December 31, 2020		794

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

	Community Banking	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	85,996		85,996
Impairment losses			
Balance at September 30, 2015	\$ 259,706	1,613	261,319

We performed our annual goodwill impairment test as of June 30, 2015 and concluded that goodwill was not impaired. At September 30, 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.

(7) **Guarantees**

We issue standby letters of credit in the normal course of business. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Standby letters of credit generally are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party. We are required to perform under a standby letter of credit when drawn upon by the guaranteed third party in the case of nonperformance by our customer. The credit risk associated with standby letters of credit is essentially the same as that involved in extending loans to customers and is subject to normal loan underwriting procedures. Collateral may be obtained based on management's credit assessment of the customer. At September 30, 2015, the maximum potential amount of future payments we could be required to make under these standby letters of credit was \$32.4 million, of which \$23.6 million is fully collateralized. At September 30, 2015, we had a liability, which represents deferred income, of \$1.2 million related to the standby letters of credit. There are no recourse provisions that would enable us to recover any amounts from third parties.

Table of Contents**(8) 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 534,482 shares of common stock with a weighted average exercise price of \$13.15 per share were outstanding during the quarter ended September 30, 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 \$12.76. Stock options to purchase 1,712,746 shares of common stock with a weighted average exercise price of \$12.63 per share were outstanding during the nine months ended September 30, 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 \$12.33. Stock options to purchase 584,711 shares of common stock with a weighted average exercise price of \$13.15 per share were outstanding during the quarter ended September 30, 2014 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 \$12.63. All stock options outstanding during the nine months ended September 30, 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 \$13.60.

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

		Quarter ended September 30,		Nine months ended September 30,	
		2015	2014	2015	2014
Reported net income	\$	12,872	17,332	44,347	44,617
Weighted average common shares outstanding		95,256,807	91,745,512	92,822,720	91,465,986
Dilutive potential shares due to effect of stock options		568,991	372,642	433,379	867,124
Total weighted average common shares and dilutive potential shares		95,825,798	92,118,154	93,256,099	92,333,110
Basic earnings per share:	\$	0.14	0.19	0.48	0.49
Diluted earnings per share:	\$	0.13	0.19	0.48	0.48

Table of Contents**(9) 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 September 30,			
		Pension benefits		Other post-retirement benefits	
		2015	2014	2015	2014
Service cost	\$	1,430	1,035		
Interest cost		1,531	1,457	14	16
Expected return on plan assets		(2,593)	(2,416)		
Amortization of prior service cost		(581)	(581)		
Amortization of the net loss		925	357	15	12
Net periodic (benefit)/ cost	\$	712	(148)	29	28

Components of net periodic benefit cost

		Nine months ended September 30,			
		Pension benefits		Other post-retirement benefits	
		2015	2014	2015	2014
Service cost	\$	4,290	3,105		
Interest cost		4,593	4,371	44	49
Expected return on plan assets		(7,779)	(7,248)		
Amortization of prior service cost		(1,743)	(1,743)		
Amortization of the net loss		2,775	1,070	45	36
Net periodic (benefit)/ cost	\$	2,136	(445)	89	85

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.

(10) 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.

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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

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most reliable fair value measurement and includes, for example, active exchange-traded equity securities.

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

- Level 3 Financial assets and liabilities for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Level 3 inputs include the following:
 - Quotes from brokers or other external sources that are not considered binding;

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

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

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

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

Marketable Securities

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

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

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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 (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.

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 September 30, 2015 and December 31, 2014, there was no significant unrealized appreciation or depreciation on these financial instruments.

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The following table sets forth the carrying amount and estimated fair value of our financial instruments included in the consolidated statement of financial condition at September 30, 2015 (in thousands):

	Carrying amount	Estimated fair value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents	\$ 95,625	95,625	95,625		
Securities available-for-sale	976,677	976,677	1,865	965,815	8,997
Securities held-to-maturity	47,299	48,511		48,511	
Loans receivable, net	7,091,066	7,485,278			7,485,278
Accrued interest receivable	22,098	22,098	22,098		
FHLB Stock	40,115	40,115			
Total financial assets	\$ 8,272,880	8,668,304	119,588	1,014,326	7,494,275
Financial liabilities:					
Savings and checking deposits	\$ 4,882,669	4,882,669	4,882,669		
Time deposits	1,762,073	1,777,847			1,777,847
Borrowed funds	927,219	957,883	132,862		825,021
Junior subordinated debentures	119,332	124,789			124,789
Cash flow hedges - swaps	5,385	5,385		5,385	
Accrued interest payable	1,816	1,816	1,816		
Total financial liabilities	\$ 7,698,494	7,750,389	5,017,347	5,385	2,727,657

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 (in thousands):

	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

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Fair value estimates are made at a point-in-time, based on relevant market data and information about the instrument. The methods and assumptions detailed above were used in estimating the fair value of financial instruments at both September 30, 2015 and December 31, 2014. There were no transfers of financial instruments between Level 1 and Level 2 during the nine months ended September 30, 2015.

The following table represents assets and liabilities measured at fair value on a recurring basis at September 30, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Equity securities	\$ 1,865			1,865
Debt securities:				
U.S. government and agencies		13		13
Government sponsored enterprises		354,238		354,238
States and political subdivisions		92,423		92,423
Corporate		7,704	8,997	16,701
Total debt securities		454,378	8,997	463,375
Residential mortgage-backed securities:				
GNMA		28,471		28,471
FNMA		105,574		105,574
FHLMC		53,644		53,644
Non-agency		613		613
Collateralized mortgage obligations:				
GNMA		11,586		11,586
FNMA		135,572		135,572
FHLMC		164,547		164,547
SBA		8,488		8,488
Non-agency		2,942		2,942
Total mortgage-backed securities		511,437		511,437
Interest rate swaps		(5,385)		(5,385)
Total assets and liabilities	\$ 1,865	960,430	8,997	971,292

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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		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Beginning balance	\$ 9,223	12,543	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	(226)	(1,677)	(1,600)	(1,385)
Purchases				
Sales				
Transfers in to Level 3				
Transfers out of Level 3				
Ending balance	\$ 8,997	10,866	8,997	10,866

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 September 30, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total assets at fair value
Loans measured for impairment	\$		44,673	44,673
Real estate owned			10,391	10,391
Total assets	\$		55,064	55,064

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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 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 September 30, 2015 (dollar amounts in thousands):

	Fair value	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Debt securities	\$ 8,997	Discounted cash flow	Discount margin Default rates Prepayment speeds	0.35% to 2.10% (0.69%) 1.00% 1.00% annually
Loans measured for impairment	44,673	Appraisal value (1) Discounted cash flow	Estimated cost to sell Discount rate	10% 3.75% to 6.50% (5.13%)
Real estate owned	10,391	Appraisal value (1)	Estimated cost to sell	10%

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(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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(11) 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 distributions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts. We have the right to defer payment of interest on the subordinated debentures at any time, or from time-to-time, for periods not exceeding 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.

As a result of the LNB acquisition we acquired two statutory business trusts: LNB Trust I and LNB Trust II; both are Delaware statutory business trusts. At September 30, 2015 LNB Trust I had 7,875 cumulative trust preferred securities outstanding (liquidation value of \$1,000 per preferred security or \$7,875,000) with a stated maturity of June 15, 2037. These securities carry a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.48%. At September 30, 2015 LNB Trust II had 7,875 cumulative trust preferred securities outstanding (liquidation value of \$1,000 per preferred security or \$7,875,000) with a stated maturity of June 15, 2037. These securities carry a fixed interest rate of 6.64% through June 15, 2017, then becomes a floating interest rate, which is reset quarterly, equal to three-month LIBOR plus 1.48%. The Trusts have invested the proceeds of the offerings in junior subordinated deferrable interest debentures acquired by the Company. The structure of these debentures mirrors the structure of the trust-preferred securities. LNB Trust I holds \$8,119,000 of junior subordinated debentures and LNB Trust II holds \$8,119,000 of junior subordinated debentures. These subordinated debentures are the sole assets of the Trusts. Cash distributions on the trust securities are made on a quarterly basis to the extent interest on the debentures is received by the Trusts.

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,

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wherein (i) for a seven year period expiring in December 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 December 2018, the Company receives interest of three-month LIBOR from a counterparty and pays a fixed rate of 4.09% to the same counterparty calculated on a notional amount of \$25.0 million. The swap 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 September 30, 2015, \$7.5 million of cash was pledged as collateral to the counterparty.

At September 30, 2015, the fair value of the swap agreements was \$(5.4) 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.

The following table shows liability derivatives, included in other liabilities, at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015	December 31, 2014
Fair value	\$ 5,385	6,273
Notional amount	75,000	75,000
Collateral posted	5,705	6,805

(12) **Legal Proceedings**

We establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated. As of September 30, 2015 we have not accrued for any legal proceedings based on our analysis of currently available information which is subject to significant judgment and a variety of assumptions and uncertainties. Any such accruals are adjusted thereafter as appropriate to reflect changes in circumstances. Due to the inherent subjectivity of assessments and unpredictability of outcomes of legal proceedings, any amounts accrued may not represent the ultimate loss to us from legal proceedings.

Table of Contents**(13) 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 September 30, 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 June 30, 2015	\$ 4,278	(3,546)	(23,315)	(22,583)
Other comprehensive income before reclassification adjustments	2,379	45		2,424
Amounts reclassified from accumulated other comprehensive income (1), (2)	(120)		219	99
Net other comprehensive loss	2,259	45	219	2,523
Balance as of September 30, 2015	\$ 6,537	(3,501)	(23,096)	(20,060)

	For the quarter ended September 30, 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 June 30, 2014	\$ 3,378	(4,875)	(3,719)	(5,216)
Other comprehensive income before reclassification adjustments	(1,570)	680		(890)
Amounts reclassified from accumulated other comprehensive income (3), (4)	(419)		(138)	(557)
Net other comprehensive income	(1,989)	680	(138)	(1,447)
Balance as of September 30, 2014	\$ 1,389	(4,195)	(3,857)	(6,663)

(1) Consists of realized gains on securities (gain on sales of investments, net) of \$197, net of tax (income tax expense) of \$(77).

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- (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 \$687, net of tax (income tax expense) of \$(268).
- (4) Consists of amortization of prior service cost (compensation and employee benefits) of \$581 and amortization of net loss (compensation and employee benefits) of \$(369), net of tax (income tax expense) of \$(74). See note 8.

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

	For the nine months ended September 30, 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	3,543	577		4,120
Amounts reclassified from accumulated other comprehensive income (1), (2)	(467)		657	190
Net other comprehensive income	3,076	577	657	4,310
Balance as of September 30, 2015	\$ 6,537	(3,501)	(23,096)	(20,060)

	For the nine months ended September 30, 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	7,149	1,029		8,178
Amounts reclassified from accumulated other comprehensive income (3), (4)	(2,527)		(414)	(2,941)
Net other comprehensive income	4,622	1,029	(414)	5,237
Balance as of September 30, 2014	\$ 1,389	(4,195)	(3,857)	(6,663)

(1) Consists of realized gains on securities (gain on sales of investments, net) of \$766, net of tax (income tax expense) of \$(299).

(2) Consists of amortization of prior service cost (compensation and employee benefits) of \$1,743 and amortization of net loss (compensation and employee benefits) of \$(2,820), net of tax (income tax expense) of \$420. See note 8.

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- (3) Consists of realized gains on securities (gain on sales of investments, net) of \$4,143, net of tax (income tax expense) of \$(1,616).
- (4) Consists of amortization of prior service cost (compensation and employee benefits) of \$1,743 and amortization of net loss (compensation and employee benefits) of \$(1,106), net of tax (income tax expense) of \$(223). See note 8.

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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 different than expected;
- competition among other financial institutions and non-depository entities;
- inflation and changes in the interest rate environment that impact our margins or the fair value of financial instruments;
- changes in the securities markets;
- cyber security concerns, including an interruption or breach in the security of our information systems;
- our ability to enter new markets successfully, capitalize on growth opportunities and our ability to successfully integrate acquired entities;
- managing our internal growth and acquisitions, particularly our recent acquisition of LNB Bancorp;
- the possibility that the anticipated benefits from the recent LNB acquisition and any other future acquisitions cannot be fully realized in a timely manner or at all, or that integrating the operations of LNB or future acquired operations will be more difficult, disruptive or costly than anticipated;
- changes in consumer spending, borrowing and savings habits;

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- our ability to continue to increase and manage our business and personal loans;
- 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.

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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.

Acquired loans

Acquired loans are recorded at fair value with no carryover of the related allowance for loan losses. Determining the fair value of the loans involves estimating the amount and timing of principal and interest cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest.

The excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable discount and is recognized into interest income over the remaining life of the loan. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable discount. The nonaccretable discount represents estimated future credit losses expected to be incurred over the life of the loan. Subsequent decreases to the expected cash flows require us to evaluate the need for an allowance for loan losses. Subsequent improvements in expected cash flows result in the reversal of a corresponding amount of the nonaccretable discount which we then reclassify as accretable discount that is recognized into interest income over the remaining life of the loan using the interest method. Our evaluation of the amount of future cash flows that we expect to collect is performed in a similar manner as that used to determine our allowance for loan losses. Charge-offs of the principal amount on acquired loans would be first applied to the nonaccretable discount portion of the fair value adjustment.

Acquired loans that met the criteria for nonaccrual of interest prior to the acquisition may be considered performing upon acquisition, regardless of whether the customer is contractually delinquent, if we can reasonably estimate the timing and amount of the expected cash flows on such loans and if we expect to fully collect the new carrying value of the loans. As such, we may no longer consider the loan to be nonaccrual or nonperforming and may accrue interest on these loans, including the impact of any accretable discount. We have determined that we can reasonably estimate future cash flows on our current portfolio of acquired loans that are past due 90 days or more and on which we are accruing interest and we expect to fully collect the carrying value of the loans.

Executive Summary and Comparison of Financial Condition

On August 14, 2015, we acquired all of the outstanding common shares of LNB, the parent company of The Lorain National Bank, for total consideration of \$181.0 million, and thereby acquired LNB's 21 branch locations in the counties of Lorain, Cuyahoga and Summit in northeastern Ohio. As a result, we acquired assets with a fair value of \$1.194 billion, including investment securities with a fair value of \$184.2 million, loans with a fair value of \$928.1 million, and we assumed deposits of \$1.012 billion and borrowings of \$63.2 million. Under the terms of the merger agreement LNB stockholders received 7,056,074 shares of Company common stock valued at \$90.6 million and cash consideration of \$90.4 million.

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The following table shows certain assets and liabilities at the dates indicated for comparative purposes (in thousands):

	Balance at September 30, 2015	LNB acquired, at fair value August 14, 2015	Legacy balance at September 30, 2015	Balance at December 31, 2014
Assets				
U.S. government agencies and sponsored enterprises	\$ 354,251	41,330	312,921	333,530
Municipal securities	92,423	33,455	58,968	70,145
Corporate debt issues	16,701		16,701	20,427
Residential mortgage-backed securities:				
Fixed rate pass-through	128,573	66,653	61,920	75,877
Variable rate pass-through	59,729		59,729	69,598
Fixed rate non-agency CMOs	2,942		2,942	3,408
Fixed rate agency CMOs	227,772	42,731	185,041	221,767
Variable rate agency CMOs	92,421		92,421	114,462
Equity securities	1,865		1,865	3,157
Total marketable securities available-for-sale	976,677	184,169	792,508	912,371
Municipal securities	19,412		19,412	66,752
Residential mortgage-backed securities:				
Fixed rate pass-through	6,891		6,891	8,236
Variable rate pass-through	3,782		3,782	4,273
Fixed rate non-agency CMOs	16,242		16,242	23,382
Fixed rate agency CMOs	972		972	1,052
Total marketable securities held-to-maturity	47,299		47,299	103,695
Total marketable securities	\$ 1,023,976	184,169	839,807	1,016,066
Personal Banking:				
Residential mortgage loans	\$ 2,712,537	48,128	2,664,409	2,521,456
Home equity loans	1,203,190	153,986	1,049,204	1,066,131
Other consumer loans	494,714	222,708	242,006	242,744
Total Personal Banking	4,410,441	424,822	3,985,619	3,830,331
Business Banking:				
Commercial real estate loans	2,330,864	429,039	1,901,825	1,801,184
Commercial loans	410,308	74,240	336,068	358,376
Total Business Banking	2,741,172	503,279	2,237,893	2,159,560
Total loans	\$ 7,151,613	928,101	6,223,512	5,989,891
Liabilities				
Noninterest-bearing demand deposits	\$ 1,127,864	142,087	985,777	891,248
Interest-bearing demand deposits	1,097,969	168,414	929,555	874,623
Money market deposit accounts	1,277,878	142,878	1,135,000	1,179,070
Savings deposits	1,378,958	127,532	1,251,426	1,209,287
Time deposits	1,762,073	435,646	1,326,427	1,478,314
Total deposits	\$ 6,644,742	1,016,557	5,628,185	5,632,542
FHLB term advances	\$ 700,356	62,500	637,856	725,395
FHLB overnight advances	103,000		103,000	

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Collateralized borrowings		123,863	669	123,194	162,714
Total borrowed funds	\$	927,219	63,169	864,050	888,109

Total assets at September 30, 2015 were \$8.935 billion, an increase of \$1.160 billion, or 14.9%, from \$7.775 billion at December 31, 2014. This increase in assets was due primarily to the addition of \$1.194 billion, at fair value, of assets related to the LNB acquisition. Additionally, originated net loans receivable increased by \$240.6 million during 2015. Partially offsetting these increases were decreases in interest-earning deposits in other financial institutions and marketable securities held-to-maturity of

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\$149.5 million and \$56.4 million, respectively, as these funds were used in the LNB acquisition and to payoff FHLB term advances.

Total loans receivable increased by \$1.162 billion, or 19.4%, to \$7.152 billion at September 30, 2015, from \$5.990 billion at December 31, 2014. This increase was due primarily to the addition of \$928.1 million, at fair value, of loans related to the LNB acquisition. Loans funded during the nine months ended September 30, 2015, of \$1.678 billion exceeded loan maturities, principal repayments and mortgage loan sales of \$1.432 billion, exclusive of acquired loans. Our originated business banking loan portfolio increased by \$78.3 million, or 3.6%, to \$2.238 billion at September 30, 2015 from \$2.160 billion at December 31, 2014, as we continue to emphasize the origination of commercial and commercial real estate loans. Our originated personal banking loan portfolio increased by \$155.3 million, or 11.9%, to \$3.986 billion at September 30, 2015 from \$3.830 billion at December 31, 2014. This increase is primarily attributable to an increase in residential mortgage loans of \$143.0 million as a result of the success of our wholesale lending division and improvements made to the retail application and underwriting processes which we implemented in the second half of last year.

Total deposits increased by \$1.012 billion, or 18.0%, to \$6.645 billion at September 30, 2015 from \$5.633 billion at December 31, 2014, due to the addition of \$1.017 billion of deposits, at fair value, related to the LNB acquisition. The following amounts exclude acquired deposits, these legacy deposits, decreased by \$4.4 million. Noninterest-bearing demand deposits increased by \$94.6 million, or 10.6%, to \$985.8 million at September 30, 2015 from \$891.2 million at December 31, 2014. Interest-bearing demand deposits increased by \$55.0 million, or 6.3%, to \$929.6 million at September 30, 2015 from \$874.6 million at December 31, 2014. Savings deposits increased by \$42.2 million, or 3.5%, to \$1.251 billion at September 30, 2015 from \$1.209 billion at December 31, 2014. Partially offsetting these increases was a decrease in time deposits of \$151.9 million, or 10.3%, to \$1.326 billion at September 30, 2015 from \$1.478 billion at December 31, 2014. Additionally, money market deposit accounts decreased by \$44.1 million, or 3.7%, to \$1.135 billion at September 30, 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 new customers.

Borrowed funds increased by \$39.1 million, or 4.4%, to \$927.2 million at September 30, 2015, from \$888.1 million at December 31, 2014. During the first quarter of 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 increase in order to fund the FHLB advances that mature during 2015. Additionally, at September 30, 2015 we had \$103.0 million outstanding in FHLB overnight advances that were used to fund loan growth. Partially offsetting this increase was a decrease of \$38.8 million in collateralized borrowings and the maturity of \$110.0 million of FHLB advances, add the payoff of \$62.5 million of acquired LNB FHLB advances.

Total shareholders' equity at September 30, 2015 was \$1.161 billion, or \$11.42 per share, an increase of \$98.7 million, or 9.3%, from \$1.063 billion, or \$11.22 per share, at December 31, 2014. This increase in equity was primarily the result of the issuance of 7,056,704 shares of our common stock at \$12.84 per share for the LNB acquisition. Equity also increased due to net income during the nine months ended September 30, 2015 of \$44.3 million and a decrease in accumulated other comprehensive loss of \$4.3 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 \$38.9 million and the repurchase of 645,300 shares of common stock for \$7.8 million during the nine months ended September 30, 2015.

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Regulatory Capital

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.

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 average assets (as defined). Capital ratios are presented in the tables below. Dollar amounts in the accompanying tables are in thousands.

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	Actual		At September 30, 2015 Minimum capital requirements		Well capitalized requirements	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital (to risk weighted assts)						
Northwest Bancshares, Inc.	\$ 1,104,713	16.81%	525,739	8.00%	657,173	10.00%
Northwest Bank	987,513	15.05%	524,760	8.00%	655,950	10.00%
Tier 1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	1,043,961	15.89%	394,304	6.00%	525,739	8.00%
Northwest Bank	926,960	14.13%	393,570	6.00%	524,760	8.00%
CET1 capital (to risk weighted assets)						
Northwest Bancshares, Inc.	928,211	14.12%	295,728	4.50%	427,163	6.50%
Northwest Bank	926,960	14.13%	295,177	4.50%	426,367	6.50%
Tier 1 capital (leverage) (to average assets)						
Northwest Bancshares, Inc.	1,043,961	12.80%	326,181	4.00%	407,726	5.00%
Northwest Bank	926,960	11.34%	326,947	4.00%	408,683	5.00%
At December 31, 2014 Minimum capital requirements (1)						
	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 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 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 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.

Liquidity

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

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September 30, 2015 was 9.8%. 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 September 30, 2015 Northwest had \$1.853 billion of additional borrowing capacity available with the FHLB, including \$150.0 million on an overnight line of credit with \$47.0 million of availability, as well as \$154.1 million of borrowing capacity available with the Federal Reserve Bank and \$80.0 million with two correspondent banks.

Dividends

We paid \$13.0 million and \$12.1 million in cash dividends during the quarters ended September 30, 2015 and 2014, respectively, and \$38.9 million and \$137.9 million for the nine months ended September

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30, 2015 and 2014, respectively. The common stock dividend payout ratio (dividends declared per share divided by net income per share) was 107.7% and 68.4% for the quarters ended September 30, 2015 and 2014, respectively, on regular dividends of \$0.14 per share for the quarter ended September 30, 2015 and on regular dividends of \$0.13 per share for the quarter ended September 30, 2014. The common stock dividend payout ratio was 87.5% and 310.4% for the nine months ended September 30, 2015 and 2014, respectively, on regular dividends of \$0.42 per share for the nine months ended September 30, 2015 and on regular dividends of \$0.39 per share and special dividends of \$1.10 per share for the nine months ended September 30, 2014. On October 14, 2015, the Board of Directors declared a dividend of \$0.14 per share payable on November 19, 2015 to shareholders of record as of November 5, 2015. This represents the 84th consecutive quarter we have paid a cash dividend.

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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.

	September 30, 2015	December 31, 2014
	(Dollars in thousands)	
Nonaccrual loans 90 days or more delinquent:		
Residential mortgage loans	\$ 16,510	\$ 17,696
Home equity loans	4,545	6,606
Other consumer loans	3,132	2,450
Commercial real estate loans	10,565	10,215
Commercial loans	2,074	4,359
Total loans 90 days or more delinquent	\$ 36,826	\$ 41,326
Total real estate owned (REO)	10,391	16,759
Total nonaccrual loans 90 days or more delinquent and REO	47,217	58,085
Total nonaccrual loans 90 days or more delinquent to net loans receivable	0.61%	0.70%
Total nonaccrual loans 90 days or more delinquent and REO to total assets	0.60%	0.75%
Nonperforming assets:		
Nonaccrual loans - loans 90 days or more delinquent	\$ 36,826	41,326
Nonaccrual loans - loans less than 90 days delinquent	31,078	38,482
Loans 90 days or more past maturity and still accruing	680	235
Total nonperforming loans	68,584	80,043
Total nonperforming assets	\$ 78,975	96,802
Nonaccrual troubled debt restructured loans (1)	\$ 26,154	24,459
Accruing troubled debt restructured loans	23,184	37,329
Total troubled debt restructured loans	\$ 49,338	61,788

(1) - Included in nonaccrual loans above.

At September 30, 2015, we expect to fully collect the carrying value of our acquired loans and have determined that we can reasonably estimate their future cash flows including those loans that are 90 days or more delinquent. As a result, we do not consider our acquired loans that are 90 days or more delinquent to be nonaccrual or impaired and continue to recognize interest income on these loans, including the loans' accretable discount.

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

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in the loan, a specific allowance is allocated for the impairment. Impaired loans at September 30, 2015 and December 31, 2014 were \$110.5 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 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.

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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 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 structured methodology each period when analyzing the adequacy of the allowance for loan losses and the related provision for loan losses, which the Credit Committee assesses regularly for appropriateness. As part of the analysis as of September 30, 2015, we considered the economic conditions in our markets, such as unemployment and bankruptcy levels as well as changes in estimates of 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 \$7.0 million, or 10.3%, to \$60.5 million, or 0.85% of total loans and 0.95% of originated loans, at September 30, 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 \$9.1 million and \$16.4 million, respectively, compared to December 31, 2014. Additionally, we have enhanced the procedures for determining environmental reserves and the loss emergence period eliminating the unallocated portion of the allowance for loan losses. This resulted in the allocation of previously unallocated reserves.

We also consider how the levels of non-accrual loans and historical charge-offs have influenced the required amount of allowance for loan losses. Nonaccrual loans of \$67.9 million or 0.95% of total loans receivable at September 30, 2015 decreased by \$21.9 million, or 24.4%, 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 0.26% for the nine months ended September 30, 2015 compared to 0.41% for the year ended December 31, 2014 despite charge-offs in the current year totaling \$8.1 million on two business banking loans.

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At September 30, 2015, we expect to fully collect the carrying value of our acquired loans and have determined that we can reasonably estimate their future cash flows including those loans that are 90 days or more delinquent, therefore, no acquired loans were used to calculate the allowance for loan losses.

RESULTS OF OPERATIONS**Overview**

The following table (in thousands) summarizes our results from operations on a GAAP basis and on an operating (non-GAAP) basis for the periods indicated. Our operating results exclude acquisition and integration expenses. We believe this non-GAAP presentation provides a meaningful comparison of our operational performance and facilitates a more effective evaluation and comparison of our results to assess performance in relation to our ongoing operations:

	Quarter ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Operating results (non-GAAP):				
Net interest income	\$ 66,941	62,341	192,100	186,236
Provision for loan losses	3,167	3,466	5,117	19,236
Noninterest income	18,140	17,737	49,290	53,545
Noninterest expense	56,214	53,354	164,246	160,323
Income taxes	7,844	5,926	22,128	15,605
Net operating income (non-GAAP)	\$ 17,856	17,332	49,899	44,617
Diluted earnings per share (non-GAAP)	\$ 0.19	0.19	0.54	0.49
Reconciliation of net operating income to net income:				
Net operating income (non-GAAP)	\$ 17,856	17,332	49,899	44,617
Nonoperating expenses, net of tax:				
Acquisition and integration expenses	(4,984)		(5,552)	
Net income (GAAP)	\$ 12,872	17,332	44,347	44,617
Diluted earnings per share (GAAP)	\$ 0.13	0.19	0.48	0.48

Comparison of Operating Results for the Quarters Ended September 30, 2015 and 2014

Net income for the quarter ended September 30, 2015 was \$12.9 million, or \$0.13 per diluted share, a decrease of \$4.4 million, or 25.7%, from \$17.3 million, or \$0.19 per diluted share, for the quarter ended September 30, 2014. The decrease in net income resulted from an increase in noninterest expense of \$10.4 million, or 19.6%. Partially offsetting this increase in noninterest expense were increases in net interest income of \$4.6 million, or 7.4%, and noninterest income of \$403,000, or 2.3% as well as decreases in income tax expense of \$688,000, or 11.6% and provision for loan losses of \$299,000, or 8.6%. Annualized, net income for the quarter ended September 30, 2015 represents returns on average equity and average assets of 4.54% and 0.59%, respectively, compared to 6.43% and 0.87% for the same quarter last year. A discussion of significant changes follows.

Interest Income

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Total interest income increased by \$4.6 million, or 6.0%, to \$81.1 million for the quarter ended September 30, 2015 from \$76.5 million for the quarter ended September 30, 2014. This increase is the result of increases in both the average balance and average yield on interest earning assets. The average balance of interest earning assets increased by \$429.0 million, or 5.8%, to \$7.768 billion for the quarter ended September 30, 2015 from \$7.339 billion for the quarter ended September 30, 2014 while the average yield earned on interest earning assets increased to 4.19% for the quarter ended September 30, 2015 from 4.17% for the quarter ended September 30, 2014.

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Interest income on loans receivable increased by \$5.3 million, or 7.4%, to \$76.1 million for the quarter ended September 30, 2015 from \$70.8 million for the quarter ended September 30, 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 \$671.8 million, or 11.4%, to \$6.585 billion for the quarter ended September 30, 2015 from \$5.913 billion for the quarter ended September 30, 2014. This increase is due to the addition of \$928.1 million of loan balances, at fair value, from the LNB acquisition, continued success in growing business banking relationships, and the retention of the residential mortgage loan originations. Partially offsetting this increase was a decline in the average yield which decreased to 4.63% for the quarter ended September 30, 2015 from 4.75% for the quarter ended September 30, 2014. The continued decline in average yield is due primarily to the historically low level of market interest rates, as well as the overall lower average yield from the LNB portfolio.

Interest income on mortgage-backed securities decreased by \$274,000, or 10.9%, to \$2.2 million for the quarter ended September 30, 2015 from \$2.5 million for the quarter ended September 30, 2014. The average balance of mortgage-backed securities decreased by \$70.7 million, or 12.4%, to \$498.8 million for the quarter ended September 30, 2015 from \$569.5 million for the quarter ended September 30, 2014 despite the addition of \$109.4 million, at fair value, of mortgage-backed security balances from the LNB acquisition. The cash flows from our existing portfolio were redirected to fund the LNB acquisition, payoff FHLB advances, and to fund loan growth. Partially offsetting this decrease was an increase in the average yield on mortgage-backed securities to 1.79% for the quarter ended September 30, 2015 from 1.76% for the quarter ended September 30, 2014 due to the LNB portfolio having higher yields than our existing portfolio.

Interest income on investment securities decreased by \$341,000, or 13.3%, to \$2.2 million for the quarter ended September 30, 2015 from \$2.6 million for the quarter ended September 30, 2014. This decrease is the result of decreases in both the average balance and average yield. The average yield of investment securities decreased to 1.84% for the quarter ended September 30, 2015 from 2.10% for the quarter ended September 30, 2014. This decrease is primarily the result of higher rate, tax-free, municipal securities maturing or being called. The average balance of investment securities decreased by \$6.2 million, or 1.3%, to \$482.7 million for the quarter ended September 30, 2015 from \$488.9 million for the quarter ended September 30, 2014. This decrease is due primarily to the maturity or call of municipal and government agency securities which was partially offset by the addition of \$74.7 million, at fair value, of municipal and government agency security balances from the LNB acquisition.

Regular dividends on FHLB stock decreased by just \$1,000, or 0.2%, to \$451,000 for the quarter ended September 30, 2015 from \$452,000 for the quarter ended September 30, 2014. This decrease is attributable to a decrease in the average balance of \$4.4 million, or 10.1%, to \$39.6 million for the quarter ended September 30, 2015 from \$44.0 million for the quarter ended September 30, 2014. This reduction in the average balance lead to an increase in the average yield to 4.52% for the quarter ended September 30, 2015 from 4.11% for the quarter ended September 30, 2014. FHLB dividends are included with taxable investment securities interest income in our Consolidated Statements of Income.

Interest income on interest-earning deposits decreased by \$88,000, or 47.1%, to \$99,000 for the quarter ended September 30, 2015 from \$187,000 for the quarter ended September 30, 2014. This decrease is due to a decrease in the average balance of \$161.4 million, or 49.9%, to \$162.0 million for the quarter ended September 30, 2015 from \$323.4 million for the quarter ended September 30, 2014, due to the utilization of cash for the LNB acquisition, to payoff FHLB advances, and to fund loan growth. The average yield on interest-earning deposits increased slightly to 0.24% for the quarter ended September 30, 2015 from 0.23% for the quarter ended September 30, 2014.

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Interest Expense

Interest expense decreased by \$37,000, or 0.3%, to \$14.2 million for the quarter ended September 30, 2015 from \$14.2 million for the quarter ended September 30, 2014. This decrease in interest expense was due primarily to a decrease in the average cost of interest-bearing liabilities, which decreased to 0.91% for the quarter ended September 30, 2015 from 0.96% for the quarter ended September 30, 2014. The average cost of each funding source declined from the prior year in this low interest rate environment, excluding money market demand accounts which remained flat at 0.27%. Partially offsetting this decrease was an increase in the average balance of \$311.8 million, or 5.3%, to \$6.159 billion for the quarter ended September 30, 2015 from \$5.847 billion for the quarter ended September 30, 2014. This increase was the result of the addition of \$1.017 billion, at fair value, of deposit balances from the LNB acquisition. Additionally, the average balance of borrowed funds increased by \$30.4 million, or 3.5%, for the quarter ended September 30, 2015. This increase is due to the utilization of \$103.0 million of our FHLB overnight advance line, which was partially offset by the maturity of \$60.0 million of term FHLB advances during the quarter ended September 30, 2015.

Net Interest Income

Net interest income increased by \$4.6 million, or 7.4%, to \$66.9 million for the quarter ended September 30, 2015 from \$62.3 million for the quarter ended September 30, 2014. This increase is attributable to the factors discussed above. Redirecting existing funds and cash flow from investment securities to fund the LNB acquisition which provided \$1.140 billion of interest-earning assets improved our net interest spread and margin. Our net interest rate spread increased to 3.28% for the quarter ended September 30, 2015 from 3.21% for the quarter ended September 30, 2014 and our net interest margin increase to 3.45% for the quarter ended September 30, 2015 from 3.40% for the quarter ended September 30, 2014.

Provision for Loan Losses

The provision for loan losses decreased by \$299,000, or 8.6%, to \$3.2 million for the quarter ended September 30, 2015 from \$3.5 million for the quarter ended September 30, 2014. This decrease is due primarily to continued improvements in overall asset quality as classified loans decreased by \$9.2 million, or 4.4%, to \$200.6 million at September 30, 2015 from \$209.8 million at September 30, 2014. In addition, total nonaccrual loans decreased by \$21.9 million, or 24.4%, to \$67.9 million at September 30, 2015 from \$89.8 million at September 30, 2014. Additionally, annualized net charge-offs for the quarter ended September 30, 2015 decreased to 0.10% of total loans compared to 0.22% for the quarter ended September 30, 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

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Noninterest income increased by \$403,000, or 2.3%, to \$18.1 million for the quarter ended September 30, 2015 from \$17.7 million for the quarter ended September 30, 2014. The increase is primarily attributable to increases in insurance commission income and service charges and fees. Insurance commission income increased by \$620,000, or 34.9%, to \$2.4 million for the quarter ended September 30, 2015 from \$1.8 million for the quarter ended September 30, 2014. This increase is due primarily to the acquisition of our third insurance agency over the past four years which closed on January 1, 2015. Service

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charges and fees increased by \$280,000, or 2.9%, to \$9.9 million for the quarter ended September 30, 2015 from \$9.7 million for the quarter ended September 30, 2014 due primarily to the successful growth of checking accounts, as well as the addition of 55,000 LNB customers. Partially offsetting these increases was a decrease in the gain on sale of investments of \$592,000, or 69.5% to \$260,000 for the quarter ended September 30, 2015 from \$852,000 for the quarter ended September 30, 2014 due primarily to the sale of a portion of our bank stock portfolio for a significant gain in the prior year.

Noninterest Expense

Noninterest expense increased by \$10.4 million, or 19.6%, to \$63.8 million for the quarter ended September 30, 2015 from \$53.4 million for the quarter ended September 30, 2014. This increase is primarily the result of increases in acquisition expense, compensation and employee benefits, and processing expenses. Expenses totaling \$7.6 million were incurred during the quarter ended September 30, 2015 related to the LNB acquisition. Compensation and employee benefits increased by \$3.0 million, or 10.5%, to \$31.0 million for the quarter ended September 30, 2015 from \$28.0 million for the quarter ended September 30, 2014. This increase is also primarily related to the LNB acquisition. Processing expenses increased by \$1.4 million, or 20.9%, to \$8.1 million for the quarter ended September 30, 2015 from \$6.7 million for the quarter ended September 30, 2014, due primarily to technology upgrades including the implementation of software that provides our customers with enhanced security for online financial transactions and the additional maintenance costs since the LNB acquisition. Partially offsetting these increases was a decrease in other expenses of \$1.5 million, or 43.6%, to \$1.8 million for the quarter ended September 30, 2015 from \$3.3 million for the quarter ended September 30, 2014 due primarily to the timing of charitable contributions and the related state tax credits which are delayed as a result of the current Pennsylvania budget impasse. Marketing expense also declined from the prior year by \$520,000, or 23.5%, to \$1.7 million for the quarter ended September 30, 2015 from \$2.2 million for the quarter ended September 30, 2014 as a result of the timing of loan and checking account campaigns.

Income Taxes

The provision for income taxes decreased by \$688,000, or 11.6%, to \$5.2 million for the quarter ended September 30, 2015 from \$5.9 million for the quarter ended September 30, 2014. This decrease in income tax expense is primarily the result of a decrease in pretax income of \$5.1 million, or 22.1%, and a reduction in tax-free income from municipal bonds as well as a lower amount of Pennsylvania state tax credits anticipated for 2015. Partially offsetting this decrease was an increase in our effective tax rate for the quarter ended September 30, 2015 to 28.9% compared to 25.5% for the quarter ended September 30, 2014. We anticipate our effective tax rate to be between 30.0% and 32.0% for all of 2015.

Comparison of Operating Results for the Nine Months Ended September 30, 2015 and 2014

Net income for the nine months ended September 30, 2015 was \$44.3 million, or \$0.48 per diluted share, a decrease of \$270,000, or 0.6%, from \$44.6 million, or \$0.48 per diluted share, for the nine months ended September 30, 2014. The decrease in net income resulted from increases in noninterest expense of \$12.4 million, or 7.7%, and income tax expense of \$3.7 million, or 23.5% and a decrease in noninterest income of \$4.2 million, or 7.9%. Partially offsetting these factors was a decrease in provision for loan losses of \$14.1 million, or 73.4% and an increase in net interest income of \$5.9 million, or 3.1%. Annualized, net income for the nine months ended September 30, 2015 represents returns on average equity and average assets of 5.47% and 0.73%, respectively, compared to 5.44% and 0.75% for the same nine month period last year. A discussion of significant changes follows.

Interest Income

Total interest income increased by \$5.1 million, or 2.2%, to \$233.9 million for the nine months ended September 30, 2015 from \$228.8 million for the nine months ended September 30, 2014. This increase is the result of increases in both the average balance and average yield earned on interest earning

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assets. The average balance on interest earning assets increased by \$109.2 million, or 1.5%, to \$7.461 billion for the nine months ended September 30, 2015 from \$7.351 billion for the nine months ended September 30, 2014. Additionally, the average yield on interest-earning assets increased to 4.17% for the nine months ended September 30, 2015 from 4.15% for the nine months ended September 30, 2014.

Interest income on loans receivable increased by \$6.9 million, or 3.3%, to \$217.8 million for the nine months ended September 30, 2015 from \$210.9 million for the nine months ended September 30, 2014. This increase in interest income on loans receivable can be attributed to an increase in the average balance of loans receivable of \$371.1 million, or 6.3%, to \$6.228 billion for the nine months ended September 30, 2015 from \$5.857 billion for the nine months ended September 30, 2014. This increase is due to continued success in growing business banking relationships, the retention of the residential mortgage loan originations, and the LNB acquisition. Partially offsetting this increase was a decline in the average yield which decreased to 4.68% for the nine months ended September 30, 2015 from 4.81% for the nine months ended September 30, 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 \$1.5 million, or 18.1%, to \$6.5 million for the nine months ended September 30, 2015 from \$8.0 million for the nine months ended September 30, 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 \$102.6 million, or 17.2%, to \$494.4 million for the nine months ended September 30, 2015 from \$597.0 million for the nine months ended September 30, 2014 due primarily to redirecting cash flows from these securities to fund the LNB acquisition, payoff FHLB advances, and fund loan growth. The average yield on mortgage-backed securities decreased to 1.76% for the nine months ended September 30, 2015 from 1.78% for the nine months ended September 30, 2014 due primarily to the pay-down of higher rate securities.

Interest income on investment securities decreased by \$1.0 million, or 12.9%, to \$6.9 million for the nine months ended September 30, 2015 from \$7.9 million for the nine months ended September 30, 2014. This decrease is the result of decreases in both the average balance and average yield. The average yield on investment securities decreased to 1.90% for the nine months ended September 30, 2015 from 2.11% for the nine months ended September 30, 2014. This decrease is primarily the result of higher rate, tax-free, municipal securities maturing or being called and if replaced, being replaced by lower yielding, shorter duration government agency securities. The average balance of investment securities decreased by \$17.3 million, or 3.5%, to \$483.8 million for the nine months ended September 30, 2015 from \$501.1 million for the nine months ended September 30, 2014. This decrease is due primarily to the maturity or call of municipal and government agency securities and the use of these proceeds to fund the LNB acquisition, payoff FHLB advances, and fund loan growth.

Dividends on FHLB stock increased by \$904,000, or 63.4%, to \$2.3 million for the nine months ended September 30, 2015 from \$1.4 million for the nine months ended September 30, 2014. This increase is due a \$1.0 million special dividend paid in the first quarter of 2015. Additionally, the average yield, exclusive of the special dividend, increased to 4.64% for the nine months ended September 30, 2015 from 4.33% for the nine months ended September 30, 2014. Partially offsetting these factors was a decrease in the average balance of \$6.8 million, or 15.4%, to \$37.1 million for the nine months ended September 30, 2015 from \$43.9 million for the nine months ended September 30, 2014. Required FHLB stock holdings fluctuate with, among other things, the utilization of our borrowing capacity as well as capital requirements established by the FHLB. FHLB dividends are included with taxable investment securities interest income in our Consolidated Statements of Income.

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Interest income on interest-earning deposits decreased by \$255,000, or 37.9%, to \$418,000 for the nine months ended September 30, 2015 from \$673,000 for the nine months ended September 30, 2014. This decrease is due to a decrease in the average balance of \$135.2 million, or 38.4%, to \$217.2 million for the nine months ended September 30, 2015 from \$352.4 million for the nine months ended September 30, 2014, due to the utilization of cash for the LNB acquisition, to payoff FHLB advances, and fund loan growth. The average yield on interest-earning deposits remained unchanged at 0.25% for the nine months ended September 30, 2015 and 2014.

Interest Expense

Interest expense decreased by \$764,000, or 1.8%, to \$41.8 million for the nine months ended September 30, 2015 from \$42.6 million for the nine months ended September 30, 2014. This decrease in interest expense was due to a decline in the average cost of interest-bearing liabilities which decreased to 0.95% for the nine months ended September 30, 2015 from 0.97% for the nine months ended September 30, 2014. The average cost of each funding source, excluding money market demand accounts, declined from the prior year. In addition, there was a shift in deposit mix from time deposits to lower cost non-maturity deposits. Partially offsetting this decrease was an increase in the balance of interest-bearing liabilities, which increased by \$41.7 million, or 0.7%, to \$5.909 billion for the nine months ended September 30, 2015 from \$5.868 billion for the nine months ended September 30, 2014. The increase in average interest-bearing liabilities resulted primarily from an increase in borrowed funds of \$55.5 million, or 6.3% and an increase in non-maturity deposit accounts of \$187.1 million, or 5.7%. Partially offsetting these increases was a decrease in time deposits of \$203.7 million, or 12.7% as customers continue to move funds to more liquid accounts.

Net Interest Income

Net interest income increased by \$5.9 million, or 3.1%, to \$192.1 million for the nine months ended September 30, 2015 from \$186.2 million for the nine months ended September 30, 2014. This increase is attributable to the factors discussed above. 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 3.22% for the nine months ended September 30, 2015 from 3.18% for the nine months ended September 30, 2014 and our net interest margin increased to 3.41% for the nine months ended September 30, 2015 from 3.38% for the nine months ended September 30, 2014.

Provision for Loan Losses

The provision for loan losses decreased by \$14.1 million, or 73.4%, to \$5.1 million for the nine months ended September 30, 2015 from \$19.2 million for the nine months ended September 30, 2014. This decrease is due primarily to continued improvements in overall asset quality as classified loans decreased by \$9.2 million, or 4.4%, to \$200.6 million at September 30, 2015 from \$209.8 million at September 30, 2014. In addition, total nonaccrual loans decreased by \$21.9 million, or 24.4%, to \$67.9 million at September 30, 2015 from \$89.8 million at September 30, 2014. Annualized net charge-offs declined as well to 0.26% in the current year from 0.43% last year. Additionally, during the prior year period two troubled business banking loans required combined provisions of \$8.2 million.

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

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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.

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Noninterest income decreased by \$4.2 million, or 7.9%, to \$49.3 million for the nine months ended September 30, 2015 from \$53.5 million for the nine months ended September 30, 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 \$3.6 million, or 79.8%, to \$921,000 for the nine months ended September 30, 2015 from \$4.5 million for the nine months ended September 30, 2014 as a result of the sale of equity securities during 2014 for a substantial gain. Loss on real estate owned increased by \$896,000, or 95.6%, to \$1.8 million for the nine months ended September 30, 2015 from \$937,000 for the nine months ended September 30, 2014. This increase is due primarily to the additional write-down of one foreclosed commercial property in the first quarter of 2015. Partially offsetting these factors was an increase in services charges and fees of \$717,000, or 2.6%, to \$27.8 million for the nine months ended September 30, 2015 from \$27.1 million for the nine months ended September 30, 2014. This increase is due primarily to an increase in the number of loan and transaction deposit customers as well as adjustments to deposit account fees made in late 2014. In addition, insurance commission income increased by \$457,000, or 6.9%, to \$7.0 million for the nine months ended September 30, 2015 from \$6.6 million for the nine months ended September 30, 2014, due primarily to the acquisition of another insurance agency as of January 1, 2015.

Noninterest Expense

Noninterest expense increased by \$12.4 million, or 7.7%, to \$172.7 million for the nine months ended September 30, 2015 from \$160.3 million for the nine months ended September 30, 2014. This increase is primarily the result of increases in acquisition expense, compensation and employee benefits, and processing expenses. Expenses totaling \$8.4 million were incurred during the nine months ended September 30, 2015 related to the LNB acquisition. Compensation and employee benefits increased by \$3.2 million, or 3.8%, to \$87.8 million for the nine months ended September 30, 2015 from \$84.6 million for the nine months ended September 30, 2014. This increase is the result of the LNB acquisition and normal annual increases in compensation. Processing expense increased by \$2.7 million, or 13.9%, to \$22.7 million for the nine months ended September 30, 2015 from \$20.0 million for the nine months ended September 30, 2014, due primarily to technology upgrades including the implementation of software that provides our customers with enhanced security for online financial transactions and the additional maintenance costs attributable to the addition of the LNB operations. Partially offsetting these increases was a decrease in other expenses of \$1.6 million, or 21.2%, to \$6.1 million for the nine months ended September 30, 2015 from \$7.6 million for the nine months ended September 30, 2014 due primarily to the timing of charitable contributions and the related state tax credits which are delayed as a result of the current Pennsylvania budget impasse. Professional services also declined from the prior year by \$718,000, or 12.6%, to \$5.0 million for the nine months ended September 30, 2015 from \$5.7 million for the nine months ended September 30, 2014 as a result of the completion of a third party engagement to review our compliance management system during 2014.

Income Taxes

The provision for income taxes increased by \$3.7 million, or 23.5%, to \$19.3 million for the nine months ended September 30, 2015 from \$15.6 million for the nine months ended September 30, 2014. This increase in income tax expense is primarily the result of an increase in pretax income of \$3.4 million, or 5.6%, and a reduction in tax free income from municipal bonds as well as a lower amount of Pennsylvania state tax credits anticipated for 2015. Additionally, the prior year benefited from the tax deductibility of the special common stock dividends paid on shares held by our benefit plans. Our effective tax rate for the nine months ended September 30, 2015 was 30.3% compared to 25.9% for the nine months ended September 30, 2014. We anticipate our effective tax rate to be between 30.0% and 32.0% for all of 2015.

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(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 September 30,					
	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 \$496 and \$486, respectively)	\$ 6,584,664	76,583	4.66%	5,912,890	71,306	4.78%
Mortgage-backed securities (c)	498,757	2,230	1.79%	569,482	2,504	1.76%
Investment securities (c) (includes FTE adjustments of \$530 and \$840, respectively)	482,666	2,754	2.28%	488,893	3,405	2.79%
FHLB stock	39,552	451	4.52%	43,986	452	4.11%
Other interest-earning deposits	162,041	99	0.24%	323,447	187	0.23%
Total interest-earning assets (includes FTE adjustments of \$1,026 and \$1326, respectively)	7,767,680	82,117	4.24%	7,338,698	77,854	4.24%
Noninterest earning assets (d)	846,439			537,065		
Total assets	\$ 8,614,119			7,875,763		
Liabilities and shareholders equity:						
Interest-bearing liabilities:						
Savings deposits	\$ 1,324,620	865	0.26%	1,228,105	834	0.27%
Interest-bearing checking deposits	1,022,585	149	0.06%	899,231	152	0.07%
Money market deposit accounts	1,217,122	825	0.27%	1,187,024	802	0.27%
Time deposits	1,577,159	4,324	1.09%	1,553,867	4,517	1.15%
Borrowed funds (e)	906,410	6,713	2.94%	876,034	6,700	3.03%
Junior subordinated debentures	111,213	1,274	4.48%	103,094	1,182	4.49%
Total interest-bearing liabilities	6,159,109	14,150	0.91%	5,847,355	14,187	0.96%
Noninterest-bearing checking deposits	1,054,270			891,842		
Noninterest-bearing liabilities	275,435			66,432		
Total liabilities	7,488,814			6,805,629		
Shareholders' equity	1,125,305			1,070,134		
Total liabilities and shareholders equity	\$ 8,614,119			7,875,763		

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Net interest income/ Interest rate spread		67,967	3.33%	63,667	3.28%
Net interest-earning assets/ Net interest margin	\$	1,608,571	3.50%	1,491,343	3.47%
Ratio of interest-earning assets to interest-bearing liabilities		1.26X		1.26X	

(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 4.63% and 4.75%, respectively; Investment securities 1.84% and 2.10%, respectively; interest-earning assets 4.19% and 4.17%, respectively. GAAP basis net interest rate spreads were 3.28% and 3.21%, respectively; and GAAP basis net interest margins were 3.45% and 3.40%, respectively.

Table of Contents**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 September 30, 2015 and 2014

	Rate	Volume	Net Change
Interest earning assets:			
Loans receivable	\$ (2,258)	7,535	5,277
Mortgage-backed securities	42	(316)	(274)
Investment securities	(616)	(35)	(651)
FHLB stock	45	(46)	(1)
Other interest-earning deposits	10	(98)	(88)
Total interest-earning assets	(2,777)	7,040	4,263
Interest-bearing liabilities:			
Savings deposits	(32)	63	31
Interest-bearing checking deposits	(21)	18	(3)
Money market deposit accounts	3	20	23
Time deposits	(261)	68	(193)
Borrowed funds	(212)	225	13
Junior subordinated debentures	(1)	93	92
Total interest-bearing liabilities	(524)	487	(37)
Net change in net interest income	\$ (2,253)	6,553	4,300

Table of Contents**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.

	2015			Nine months ended September 30, 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 \$1,427 and \$1,569, respectively)	\$ 6,228,049	219,210	4.71%	5,856,940	212,437	4.85%
Mortgage-backed securities (c)	494,416	6,522	1.76%	597,042	7,963	1.78%
Investment securities (c) (includes FTE adjustments of \$1,872 and \$2,592, respectively)	483,792	8,761	2.41%	501,120	10,504	2.79%
FHLB stock (g)	37,112	1,289	4.64%	43,882	1,425	4.33%
Other interest-earning deposits	217,232	418	0.25%	352,370	673	0.25%
Total interest-earning assets (includes FTE adjustments of \$3,299 and \$4,161, respectively)	7,460,601	236,200	4.23%	7,351,354	233,002	4.23%
Noninterest earning assets (d)	664,830			563,902		
Total assets	\$ 8,125,431			7,915,256		
Liabilities and shareholders' equity:						
Interest-bearing liabilities:						
Savings deposits	\$ 1,273,724	2,516	0.26%	1,225,411	2,459	0.27%
Interest-bearing checking deposits	940,814	411	0.06%	882,465	440	0.07%
Money market deposit accounts	1,176,446	2,349	0.27%	1,181,056	2,376	0.27%
Time deposits	1,480,247	12,344	1.11%	1,598,870	13,941	1.17%
Borrowed funds (e)	932,123	20,617	2.96%	876,606	19,880	3.03%
Junior subordinated debentures	105,800	3,604	4.49%	103,094	3,509	4.49%
Total interest-bearing liabilities	5,909,154	41,841	0.95%	5,867,502	42,605	0.97%
Noninterest-bearing checking deposits	975,904			853,294		
Noninterest-bearing liabilities	156,247			98,877		
Total liabilities	7,041,305			6,819,673		
Shareholders' equity	1,084,126			1,095,583		

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Total liabilities and shareholders equity	\$	8,125,431		7,915,256	
Net interest income/ Interest rate spread			194,359	3.28%	190,397 3.26%
Net interest-earning assets/ Net interest margin	\$	1,551,447		3.47%	1,483,852 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 4.68% and 4.81%, respectively; Investment securities 1.90% and 2.11%, respectively; interest-earning assets 4.17% and 4.15%, respectively. GAAP basis net interest rate spreads were 3.22% and 3.18%, respectively; and GAAP basis net interest margins were 3.41% and 3.38%, respectively.
- (g) Excludes the \$1.0 million special dividend paid in February 2015 from the average yield calculation.

Table of Contents**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.

Nine months ended September 30, 2015 and 2014

	Rate	Volume	Net Change
Interest earning assets:			
Loans receivable	\$ (6,406)	13,179	6,773
Mortgage-backed securities	(87)	(1,354)	(1,441)
Investment securities	(1,380)	(363)	(1,743)
FHLB stock	100	(236)	(136)
Other interest-earning deposits	5	(260)	(255)
Total interest-earning assets	(7,768)	10,966	3,198
Interest-bearing liabilities:			
Savings deposits	(38)	95	57
Interest-bearing checking deposits	(54)	25	(29)
Money market deposit accounts	(18)	(9)	(27)
Time deposits	(563)	(1,034)	(1,597)
Borrowed funds	(491)	1,228	737
Junior subordinated debentures	3	92	95
Total interest-bearing liabilities	(1,161)	397	(764)
Net change in net interest income	\$ (6,607)	10,569	3,962

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.

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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 interest 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 5%, 10% and 15%, respectively, within a one-year period.

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.

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 September 30, 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 September 30, 2015 levels.

Non-parallel shift in interest rates over the next 12 months	100 bps	Increase 200 bps	300 bps	Decrease 100 bps
Projected percentage increase/ (decrease) in net interest income	(1.0)%	(1.6)%	(2.9)%	(3.4)%
Projected percentage increase/ (decrease) in net income	(1.5)%	(1.6)%	(3.8)%	(9.9)%
Projected increase/ (decrease) in return on average equity	(1.5)%	(1.7)%	(3.7)%	(9.7)%
Projected increase/ (decrease) in earnings per share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.08)
Projected percentage increase/ (decrease) in market value of equity	(3.8)%	(8.1)%	(13.5)%	(0.7)%

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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.

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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 12.

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.

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

a.) Not applicable.

b.) Not applicable.

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c.) The following table discloses information regarding the repurchase of shares of common stock during the quarter ending September 30, 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)
July	127,489	\$ 12.51	127,489	
August				
September	127,489	\$ 12.51		

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)
July	20,011	\$ 12.51	20,011	4,979,989
August				4,979,989
September	20,011	\$ 12.51		4,979,989

(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.

101.INS XBRL Instance Document
101.SCH XBRL Taxonomy Extension Schema Document
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

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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: November 9, 2015

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

Date: November 9, 2015

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