

Northwest Bancshares, Inc.
Form 10-Q
November 08, 2013
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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, 2013

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) 94,193,125 shares outstanding as of November 4, 2013

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NORTHWEST BANCSHARES, INC.

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ITEM 1. FINANCIAL STATEMENTS

NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except share data)

	(Unaudited) September 30, 2013	December 31, 2012
Assets		
Cash and due from banks	\$ 93,335	88,277
Interest-earning deposits in other financial institutions	321,344	362,794
Federal funds sold and other short-term investments	634	633
Marketable securities available-for-sale (amortized cost of \$1,084,596 and \$1,053,122)	1,092,799	1,079,074
Marketable securities held-to-maturity (fair value of \$129,580 and \$161,969)	125,937	155,081
Total cash and investments	1,634,049	1,685,859
Personal Banking:		
Residential mortgage loans held for sale		15,441
Residential mortgage loans	2,453,109	2,400,208
Home equity loans	1,072,388	1,076,637
Other consumer loans	225,978	235,367
Total Personal Banking	3,751,475	3,727,653
Business Banking:		
Commercial real estate loans	1,586,991	1,585,833
Commercial loans	392,636	388,994
Total Business Banking	1,979,627	1,974,827
Total loans receivable	5,731,102	5,702,480
Allowance for loan losses	(75,865)	(73,219)
Loans receivable, net	5,655,237	5,629,261
Federal Home Loan Bank stock, at cost	43,716	46,834
Accrued interest receivable	22,560	23,313
Real estate owned, net	20,173	26,165
Premises and equipment, net	142,487	138,824
Bank owned life insurance	140,389	137,044
Goodwill	174,463	174,461
Other intangible assets	2,541	3,529
Other assets	72,764	77,310
Total assets	\$ 7,908,379	7,942,600
Liabilities and Shareholders equity		
Liabilities:		
Noninterest-bearing demand deposits	\$ 803,498	755,429
Interest-bearing demand deposits	854,288	851,771
Savings deposits	2,348,805	2,271,311
Time deposits	1,718,774	1,886,089
Total deposits	5,725,365	5,764,600

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Borrowed funds	865,096	860,047
Junior subordinated deferrable interest debentures held by trusts that issued guaranteed capital debt securities	103,094	103,094
Advances by borrowers for taxes and insurance	14,152	23,325
Accrued interest payable	861	888
Other liabilities	61,277	62,177
Total liabilities	6,769,845	6,814,131
Shareholders' equity:		
Preferred stock, \$0.01 par value: 50,000,000 authorized, no shares issued		
Common stock, \$0.01 par value: 500,000,000 shares authorized, 94,152,042 and 93,652,960 shares issued and outstanding, respectively	942	937
Paid-in capital	617,180	613,249
Retained earnings	562,758	550,296
Unallocated common stock of employee stock ownership plan	(23,305)	(24,525)
Accumulated other comprehensive loss	(19,041)	(11,488)
Total shareholders' equity	1,138,534	1,128,469
Total liabilities and shareholders' equity	\$ 7,908,379	7,942,600

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(in thousands, except per share data)

	Quarter ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Interest income:				
Loans receivable	\$ 71,480	76,771	216,440	231,888
Mortgage-backed securities	3,113	3,941	9,862	13,041
Taxable investment securities	1,030	577	2,969	1,585
Tax-free investment securities	1,912	2,223	6,069	6,987
Interest-earning deposits	253	364	844	1,217
Total interest income	77,788	83,876	236,184	254,718
Interest expense:				
Deposits	7,150	10,207	22,368	34,335
Borrowed funds	8,126	8,013	23,989	23,824
Total interest expense	15,276	18,220	46,357	58,159
Net interest income	62,512	65,656	189,827	196,559
Provision for loan losses	4,992	6,915	17,555	18,165
Net interest income after provision for loan losses	57,520	58,741	172,272	178,394
Noninterest income:				
Impairment losses on securities		(340)		(885)
Noncredit related losses on securities not expected to be sold (recognized in other comprehensive income)		247		554
Net impairment losses		(93)		(331)
Gain on sale of investments, net	109	260	229	260
Service charges and fees	9,282	9,110	27,010	26,701
Trust and other financial services income	2,380	2,122	6,847	6,256
Insurance commission income	2,019	1,480	6,504	4,801
Loss on real estate owned, net	(111)	(1,187)	(2,526)	(2,839)
Income from bank owned life insurance	1,178	1,148	3,351	3,372
Mortgage banking income	203	1,484	1,395	2,804
Other operating income	1,049	949	3,090	3,190
Total noninterest income	16,109	15,273	45,900	44,214
Noninterest expense:				
Compensation and employee benefits	27,629	28,171	83,715	83,425
Premises and occupancy costs	5,633	5,498	17,530	16,729
Office operations	3,497	3,141	10,631	9,805
Processing expenses	6,036	6,340	19,279	18,541
Marketing expenses	1,032	1,830	5,025	7,695
Federal deposit insurance premiums	1,377	1,305	4,239	4,343
Professional services	1,331	1,939	4,223	5,136
Amortization of other intangible assets	291	219	988	793
Real estate owned expense	681	832	1,880	2,143
Other expenses	2,770	2,528	7,044	6,435
Total noninterest expense	50,277	51,803	154,554	155,045

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Income before income taxes	23,352	22,211	63,618	67,563
Federal and state income taxes	5,752	6,518	17,242	20,328
Net income	\$ 17,600	15,693	46,376	47,235
Basic earnings per share	\$ 0.19	0.17	0.51	0.50
Diluted earnings per share	\$ 0.19	0.17	0.51	0.50

See accompanying notes to unaudited consolidated financial statements

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(in thousands)

	Quarter ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net Income	\$ 17,600	15,693	46,376	47,235
Other comprehensive income net of tax:				
Net unrealized holding gains/ (losses) on marketable securities:				
Unrealized holding gains/ (losses) net of tax of \$(73), \$(998), \$6,767 and \$(2,471), respectively	110	1,550	(10,619)	3,805
Other-than-temporary impairment on securities included in net income, net of tax of \$0, \$(36), \$0 and \$(129), respectively		57		202
Reclassification adjustment for gains included in net income, net of tax of \$55, \$16, \$142 and \$138 respectively	(87)	(25)	(221)	(215)
Net unrealized holding gains/ (losses) on marketable securities	23	1,582	(10,840)	3,792
Change in fair value of interest rate swaps, net of tax of \$(159), \$55, \$(1,400) and \$103, respectively	294	(102)	2,600	(192)
Defined benefit plan:				
Reclassification adjustment for prior period service costs included in net income, net of tax of \$(123), \$(232), \$(369) and \$(695), respectively	229	431	687	1,293
Other comprehensive income/ (loss)	546	1,911	(7,553)	4,893
Total comprehensive income	\$ 18,146	17,604	38,823	52,128

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(dollars in thousands, except per share data)

Quarter ended September 30, 2012	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 June 30, 2012	97,880,874	\$ 979	662,183	552,278	(20,244)	(25,192)	1,170,004
Comprehensive income:							
Net income				15,693			15,693
Other comprehensive income, net of tax of \$(1,195)					1,911		1,911
Total comprehensive income				15,693	1,911		17,604
Exercise of stock options	147,288		1	897			898
Stock compensation expense				713		375	1,088
Share repurchases	(183,780)		(2)	(2,204)			(2,206)
Dividends paid (\$0.12 per share)				(11,469)			(11,469)
Ending balance at September 30, 2012	97,844,382	\$ 978	661,589	556,502	(18,333)	(24,817)	1,175,919
Quarter ended September 30, 2013	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 June 30, 2013	93,877,847	\$ 939	613,520	557,104	(19,587)	(23,743)	1,128,233
Comprehensive income:							
Net income				17,600			17,600
Other comprehensive income, net of tax of \$(300)					546		546
Total comprehensive income				17,600	546		18,146
Exercise of stock options	274,195		3	2,657			2,660
Stock compensation expense				1,003		438	1,441
Share repurchases							
Dividends paid (\$0.13 per share)				(11,946)			(11,946)
Ending balance at September 30, 2013	94,152,042	\$ 942	617,180	562,758	(19,041)	(23,305)	1,138,534

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See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (Unaudited)

(dollars in thousands, except per share data)

Nine months ended September 30, 2012	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 December 31, 2011	97,493,046	\$ 975	659,523	543,598	(23,226)	(25,966)	1,154,904
Comprehensive income:							
Net income				47,235			47,235
Other comprehensive income, net of tax of \$(3,054)					4,893		4,893
Total comprehensive income				47,235	4,893		52,128
Exercise of stock options	271,739	2	1,891				1,893
Stock-based compensation expense	263,377	3	2,379			1,149	3,531
Share repurchases	(183,780)	(2)	(2,204)				(2,206)
Dividends paid (\$0.36 per share)				(34,331)			(34,331)
Ending balance at September 30, 2012	97,844,382	\$ 978	661,589	556,502	(18,333)	(24,817)	1,175,919

Nine months ended September 30, 2013	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 December 31, 2012	93,652,960	\$ 937	613,249	550,296	(11,488)	(24,525)	1,128,469
Comprehensive income:							
Net income				46,376			46,376
Other comprehensive loss, net of tax of \$5,140					(7,553)		(7,553)
Total comprehensive income				46,376	(7,553)		38,823
Exercise of stock options	598,562	6	5,555				5,561
Stock-based compensation expense	269,320	3	2,831			1,220	4,054
Share repurchases	(368,800)	(4)	(4,455)				(4,459)
Dividends paid (\$0.37 per share)				(33,914)			(33,914)
Ending balance at September 30, 2013	94,152,042	\$ 942	617,180	562,758	(19,041)	(23,305)	1,138,534

See accompanying notes to unaudited consolidated financial statements

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(in thousands)

	Nine months ended September 30,	
	2013	2012
OPERATING ACTIVITIES:		
Net Income	\$ 46,376	47,235
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	17,555	18,165
Net gain on sale of assets	(813)	(490)
Net depreciation, amortization and accretion	6,638	7,166
Decrease in other assets	5,665	16,641
Increase in other liabilities	4,131	9,892
Net amortization/ (accretion) on marketable securities	204	(59)
Deferred income tax benefit	(52)	(36)
Noncash impairment losses on investment securities		331
Noncash write-down of real estate owned	3,580	2,129
Origination of loans held for sale	(36,411)	(180,319)
Proceeds from sale of loans held for sale	52,408	168,442
Noncash compensation expense related to stock benefit plans	4,054	3,531
Net cash provided by operating activities	103,335	92,628
INVESTING ACTIVITIES:		
Purchase of marketable securities available-for-sale	(233,606)	(299,414)
Proceeds from maturities and principal reductions of marketable securities available-for-sale	202,109	262,192
Proceeds from maturities and principal reductions of marketable securities held-to-maturity	29,193	63,583
Loan originations	(1,536,087)	(1,568,290)
Proceeds from loan maturities and principal reductions	1,469,752	1,371,874
Redemption of Federal Home Loan Bank stock	3,118	2,101
Proceeds from sale of real estate owned	14,134	11,145
Sale of real estate owned for investment, net	485	343
Purchase of premises and equipment	(12,653)	(11,804)
Net cash used in investing activities	(63,555)	(168,270)

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NORTHWEST BANCSHARES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (continued)

(in thousands)

	Nine months ended September 30,	
	2013	2012
FINANCING ACTIVITIES:		
(Decrease)/ increase in deposits, net	\$ (39,235)	44,431
Proceeds from long-term borrowings	30,000	
Repayments of long-term borrowings	(51)	(52)
Net increase/ (decrease) in short-term borrowings	(24,900)	27,679
Decrease in advances by borrowers for taxes and insurance	(9,173)	(12,001)
Cash dividends paid	(33,914)	(34,331)
Purchase of common stock for retirement	(4,459)	(2,206)
Proceeds from stock options exercised	5,561	1,893
Net cash provided by financing activities	(76,171)	25,413
Net decrease in cash and cash equivalents	\$ (36,391)	(50,229)
Cash and cash equivalents at beginning of period	\$ 451,704	688,297
Net decrease in cash and cash equivalents	(36,391)	(50,229)
Cash and cash equivalents at end of period	\$ 415,313	638,068
Cash and cash equivalents:		
Cash and due from banks	\$ 93,335	91,286
Interest-earning deposits in other financial institutions	321,344	546,149
Federal funds sold and other short-term investments	634	633
Total cash and cash equivalents	\$ 415,313	638,068
Cash paid during the period for:		
Interest on deposits and borrowings (including interest credited to deposit accounts of \$20,126 and \$29,606, respectively)	\$ 46,384	58,152
Income taxes	\$ 22,177	10,389
Non-cash activities:		
Loans foreclosures and repossessions	\$ 11,667	17,141
Sale of real estate owned financed by the Company	\$ 888	428

See accompanying notes to unaudited consolidated financial statements